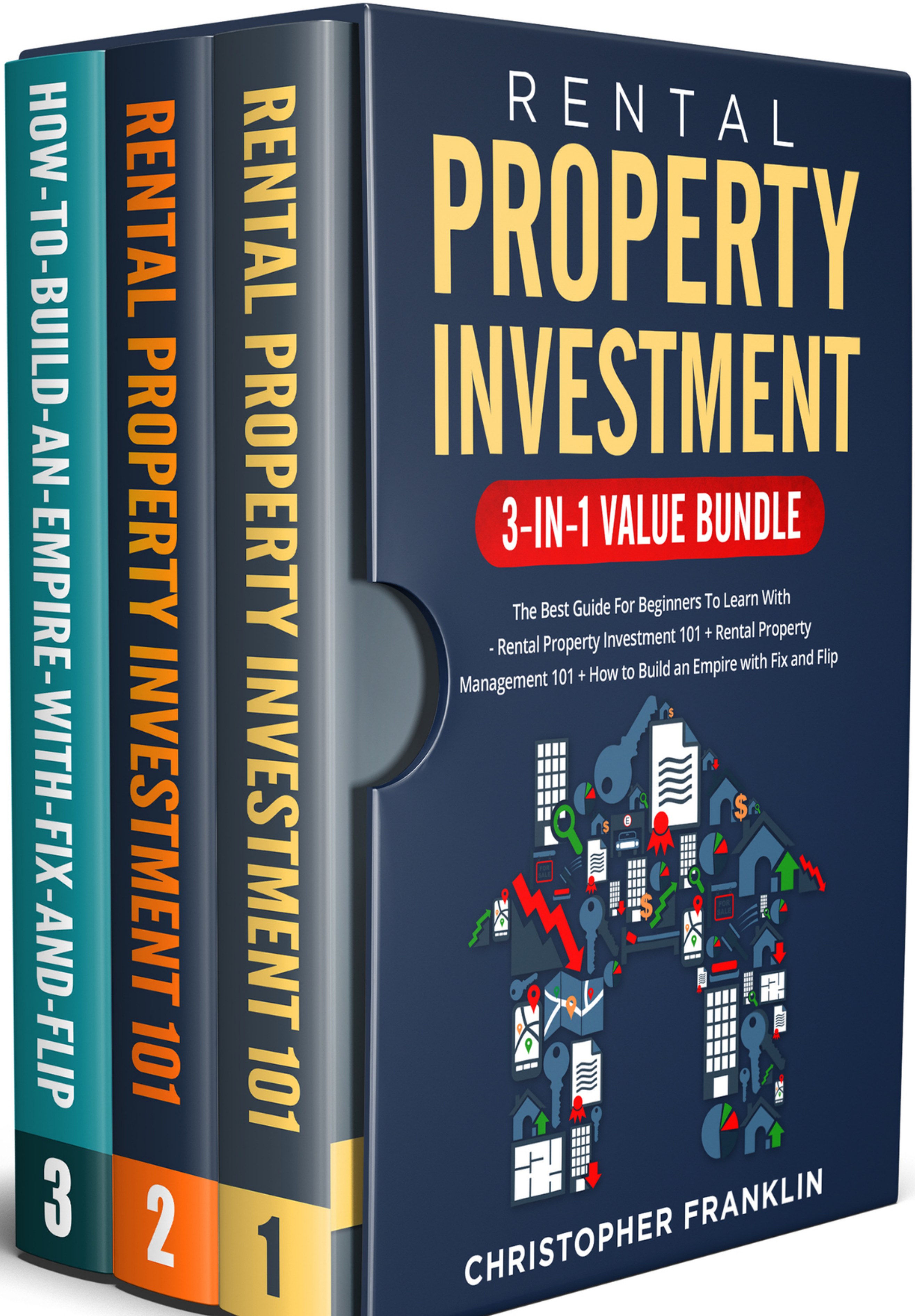
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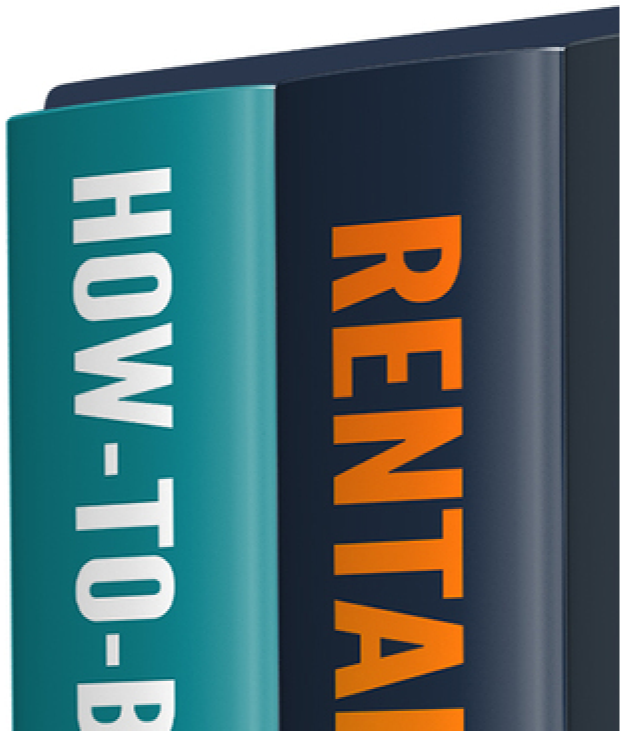

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Christopher Frankli n

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INTRODUCTION

Investing in rental properties is becoming an excellent choice for investors because they are anxious for sudden declines and negligible gains in the stock market.

Are you looking for an investment in real estate? Make sure you know what it is before you start searching. Although it is a profitable business, it is not easy. You must retain the property to earn the financial returns during your ownership period.

For many, investing in rental property is simply something like buying a home, renting it out, and then earning money while relaxing on a bank. However, this is far from realistic, especially if you want a steady rental income for years. Packing up a rental property and making a healthy rental income for a year or two is nothing more than an everyday task. However, maintaining a stable rental income until you sell the property is a big effort on your part.

As an investor, there's nothing worse than keeping a rental property vacant. This is because you still need money for the maintenance of the property, which offers you no returns as it is vacant. Therefore, you should actively seek out tenants and do everything possible to accommodate them. It involves meeting the needs of tenants and making timely repairs. Although you can do insignificant repairs yourself, it is better to entrust other complicated tasks (repairing leaking pipes and glass) to an expert.

In your search for rental property investments, it is essential that you consider the location. It involves considering the distance between the property and your home, the availability of tenants, the average rent you can charge, and the ability of local tenants to pay you. Some places may be more advantageous than others. For example, it is best to rent a home near a university, as a large number of students are likely to be looking for a home near their university. This is a large supply of tenants throughout the year.

In short: investing in rental properties is about analyzing the location, doing what you need to rent your estate, keeping your tenants happy, and keeping the property so that it can be rented year after year, and so on until the minimum is limited—the vacancy period.

CHAPTER 1

WHY I FELL IN LOVE WITH RENTAL PROPERTIES?

In this dark Chinese cafeteria, the nine simple words held between my trembling fingers excited me. A few days after graduating from high school, it was a hot summer afternoon. My best friend Jane and I decided to go to our favorite restaurant - a Chinese buffet outside Minneapolis for breakfast. We talked about life, children, our college plans, our crazy girlfriends, new gossip, and all other pressing issues. Two 18-year-old boys from the Midwest usually talked about sweets and chicken. Cooked rice, jam, wontons, and endless soft drink fillings.

When our conversation began to calm down, the tall, middle-aged waitress went to pick up the dirty plate and left the check. None of us succeeded; instead, we looked for two fortune cookies on the table account.

Jane asked, "Christopher, do you want to live a normal or abnormal life as you age ?

When I put the fortune cookie on the cover, I thought about her question for a while. I am an ordinary child in an ordinary city, with general qualifications, general work, and general life outlook. Things looked good to me, so when I took out the clear plastic from the fortune cookie, I looked at Jane and said in my eyes: "I will live a normal life. I am satisfied with it.

I actually think that my performance cannot exceed the normal level, so why did I make a mistake? I can handle the usual situation. I deserve it. It is made every day.

I tore the fortune cookie in half and carefully glued the white paper inside. I will never forget the five words printed in red ink: "There is no ordinary life".

Why do I like renting so much?

I think it's no secret to rent real estate. Of course, it might be interesting to return to the wholesale market. There may be fewer tenants with invoices and liens. It is a known fact that the stock market is well known. But rent is my real business hobby.

Let me explain why.

Leveraged purchasing power

Renting a property is great because you can borrow money from a bank or other people to increase potential income. To put it another way, you don't need to own 100% of the purchase price of the property to buy. We will explore more about this in this chapter, but what I want to say now is this: leasing a property allows me to buy large assets at a price that is much less than the funds required to buy stocks or other investments.

The ability to make big money

I can not only use my money but also use my time and skills to do magic in this game, which is difficult for other investments. In other words: I can hurry. If I want to do the necessary work to repair the property, I can do it. If I want to use my network skills to raise funds, I can do it. If I want to use my knowledge and time to find a better deal that can provide a better job, then I can do it. If I invest in a leased property, I can predict my future.

Ability to directly manage my investment

I admit that I have a kind of teacher, which allows me to rent property in a powerful way. Before buying, my job is to analyze the property. It is my responsibility to ensure that the property is in good condition; it is my responsibility to ensure the best operation of the property. I don't have to hang out in New York for my own life direction. I will monitor investments directly and actively.

People need shelter

The real estate market is fluctuating, but the charm of rent is that the demand is never-ending. People are always looking for a place to live, so apart from investing in the latest technology trends or investing in your brother's early years, the real estate industry is a lasting investment. As the increase in student credits makes it difficult to obtain mortgages, and our culture is gradually aware of the increase in liquidity, the demand for rental properties will only increase over time.

It assists thousands of individuals before me

Perhaps one of the greatest benefits of investing in leased properties is the proof provided to us by millions of successful investors. Since the advent of human civilization, homeowners have accumulated wealth by owning and leasing residential property.

Very stable and predictable

Yes, there have been events such as the stock market crash in 2007, but rental real estate owners who invested in long-term profits did not suffer as much as those who tried to " excessively" make money. (Or as my good friend and co-owner said: "Drunk and greedy punk"). I would also like to say that for those who are concerned, the decline in the real estate market in 2007 is foreseeable because one of the characteristics of the real estate market is that the cycle will never disappear. Once investors know this cycle, the old adage "buy low and sell high" becomes much easier.

Incredible change

Rental properties also provide incredible diversity in asset classes. I can invest in single-family houses, small multi-family houses, large multi-family apartments, office buildings, high-end, low-end, transitional, and many other options. Therefore, in each of these classes, I have important traits, secondary traits, newer, older, larger, smaller, ugly, beautiful, etc. You can go around. As the famous investor Donald Trump said: "It is tangible, strong, and beautiful." From my point of view, it is artistic, and I like real estate. "

Simple and easy

Although I have never said that using leased real estate is easy, I think investing in leased real estate is simple and straightforward. Obviously, this involves not only buying properties and relocating tenants, but successful strategies are not difficult to learn or master. To help you, those who have mastered the subject have written numerous articles on the subject. You can find books (such), podcasts, articles, blogs, forums, online groups, tutors, etc.

In addition, competent people can help you. A few months ago, I encountered a situation that I did not know how to deal with (a tenant accidentally smoked and set fire to part of his house outside, but said he did not). I contacted other investors and got good advice, and it cost me very little money.

I am going to buy at market price

I was raised by the "mother of garage sales," who taught me always to maintain the best price value. Therefore, I have the ability to find properties that can be purchased below market prices. This is one of my favorite reasons to buy rental properties. In other words, I can buy a lot of things!

Find a property worth your money

The $100,000 that I can buy for $80,000 really appeals to me and is part of the way I have created wealth so quickly over the past eight years. I will definitely discuss this strategy in more depth later in this book.

The use of inside information is legal

In the world of Wall Street, there is a concept called "inside information", which is where investors profit from stocks because they can obtain secret information that can help him buy at the right time. Buying and selling this activity is not only prohibited in the stock market, but also illegal, and may even put you in jail. However, as a rental real estate investor, I can use any hidden information I find to support my investment. If I know that a new tram is approaching nearby, I can occasionally leave the hotel before the news is released. When I hear that a large industry is leaving a certain area, I can leave that area before the market slows down. Unlike the stock market, it is 100% legal, and it is recommended to use it in the fixed income range.

Several ways to make money

One of the biggest benefits of investing in leased real estate (especially other real estate and strategies) is the ability to take advantage of the four main sources of fixed income. This is very important, and I think it deserves a separate introduction below.

You don't have to make money there.

Finally, I like the idea of making money without personally participating. This is the so-called "work" and I want to avoid it. But keep in mind that the real estate industry is usually not a 100% passive industry, but over time, the process you establish will outsource most of the land lease process whether the dollar rose in the morning.

Four generators

When I decided to become a regular investor, my trend was to become a full-time swimmer. I really like taking bad property and making it shine. However, I quickly realized that when I cleaned the house, I was building a job rather than investing. Although I can make a lot of money by selling property, I still make money by creating wealth. When I stop working, the money stops. Then, I discovered another investment niche, which explores not only one but four different sources of wealth generation: rental properties. The four sources are valuation, cash flow, tax savings, and loan expenditures. Let’s go through each of them in details .

1. Appreciation

My father bought a beautiful 1969 Chevrolet Camaro in high school, with a flat roof, leather interior, and smooth engine. Fortunately for me, he is a generous person and ignored his 17-year-old son to host special events, including some graduation ceremonies. He kept the car for about five years and sold it immediately after graduation, which was $5,000 more than he paid. Unlike cars, most of us drive every day; this car does grow up like a classic car. Because of appreciation, my father somehow liked to drive a classic American muscle car for five years. Now, out of thanks, I am not referring to cars (although we do). I'm talking about appreciation for active financial investment. According to a simple definition, valuation refers to the increase in the value of an asset over time.

A Toyota Camry worth $15,000 in 1999 may be worth $20,000 by 2004.

Good wine is worth $45 on the day it is bottled, but it will be $455 a few years later.

Due to valuation, a $100,000 house in 1990 may be worth $500,000 today.

In fact, there are two types of valuation in the real estate industry: mandatory valuation and natural valuation .

Natural appreciation is the gradual rise in prices over time. This form of appreciation is related to many factors, such as inflation, scarcity, and American greed. When the house your parents bought in 1955 can sell for ten times its original price 40 years later, this is a natural value.

Compulsory valuation is often mentioned in the investment field, which is the concept of updating the property to make the value of the property greater. For example, converting a two-bedroom house to a three-bedroom house can immediately increase its value. Adding a second bath can also increase it immediately. Increasing the profits that can be made from property, especially large multi-family property, can immediately increase its value. These strategies all involve forced appreciation.

As mentioned earlier, I only use one type of wealth generation method when building a house, namely evaluation (mainly mandatory evaluation). These four aspects are used in leased properties.

Obviously, huge wealth has been accumulated through appreciation. I know that many owners bought a simple house in California 20 years ago, and now they become millionaires because of the purchase. Evaluation is a powerful tool and something that investors should seriously consider.

It has black hands, no matter how good it is. In the early 2000s, the national real estate market was classified as " crazy." People bought a terrible property with money and murdered. We don't see the investment gain but hope they can buy something so they can sell it later. "Who minds if each month the estate loses money?" they thought. "In a few years, I will sell it and get more income!"

This "biggest stupid theory" investment eventually put the United States in trouble.

Prices continue to rise, unemployment is rising, and people suddenly realize that they are no longer restricting investment, but are playing the world's largest legal gambling game, and they simply lose. It plunged the world into the deepest recession that most of us know and created more than four million completely negative objects.

Valuation has played an incredible role in the lives of investors, but we cannot deny it, but we also cannot deny the risks associated with valuation profits. On the contrary, I suggest that investors view appreciation as the icing on the cake, because mortgage loans help investment, but not as a basis for investment. It is wise to invest where valuation is possible, but I do not recommend investing in bad or marginal transactions, in the hope that valuation can save you.

Will prices continue to rise due to inflation, scarcity, and greed ?

I have no doubt. Some people who read this book want millionaires (and billionaires), but the analysis of their agreement should not be accepted. Appreciate what appreciation is: the potential return on a successful investment.

Let's move to the second real estate generator: cash flow.

2. Cash flow

In short, cash flow refers to the amount of business remaining after you pay all the expenses; in the property leasing department, cash flow refers to the expenses that you pay that affect the property (such as mortgages, taxes, insurance, vacant houses, repairs, capital expenditures) And utilities). You really need to consider your income and expenses in order to understand your cash flow better, and this is where most people are working. After all, we 're not wizards, so how can we foresee a property's future cash flow that we don't already own?

Although it is impossible to predict the cash flow of an investment with 100% certainty, it can provide very accurate estimates by looking at historical data and average operating data. For investors in leasing properties, the most important source of wealth may be cash flow. The valuation is good, but most investors (including myself) hope to obtain stable and stable investment returns through continuous cash flow. I hope to see the property earn income today (or as soon as possible after he buys it). I don't want to buy a "what if" plan; I want to pay for the "yes" reality. Cash flow is the lifeblood of any leased property investor. Keep cash flow growth, and it will continue to grow. Balance cash flow or use cash flow to lose money, and you are about to go bankrupt.

Let me say it again: buy a rental property that provides cash flow today.

3. Save taxes

The US government likes fixed investors. We provide housing for people who are increasingly concerned about rents and ensuring economic stability. Therefore, the government decided to reward and encourage real estate investors through preferential tax treatment. Indeed, I am not a CPA, and you should always meet one condition before making a financial decision. However, although the income (passive and active) is more than that of Americans, I can guarantee that I pay much less tax than most Americans.

Of course, this does not mean that you have to buy real estate to get tax benefits. Tax cuts will never be done well, but good business can still become stronger .

4. Repay the loan

According to laymen's terms, the fourth and last person to create wealth is called loan repayment: you can accumulate a portion of your wealth by borrowing from the rental property and using the proceeds. For the tenant to repay the loan. And every month

I said before if you remember that the cash flow of a property is total income minus total expenses.

- Interest
- Principal

Director

The principal is the actual balance of the loan that has been repaid, and the interest is the income the financier obtains based on the interest rate agreed to pay when the loan is obtained. For example, you can get a mortgage of $500 per month, and the loan reduces part of the payment amount (principal), while the rest (interest) is paid in interest. For most loans in the United States, interest rates are primarily defined by a term we call "amortization." At the beginning of the loan, most monthly repayments will pay interest, but as the loan matures, the concentration of payments will change, and then most repayments will be transferred to the principal. Therefore, you can pay $500 per month for 30 years, and in the first month, you only pay $400 in interest and $100 in principal. However, in the second month, its interest fell to $399, and its principal fell to $101. This trend continues until the age of 30, when 100% of your final payment goes to the principal.

Use an online amortization calculator, for example, https://www.amortization-calc.com/, and then return to the central question: How does repayment of the loan generate wealth? As I mentioned before, you can create wealth by using the tenant's rental income to repay the mortgage. This is a way to generate wealth because it happens naturally automatically. I like to make a joke, saying that I can receive the minimum wage in my life, and I will never save a penny because my tenants pay my mortgage every month, so I still make a millionaire.

I don't want to suggest that you buy bad property, but I hope that you can recover by generating wealth in this way. Instead, I just explain how the repayment of the loan can create wealth for the investor in the lease of real estate. But keep in mind that if you pay the money for all the property, that particular wealth generator will not apply; in this case, there is no need to pay an overtime loan. However, if you don't have a loan, you can get a larger percentage of the rental income from the property, so your cash flow may be higher .

I think this increment a very interesting question: how much does it cost to start? Can someone borrow it? Should potential investors pay cash for everything?

What is the ideal amount to invest in properties?

Perhaps nothing is greater in world history than thinking you don't have enough resources to destroy your ambition.

In reality, I'm constantly talking to people who don't know that to invest in real estate, and there is no 100 percent total purchase price. They looked at a property worth $100,000 and thought: "Oh, I can start saving in 83 years if I can save $100 a month.

As for immovable property, debt typically takes the form of loans. Even if the loan originates from different sources, the process is essentially the same. The real estate buyer contributes a small amount, the lender contributes the remainder of the purchase price for the real estate, and the borrower pays the lender a small sum per month before the loan is canceled.

I would consider purchasing the same property for $100,000 for example, but ask the bank to lend me 80 percent of the purchase price. They will have a USD 80,000 loan, and I just need to submit a USD 20,000 deposit (plus transaction fees, I can pay in a short time) .

Let me repeat this method. To buy a house, I only need to save US$20,000 instead of the total purchase price of US$100,000. Yes, I have to pay a certain amount to the bank for many years, but if I do the calculations correctly, I will end up with more income than the loan. As I mentioned in the previous example, it may take many years to save $100 per month at a rate of $20,000, but there are other strategies to take advantage of greater leverage or find cheaper properties. These strategies are discussed in the next chapter of this book.

Yes, it is simple, but you will be surprised by the number of new investors who do not know this game.

Leverage may, of course, be both a curse and a blessing. The greater the power you make use of, the greater the risk. For example, you don't have to repay the loan every month if you repay 100 percent of the house. Consequently, the property's three-month vacancy is scarcely used. Or, if the purchaser's interest payment is just 5 percent, and the house 's value is reduced by 20 percent, the debt would be below the floor, which means you borrow more money. This can restrict future options and markets, refinance and make almost anything more complicated. Nonetheless, in 2007 and 2008, debt was the main cause of house collapse and excessive market negativity. Owner Hank purchased a $100,000 house with 100 percent financing. % And put $0 on the attribute. Once the property's value fell to $80,000, and Hank lost his employment, he could not sell the property because he owed much more money than he could get. The bank has to recover $100,000, but much of the property sold by Hank was $80,000. As a result, like millions of others, homeowner Hank only allowed the bank to resign and keep the property.

Is that power to be blamed? Should we pay 100 percent of the rent?

I want to update your questions and drive you to be different about issues. I don't want to think about how much money you should deposit in the building, but I want you to consider: "How protected am I?" There are many ways to improve leverage security, so let me address two key points.

First, depositing on the property is not as important as getting the treatment it gets. To demonstrate this point, let me ask a simple question about "which of the following is riskier:

You buy a house at $100,000 and you pay 30 percent of the cost, and you get a $70,000 loan; I bought the same house at $70,000 with an advance payment of 0 percent, and I got a $70,000 loan. So, who's the biggest risk? Because our loans are of the same value, I 'd say you 're taking bigger chances because you've spent more capital.

Secondly, investment in leased assets can help reduce the risks of leveraged financing. For example, if you do the calculations correctly before you purchase an investment property and know you have to pay for a certain percentage of the available property for the year, then the vacancy does not occur (if it happens). It isn't going to affect the performance negatively. That is just a part of the package. Your experience will protect you from problems with your investment. And, in the chapters of this book, you'll learn how to evaluate real estate investment.

Maybe I can now understand why I can't simply answer the following question: "How much should you invest in rental real estate?" However, I don't want you to complete this section without considering some content, so let me propose the two most common cases.

Home Hacking: You can secure a bank loan of up to 3.5 percent through the FHA loan system if you intend to purchase and live in a small multi-family property of two to four units. This approach is called "household robbery" and is a good tactic for those who just start in the real estate industry and don't have money and experience. However, you must live on the property for at least a year to be considered.

Standard loans-Regular loans are loans that comply with certain strict government guidelines. Many banks are hoping to set the minimum rent deposit at 20 percent. Many banks allow up to 10% in some cases, while others require more, such as 25% or even 30%. Every bank has its own conditions, but as long as you are eligible for a loan, via this letter you will receive funding with a deposit of about 20 percent, which we will address later. Most of the situations in this book use the 20 percent daily fee as a guide for preparing and formulating future strategies as this approach is the most popular. But note that the dollar sum or the percentage of payments is not as relevant as the principles that function on the surface.

To be honest, I don't want people to avoid using 100% of their cash for real estate purchases and loans. I am a follower of Dave Ramsey's personal finance advice, which always pays 100% cash for all investment properties. I do know, however, that many people (including myself) who continue to invest until they have acquired all of the requisite funds would stagnate for decades.

I encourage you to pretend you 're not in business if you want to spend all of your money. Please go to Nordstrom, a pharmacy, or look for a rental property if you have a dangerous purchase in stock. If you can pay for it by cash, people would be mathematically "soft" and will pay the house a high price, because it is much easier to write a check than to close a contract. Understand the figures, evaluate each property carefully and ensure that the property you manage can offer a very good return on investment. Note the price is not equal to interest. As Warren Buffet put it: "The price paid is the acquired interest. "

You are now used in real estate and its work. If you own a rental property and use all your investment income to earn a living, it will affect your ability to earn wealth through compound interest. Although you can still create wealth by paying off loans, saving taxes, and performing assessments, you can do better. By reinvesting your cash flow in your business, you can earn additional interest in addition to the aforementioned interest, as shown in my example in a $1,000 bank account. It may be tempting to make cash flow and make money, but if you don't think about the long-term consequences first, don't do it. Maybe you don't want to accumulate a lot of extra wealth. In this case, of course, you have to pay!

However, if you want to increase your wealth exponentially, consider keeping your job or finding another way to make money.

If you invest in the future (mainly buying and retaining investments), you are reinvesting profits into your business and considering long-term development. You can't just rely on the money you get from your investment to sustain it and pay the bills. You must have other sources of income. Therefore, many homeowners will sell houses or buy in bulk. These solutions can help them pay their bills and save more money to maintain their leased property .

How to make work more difficult by renting a house?

Well, I spent a few pages convincing you not to stop working, or at least not to live on your own money. However, I know that some of you go very far, or you may not want to build a lot of good rental properties, so let me explore the idea of renting out your work.

If you want to stop using the cash flow of a leased property, make sure you need a lot of cash flow. We have two methods: the "cash flow per port" method and the "return on investment" method. 'method. I will explain both to you.

Cash flow per door: An easy way to consider the financial freedom of working on leased property is to check the cash flow per door. In other words, if you pay monthly, how much money is left for each unit? Suppose you want to have at least $100 in cash flow every month after paying all expenses. How many units do you need to leave? If you need $2,000 a month to survive, you need 20 units. (But be careful. The real estate industry always has real estate, and unforeseen expenses may occur at any time, so if you follow this strategy, make sure you have a lot of cash reserves). Do you also have enough income? survive? "How much should you earn?" A good friend of mine advised investors that their business should complete at least three jobs before considering it. Taxes doubled, survival doubled, reinvestment and unforeseen events doubled. I think your suggestion is not far away .

Return on investment: Investors who are more "interested" in mathematics can get more technical information by checking the ROI and investment amount. For example, suppose you only buy a rental property that generates a 10% return on investment; we also assume that you want to "draw" $100,000 in passive cash flow from the rental property each year. You will then use these two numbers to calculate how much money you will need to invest. Use it to use the following simple formula:

Annual cash flow / interest rate = investment cash

$100,000 / .1 = investment funds

$ 100,000 / 0.1 = $ 1,000,000

Therefore, with a 10% return on investment, you need to invest $1 million to achieve this goal.

$100,000 in cash flow from your property.

Following?

This book is useful if you want to stop working. If your goal is to complete retirement, this book will help you. If your goal is to build incredible wealth, then this book will be useful .

More than ten years ago, I sat in this dark Chinese restaurant and read nine sentences that changed my life. I really like this. Life itself is so rare and unique that ordinary people will only use it. This book is designed to help you make changes and do more. Realize that an extraordinary life is not only possible but also possible there. There is no "normal life", so now it is time to face your destiny and protect your precious life. This will be a crazy journey.

CHAPTER 2

THE RATIONALE OF INVESTMENT AND INVESTMENT DECISION MAKING

In this chapter, the fundamentals of investing as a wealth-generating activity are discussed. The problem of investment and its management will be considered together with the key players, the decision-makers of this important economic activity. After the classification of investment decisions, the investment decision-making process is extensively examined.

INVESTMENT PRINCIPLES

The fundamentals of investing must be preceded by an attempt to define investment as an economic activity. Investment is about creating, developing, and protecting wealth.

Investment involves an amount of capital incurred for the benefits that will be received in the future in the form of an income stream or a capital gain or a combination of both. As an economic activity, the investment can be defined as follows: Investment is the use of capital resources to obtain the maximum reward.

Funds are pledged at various businesses that promise attractive returns at the expense of the partial or total loss of funds without any absolute guarantee of the size or collection of returns. Therefore, the investment is certain sacrifices for uncertain benefits.

There are two main aspects to investing: expected return and risk. The return aspect is perhaps the easiest to observe and measure. It is usually translated into monetary terms, and it is very large. On the other hand, the risk factor poses significant conceptual and analytical problems. Risk is a difficult term to see and describe and is almost impossible to quantify directly. In an ideal and rational world, an investor is expected to live according to the maximum: "maximize returns and minimize risks."

Unfortunately, in the real world, investors find it difficult to stick to this discipline. Initially, investors do not always behave rationally, as they are usually swayed by the daring of the markets in which they operate and tend to follow fashion. Moreover, investment risk problems cannot be completely eliminated, even in an ideal world .

Investments can be classified in various ways, and investors are offered a wide range of investment opportunities, all with different investment characteristics. This variety creates the problem of choice, which requires the establishment of criteria and a rational basis for comparison. Typically, a rational choice is made based on performance: risk characteristics provided it is measurable according to an appropriate standard.

The biggest problem for an investor is determining whether he wants to acquire or sell an individual investment proposal. You may also have more complications:

1. If funds available for investment are limited, you have a budget problem.

2. If you are going to invest excess funds, but the right investment projects are not readily available: you have a problem supplying the market.

3. If funds allocated to some projects cannot be easily reached and transferred to other projects, you have a cash flow problem.

4. If the risk-return characteristics of investment proposals need to be considered against the rest of the assets you own, you have a portfolio problem .

THE INVESTMENT PROBLEM

In the presence of difficulty and risk, the investment question can be described as an issue of decision making. The investment problem is a combination of the three fundamental problems that follow:

1. Selection problem Choose the investment alternative that promises attractive returns with an acceptable level of risk. This implies the need to quantify and measure performance and risk expectations.

2. Allocation issues Decide on the appropriate level of capital commitment, taking into account the degree of risk exposure.

3. Time Expenditure Decides when investment projects should be acquired or sold to achieve certain performance objectives while minimizing

exposure to risk.

These issues are further complicated when the additional dimension of the interdependence of individual investments in a portfolio environment has to be considered .

ON CONTROLLING INVESTMENT PROBLEMS

At the heart of the investment, the problem is the uncertainty that inevitably affects all future events. This problem of uncertainty can never be completely solved because no one will have a full understanding of the future. However, the uncertainty problem can be dealt with because the consequences of actions in the past, present, and future are not entirely random. Some consequences are not only visible but inevitable, with the exception of a catastrophic event. In contrast, the circumstances under which such consequences would be assessed in the future are subject to random variations.

It is safe to assume that investors' primary goal is to maximize the return on dedicated capital. We want to ensure that future returns are maintained and scaled under real conditions to protect our capital under real conditions. All reasonable investors want higher returns than lower returns and prefer lower risks to higher risks.

Investors have faced these questions in different ways over the centuries. Some of these approaches are sensible and rational, while others are very irrational. The saying "don't put all eggs in one basket" is one of the sayings in most languages. Some investors are aware of the dangers of an "all or nothing" approach and the security aspects of their investment packages. Other investors are taking another promising path to tackle investment issues. Her outstanding experience, skills, and confidence in her experience have led her to a "one-stop-shop" or "special approach." His strategy was devised by Andrew Carnegie, and the biggest was "put all eggs in one basket and look at that basket."

Only a few investors can continuously monitor and manage their 'basket.' In most cases, the rational and prudent strategy is to diversify, as risks can be reduced by rewarding with returns. This risk-return compensation can be illustrated by an investment in government bonds where the investor accepts a lower return for virtual risk-free.

Large institutional investors tend to diversify their investment portfolios on three levels:

1. They distinguish between the investment means.
2. They diversify between the sectors of a specific investment medium.
3. They distinguish between individual investment projects within a specific sector or a specific investment medium.

The problem of investment requires the continued attention of investors, and its successful management remains the most important task of investment managers and their expert advisers .

TYPE OF INVESTMENT

In all civilized societies, money is the lifeblood of the economy. It appears to be the most important commodity, and its supply and allocation are extremely important. Businesses and industries need an increased supply of this particular commodity, and investors need to meet the long-term requirements and to get the necessary cash injection to sell stocks and shares to the public. Currency is also required to be provided by investors to enable governments and local authorities to carry out their various activities. Although governments and local authorities raise funds through taxes, the investment projects will be extremely difficult without the investor's money.

The investment demand for the flow of funds for various economic activities is mostly satisfied by the individual investor and the large investment institutions. The following types of investments can be identified:

1. Borrowed money creates debt. This debt can be paid on-demand or on a specific date in the future.
2. An investment that transfers a share or participation of a commercial company to the investor .
3. Indirect investment in shares and shares or in properties by buying a stake in a managed fund.
4. Investment in real estate.

5. Invest in useless investments, such as personal property, artwork, or other commodities traded in commodity markets.

Most investments, especially investments by institutional investors, will fall into the following categories:

1. Fixed-rate shares representing tradable debt; Government shares, local government shares, corporate bonds, and loans fall into this category.

2. Shares are representing the acquisition of a share in a commercial company; Preference shares, ordinary shares, and some of the ways to acquire company stocks, such as convertibles and warrants and traded options, fall into this category.

3. Real estate investments cover direct ownership of commercial, industrial, residential, and agricultural interests. Investors can also have an indirect interest in the property by buying shares of real estate companies, real estate bonds, and unit trusts. The latest developments in the acquisition of real estate interests will be available through unification and securitization .

The different types of investments are traded on specialized investment markets. A specific market is known as a medium of investment. Some of these markets are very sophisticated and efficient, while others are fragmented and very inefficient. Market efficiency is generally measured by the availability of commercial information in the market, as well as the efficiency of the pricing mechanism.

Investors generally look for a suitable investment instrument in search of a maximum return on investment while reducing the associated risks. Such a vehicle can be a single investment or a combination of investments.

Equity is generally considered to be the primary investment instrument; Traditionally, the focus has been on this medium. The vast majority of theoretical and analytical work is the result of continued investor interest in this investment opportunity. Alternative investment methods, including ownership, adhere to the modified and adapted theory and methodology developed in the stock market.

INVESTORS AND MARKET CREATORS

Investors are usually classified in the following securities:

1. Personal sector, including individual investor, executor, and administrator .

2. Commercial and industrial enterprises.

3. Banks.

4. Institutions, including pension funds, insurance companies, investment funds, and investment funds. All investment media are dominated by institutions. In terms of the stock market, pension funds hold almost a third of all UK listed shares worth around £150 billion. Millions of people have an interest in these institutions and provide a constant influx of funds for institutions to invest. All nationalized industries, local communities and private enterprises have pension funds that are the main investors. Insurance companies make up another quarter of UK-listed shares. Investment funds and investment funds also have a strong presence in the stock market. Institutions significantly affect the stock market.

In the personal sector, more and more individuals are looking for investments, especially in the area of personal savings, buying a home, and more and more in the stock market. Until 1984, the number of private shareholders gradually declined. However, individual share ownership is increasing rapidly, thanks to the development of employee share schemes and the privatization of industries. Private shareholders now represent around 12% of the UK adult population.

The most sophisticated investment market is the Stock Exchange, whose members trade with investors who want to buy or sell stocks and shares. In this market, transactions were entered into between brokers and stockbrokers who were also considered market makers. As of October 27, 1986, there was only one category of members of the Exchange, called broker/dealer. On the same date, significant changes took place in the traditional forms of the stock exchange. It has maintained international business practices worldwide and also allowed large international stock companies to become members. Members of the Exchange constantly buy and sell shares in accordance with a strict code of conduct.

Brokers are brokers who trade stocks and shares on behalf of investors. They undertake to buy and sell shares of listed companies, government shares for the investor, process transactions, provide investment advice, and offer investment management services.

Market makers are the members of the Stock Exchange who are wholesalers and compete with each other to supply shares and shares to brokers, and who also buy shares from brokers. Since the "Big Bang," the traditional distinction between brokers and market makers has virtually disappeared.

CLASSIFICATION OF INVESTMENT DECISIONS

Investment activity can be seen as synonymous with decision making because investing is a commitment of resources for future returns, and decision making is an engagement in an alternative activity that is more about achieving a defined goal. Investors make investment decisions in an environment that includes a number of factors that influence the attitude of decision-makers.

Strategic decisions are relating to the establishment of general policy objectives, the selection of investment funds, and the allocation of funds to selected funds.

Tactical decisions are related to the implementation of strategic decisions within an investment medium. These decisions relate to the choice of sectors of an investment medium and the choice of individual investment projects in the selected sectors.

Strategic and tactical decisions are subdivided into choices, assignments, and opportunity decisions.

THE INVESTMENT DECISION-MAKING PROCESS

The investment decision-making process includes the following five steps:

1. Definition of specific goals and objectives.

2. Look for a set of alternative investment projects that promise to achieve your set goals and objectives .

3. Evaluate, compare, and rank the alternatives in terms of quantified risks and expectations for a reward.

4. Choose the most satisfactory alternative.

5. Evaluate at a later date the consequences of previous decisions, draw conclusions, review the objectives and criteria.

Although the above steps seem simple, there are a number of difficult questions to solve at each step.

A distinction must be made between goals and objectives. The objectives of the general investment strategy are expressed in the objectives set by the investor. These objectives are not intended to show specific objectives, but provide the general framework and limits for the lower tactical levels of decision making.

Goals, on the other hand, are clear assumptions regarding the expected practical results of investment decisions that can affect strategic and organizational decision-making.

The objectives are formulated in terms of:

(i) the objective or minimum acceptable rate of return;

(ii) acceptable level of risk ;

(iii) growth requirements with respect to income and capital value;

(iv) liquidity preferences.

To set a goal explicitly, it is necessary to calculate goals as single value items or as values. The specific tactical objectives must be quantified by a statement on the availability of funds for the investment and a sufficient time horizon within which the objectives must be achieved.

The lack of suitable proposals can be seriously affected by the search for investment alternatives in certain investment vehicles.

The evaluation and comparison of alternative proposals pose problems with the evaluation methodology. These problems are particularly acute with regard to the quantification of risk expectations. The choice of an alternative depends, among other things, on the use of appropriate criteria. It is very important that the criteria are rational and theoretically sound, but simple and pragmatic. The greatest barrier here is, once again, the presence of uncertainties that tend to diminish the effectiveness of even the best criteria.

Continuous monitoring and periodic review of performance are essential for effective decision-making in order to stay on track towards the established investment objectives. The theoretical framework for rational decision-making is now in an advanced state. Decision-making theory has grown into an advanced discipline since the end of World War II. As a result, today's decision-makers have an incredible array of theoretically sound and quantitative decision-making tools. In practice, unfortunately, only a small proportion of these instruments have been used. Increasingly, decision-making theory is reluctantly accepted, as it seems to be the only way to solve complex decision-making issues in an increasingly complex and dynamic economic environment.

SUMMARY

Investment is the rational use of resources to obtain the maximum reward in the future. Due to incomplete knowledge about the future, investment rewards are subject to uncertainty. Investors risk their resources to achieve their goals. What differentiates gambling and investing is that if rational investors weigh the risks and weigh the expected benefits, players will gamble their resources at some point and speculate recklessly.

If an investment is supposed to be a rational activity, the decision-making that goes with it must also be rationally positioned. The investment problem must, therefore, be seen as a complex and rational decision-making problem that must be dealt with in the presence of uncertainty. The investment problem is divided into problems with selection, allocation, and opportunity.

Managing the investment problem is a conscientious and continuous effort to achieve the objectives and the objectives pursued, in terms of profitability and risks.

The method of making investment decisions

It must be remembered that the realistic decision-maker never has time for abstract theories; you want to make good decisions, but in the real world you are faced with a lack of reliable knowledge, insufficient methods for evaluation, and weak standards for decision-making. In such situations, the use of basic but theoretically defined methods will help decision-makers facing investment problems. In the current investment environment, with the advent of information technology, investors are increasingly faced with the problems of having too much information available, which will inevitably lead to confusion, loss of direction, and inefficient decision making. It is becoming increasingly important to protect investors from the deluge of sometimes totally irrelevant information and to enable them to identify the information needs that are essential for sound judgment in this increasingly complex and complex investment environment. "High-tech." This is why (more than ever before) the theory and methodology associated with investing activity must be understood by all who will be asked at any given moment to exercise their judgments, to set goals and criteria in the commitment of resources to earn future profits.

CHAPTER 3

REAL ESTATE FOR THE SMART INVESTOR

Buying, managing, and selling real estate is one of the most profitable and rewarding investment activities you can participate in. There are a lot of ways to invest in property, just like people do. Most investment strategies focus on different times. For example, some investors prefer a short-term approach to "delivery" or "renovation" of a home, while others prefer a long-term approach to buying, managing, or selling—maintenance of rental apartments for several years. Volume is an important factor that influences both strategies. For example, increasing the number of units purchased, sold, or invested increases the ability of an investor to make a profit. Increase the number of units purchased, managed and maintained in the portfolio, Increases the likelihood that investors will generate income.

Historical execution

The real estate market has functioned very well traditionally. Compared with other asset classes, such as equity and commodities, this was more stable and less unpredictable. Home value is slowly growing year after year and rising over the years, but the total value of the house is growing year after year. New-home prices have dropped from an average retail price of $19,300 in 1963 to an average retail price of $228,300 in 2002, the US Census Bureau reports. This corresponds to a cumulative rise over 40 years in the value of 1082.9 percent. This correlates to a very high 6.37 percent annual growth rate. And if you bought a small portfolio of 5 rental apartments in 1963, your total value-added would be $1,141,500 on average.

Four ways to use real estate

The past performance of real estate as an asset class results from an increase in value due to higher prices, capturing only a portion of the profit available to investors. The real estate industry offers three other options for investors to capitalize on. The benefits are due to the reduction of loan principles, tax savings, and positive rental results.

The change in property value due to appraisal and price increase is mainly due to two factors: an increase in money supply and an increase in demand. The Federal Reserve (FRB) is responsible for developing a country's money supply. If money increases too much it causes the dollar to depreciate, and on the contrary, increases in prices and inflation. As more and more dollars flood the market and become able to buy goods, their value begins to decline. I remember not going out much and when I was a kid, I went to the movies for 25 cents. The current price is $6-10 per ticket, depending on your region. Not only was it low priced to go to the movies, but the costs of food, gas, accommodation `and all other commodities were much lower. The resulting increase in prices is due to an increase in the money supply, also known as inflation. The second factor in price increases reflects the changing housing demand. The positive changes in the economic conditions of many families over the last few decades have opened up the possibility of having homes in greater demand. Another important factor contributing to housing demand is the increase in the country's population from two major sources. The first naturally occurs through the birth of children; the second comes from the constant flow of immigrants into the countryside.

A second benefit for investment property owners is a reduction in borrowed capital. If the mortgage is paid monthly, some of the payment applies to both interest and principal. Principal deduction means the credit balance is deducted with monthly and yearly payments, so the full amount is paid. For the first few years after repayment, most payments are made with interest and almost no principal. However, over time, the situation gradually recovers as interest rates fall and rise most. For example, a loan with a 30-year repayment period will be paid in full in exactly 360 months if the same installment is paid over the entire life of the loan. The advantage of this advantage is that the tenant pays monthly installments and reduces the loan balance.

The third benefit for homeowners is the reduction in tax burden. The Internal Revenue Service (IRS) requires depreciation of rental properties over a period of time. Depreciation can be a bit confusing for investors new to this concept. The essential thing to keep in mind is that this is a calculation performed primarily for tax purposes and is independent of the cash flow from operating activities. This calculation is for tax reporting purposes, is an annual event, and cannot be effectively applied to expenses, so it should not be taken into account when estimating cash flows from real estate—current monthly. But there is no mistake. Reducing tax obligations is very beneficial. Depending on the number of properties you own and the profitability of each property, you can reduce the tax liability of investors to zero.

The fourth benefit of tenants is the positive cash flow generated by their monthly payments. This is the rest after calculating the difference between monthly rental income minus all expenses. Investors in apartment rentals should strive to buy only properties that meet the two criteria. The first test is to find a rental property that is below the market price. The second test is to make sure that the building cash flows are being generated correctly. For proper rental cash flow, it must be sufficient to generate residual income on an ongoing basis. This means that after all expenses for the month, including principal, interest, taxes, and insurance (PITI), investors will be paid at the end of the day. Positive real estate cash flow is another way investors can benefit from renting real estate.

Affordable housing outlook

There has been much speculation about the so-called real estate bubble. Having attended a recent American housing conference in Chicago, I'm more confident than the real estate bubble has ever been. Certainly, the growth of the real estate market is not down. As always, there may even be a softness stage with flat or fall house values. However, the average annual growth rate of 6.37% over the past 40 years is a reliable indicator of what to expect in the future.

Dr. David Burson, Vice President and Chief Economist of Fannie Mae, attended a US housing conference in Chicago and published an article titled "Long-Term Outlook for Housing, Business and Mortgages 2010". In his talk, he talked about some key points about the outlook for the domestic housing industry over the next decade. The first is the forecast that will require real gross domestic product (GDP) growth of 3.2% to 3.4% to 3.5% in the 1990s. Berson's forecast for fixed-rate mortgages is 7.2-7.5%, up from 7.9% in the 1990s. This creates a favorable interest rate environment for housing construction. Mostly a clumsy indicator. In addition, the 2010 census data predicted a total population of 315 million and increased additional residents by 35 million. The population growth is mainly due to two causes. It is the country's immigration policy that allows the natural population to increase due to the birth of children and free access to our country. Finally, the national average of unsold homes has historically been at a low level, which allows for a close relationship between supply and demand.

The result of these various factors provides investors with a very positive outlook. If Dr. Burson is very specific, he needs to have many opportunities available in the next decade to succeed in one of the most interesting industries, the real estate industry. The techniques described in this book provide the tools you need to realize many of the many benefits that the rental industry will generate in the coming years. It is up to you to implement the techniques described in this document to maximize your chances of success.

In short, you should try to maximize the leverage of all your real estate transactions. Enforcement of the Leverage Act requires leverage and turns (the money of others). You should not be fooled in order to increase the number of rental units you can purchase. Instead, it builds and develops an investment capital base to capitalize on the exciting opportunities that are most likely to occur .

Compound interest magic

Interest on money is the cost of money for a lender and income for a lender. Compound interest is the interest you pay on interest if you are a lender or the interest you earn on interest if you are a lender. Another section of the book by Mark O. Haroldsen that particularly fascinated me explains the importance of the compounding principle for real estate. Mark illustrates this principle with the following example. He writes

If I give you the opportunity to work for you for 10 days for 35 days for you and instead of doubling the amount for 35 days every day, work for me for $35 for 35 days, he offers Are you the job you want? take?

If you go through the first option, you will be paid $35,000 after 35 days. A $35,000 salary within 35 days is amazing. If you choose the alternative of working one cent on the first day and doubling every day for 35 days, increase your money to 100 percent per day.

Using this example in a meeting, about half people like email addresses, and the other half like it. Decide what choices you want to make without using a pencil or calculator.

If the choice was not obvious in the past, it is now safe. At $1,000 per day, Offer 1 totaled $35,000. This number is small compared to the two presentations that started at just one penny. On day 35, this penny made up of 100%, $342,255,206. 100% is unlikely to be selected daily, but I'll use this simple example to illustrate the power of magic bubbles. To get the most out of this important tool, we encourage you to join a team of experts. This quickly adds value to your real estate portfolio.

How to create a $10 million retirement portfolio?

Buying, managing, and selling real estate is arguably one of the safest ways to build a large portfolio of retirement savings. Building a $10 million worth of real estate portfolio can take years or even years, depending on your ability to buy a rental home. Ultimately, patients and enthusiastic investors who follow a well-defined and systematic approach will retire more than enough to enjoy a very comfortable lifestyle.

The Complete Real Estate Usage Guide uses the following analogies to describe the investment process a person needs to succeed.

Just as a beautiful and healthy tree needs sunlight, food, and water for good nutrition, it also needs a process of producing prosperity. Leave your fate to opportunity, and you probably won't have a chance to leave. To build wealth, you need to plant the right seeds and feed and water over time. Sometimes you need size. A strong, beautiful tree forms in front of you almost before you know it. The magnificent noble oak tree on the surface shows a lot of beauty and elasticity, but it extends far below the surface and is the root system of the tree, which is invisible to the human eye. It gives you strength and stability and resists strong forces. Like a natural oak, branches must also be well established in the real estate foundation before they can grow. By applying the principles learned from this book, you can finally enjoy the soft comfort of the shade of its branches. The wind of adversity may strike you with strong force and enthusiasm, but when you are ready, you do not win.

Success in the real estate industry is not a coincidence. You need a well-defined plan that sets specific goals. Determine exactly what you are looking for in a real estate investment activity and the time range to reach your goals. Make your goals realistic and concrete. You have to start from the end. In other words, before you start your journey to your destination, you need to know where to go. Otherwise, if you don't know where to go, how do you know when you get there? Only you can decide the fate of life. If you don't have one, you'll get where you want to go, and you won't find it anywhere.

You would agree that building a $10 million real estate portfolio wouldn't happen on its own. It requires some effort on your part. Not many, but a few. In this example, the investor simply purchases $200,000 worth of rentals each year for 10 years and then ends. Depending on where you live, an average rental home can sell for just $100,000. This means you need to buy two homes instead of one. Instead, you can sell it on your market for rent of over $65,000. In this case, you need to buy 3 rental apartments. You get the idea: A rental property valued at $200,000 per year for a total of 10 years. Here! You can stop after accumulating investment property for just ten years. I mean, if you want, This example also assumes an average annual growth rate of 6.37%. This is the historical average for the 40 years from 1963 to 2002 mentioned above. If you only own your property, your 12th minimum principal is over $1 million. This capital reflects only the value that results from the increase in the value of the real estate and does not reflect income from homes, a reduction in debt due to loan payments, or tax incentives that result from the portfolio. Be patient, wait another five years, and by the 17th year, your net worth will exceed $2 million. Waiting another seven years, the wealth will double again. In 24 years, it has grown to $4.4 million. Perhaps even Donald Trump would have built up the enviable property if it lasted a few more years. At the age of 35, his fate exceeds $10 million.

Follow the instructions given earlier in this chapter. After all, as a savvy investor, you need to be ready to take a systematic approach to build such wealth. Over time, you can create a well-defined business plan and use it to implement your investment strategy. Then you're ready to stick with it. That doesn't mean you need to be rigorous and solid in your approach. Even the captains of large ships sometimes have to turn the bar when trying to keep the wind and ocean currents out of the way. You may also need to adjust the ladder from time to time when unexpected events occur.

CHAPTER 4

SELECTING GREAT RENTAL HOUSES FOR THE SMART INVESTOR

Qualified investors understand that they need to provide the right type of products in the right place to rent a house successfully.

And the price is right: If you are new to real estate, you may encounter many problems. The first question that naturally arises is: "What kind of house should I buy?" There are so many options available that, at first glance, they seem too numerous to mention. If you feel overwhelmed, don't be disappointed! You feel completely normal. Many decisions must be made, and as a future owner, the type of house that needs to be purchased is one of the most important decisions. Your selection process will include several essential factors. You need to consider the location of the house, the type of community you live in, and the type of house you live in. You must also consider the age of the property and its physical condition. You should also consider the price and terms of purchase. The price and condition of the house are important for two reasons. The first reason is that you can pay the tenant, and the second reason is that you need a cash flow that is meaningful to you. Before you can determine whether a rented unit can provide enough funds, you need to know how much rent you need to recover. By limiting the choice to two or three candidates, you can analyze your income and expenses and measure the return based on the investment criteria you set.

Patience in the selection process is patience. If you were like me, when I bought my first rental house, you might feel impatient, excited, and kind. Remember, your main reason for starting this business is to make money. So be smart, and don't worry before you start doing something.

How to choose the right place?

As a senior investor in the housing leasing industry, you need to pay great attention to the location of your unit. The most suitable type of housing rental is usually between 10 and 35 years old. These communities represent areas where middle-class citizens live. Communities younger than ten years old usually have larger and more expensive houses, while communities older than 35 years old are usually located in turbulent areas of the city. It is not always the case, however, but I see that the 40-year-old and above areas are still running well, and the property is proud. The 35-year rule is a generalization in which trends in older houses and communities may depreciate.

Your waiting time is an important factor to consider when choosing a location. Put differently, how long do you plan to stay at home? If you want to keep the rental unit until the mortgage is paid off (e.g., 25 or 30), and the house you are considering is approaching the end of its economic life, you may need to reconsider. Buying a rental house that you want to keep for 30 years and has been 30 years may not be the best choice for you. The simple addition is that the house will be 60 years old when it is ready for sale and can be considered functionally obsolete. This is a polite statement and is of no value to anyone. If you think about the other way round, if you plan to keep the house for only five to ten years, then your decision to buy an old house may be a good decision.

For investors, the ideal place is that most houses are well maintained and in a non-shrinking environment. The area must be established, with good schools and a moderately strong resale market. Such communities often exhibit features such as relatively mature gardens, dense lawns, and houses. The list below contains a 10-point checklist to determine the appropriate location you want to be familiar with .

Ten-point attribute list

- ✓ The age of this community is between 10 and 35 years old.
- ✓ Residential property sales are expected to be moderate to strong.
- ✓ The neighborhood should include attractive, well-maintained, and well-restored houses.
- ✓ Mature landscaping and well-manicured lawns are standard features in most houses nearby.
- ✓ This is a famous area with a low crime rate.

- ✓ There are no garbage trucks, cars or trailers in the garage, in front of the house, or worse, in the garden.
- ✓ The vessel is properly stored (if allowed).
- ✓ The community is free of debris and debris.
- ✓ The area is very close to schools, churches, and shops.
- ✓ The neighbor may not be in the descending area of the city.

Choosing the right type of hous e

At least how many different types of houses are there. For example, one-bedroom units, slightly larger houses (with two bedrooms), and three- and four-bedroom houses. Some houses have garages, while others have internal garages. Some houses have a terrace, while others have a terrace. Some houses may be single-story farms, while others may be two-story colonial farms. With a lot of options, it can sometimes be difficult to determine which type is best for your investment goals.

A savvy investor will assess surrounding markets that may affect his choice. In other words, you need to ask yourself: "Who are my potential tenants, and where are they from?" For instance, if you live in a college town or near a university, your tenant may prepare a budget for young students. This means that you should do everything possible to find a house that best suits your needs. According to my experience, due to the limited budget of ordinary college students, she is usually willing to sacrifice all the extra costs for cheap places. Limit your options to affordable housing, such as one-bedroom savings or small two-bedroom houses with little profit. Students do not need a spacious space, a terrace, a garage, or a covered parking lot. Need cheap housing. For this particular market, you can even consider using small double or three-story buildings .

Suppose you do not live in or near the university city. Review the market in your area again and determine who your customers or tenants will be. In most regions, the largest group of potential tenants are families with one to four children, with an average of two children per child. These families usually need a house with two or three bedrooms, one or two bathrooms, and a garage that can accommodate one or two cars. Please note that tenants generally cannot make purchases for one reason or another. They may have insufficient income or poor credit history. Whatever the reason, it is not as important as admitting that most households have a budget. As a result, they regularly search for basic shelter. This means you need to consider these facts when looking for suitable housing. Generally, you should look for small houses with two or three bedrooms, which are affordable compared to market prices. The income from these properties should be enough to cover all expenses, pay off debts, and leave something behind. The "remaining" part represents the return on investment (ROI), so you belong to the real estate industry.

Physical condition: inspection is essential

The physical condition of the rental house may be very poor, convicted, very good, and impeccable. The type of property you should focus on depends largely on your investment goals. Some investors want to buy rental properties that are well maintained, clean, and usable. On the other hand, some investors prefer leased properties that require maintenance. Some people like repairs because they can buy them at a lower price than refurbishing houses. These people will spend time and work to regularly add a property or create value for the property and even hire maintenance personnel to perform these tasks. In the complete manual on property changes, I wrote a complete book specifically for this strategy. Property conversion or restoration for rapid resale can be very profitable. If you want to invest energy and time on repairs or purchase a prefab home, you have to decide for yourself.

If you are the type who is unwilling to do some extra work, then please focus on the house that needs minor repairs. Buying a rental property that falls into this category will be the most profitable because it reduces the number of necessary improvements so that you can maximize your return on investment. Another issue is the time required for major repairs. Compared with a house that only needs major repairs, it takes much less time to rent a house. If you plan to rent a house, the longer you work, the greater the loss in rental costs. Ideally, you want to start collecting rent after paying the down payment. If you decide to make better repairs, I suggest you look for houses that look much worse than they actually are. In other words, you need to look for houses that require cosmetic repairs, such as new paint, beautification, and possibly good cleaning. Exterior repairs are quick and easy to perform and are usually the cheapest type of repair.

The following survey items outline what to look for when assessing housing conditions. Chapter 3 contains a more comprehensive list that you can use when researching potential rental properties to ensure that you are not overlooked.

You should completely avoid houses with poor or poor foundations because repairs are time-consuming and expensive. For example, if a house is built on concrete slabs and there is a lot of settlement, the house must be leveled. Building a house is not only very expensive but also time-consuming. It costs money for repairs and lost rent. In addition, houses with foundation problems may suffer other structural damage due to settlements. The inside of the inner wall almost always shows signs of settling because the plaster cracked and separated. In many houses, you usually see small cracks in the walls, especially at the joints, so if you see such small cracks, you don't have to worry. You can easily and quickly repair the cracks on the partition with a little mouth, such as wetting and applying a new layer of paint. On the other hand, if you see a large crack in the wall, you are almost certain that the house has a foundation problem. If the house has bricks, look for a space larger than normal in the mortar. Don't worry about fine cracks. If the house does not have bricks, you may see signs of weak substructures around the windows of the door frames and irregular window frames.

If the house is not built on the floor but in the basement, special attention should be paid to moisture prevention. This is very common, especially in old houses. Look for cracks in the walls of the basement. These cracks may leak around you, such as stains or mold. Hollow walls can also accumulate mold in the basement, which has become a major responsibility for many homeowners. It is not uncommon to encounter small cracks in the basement or even on the wall. You don't have to consider these kinds of cracks too much, because they're generally just cracking on the surface and don't go into the floor or wall. Even like houses constructed on slabs with foundation problems are very costly to restore, so are houses built with similar issues in the basements. It is best to avoid problems in the basement and bottom of the stove. There are many other houses in better condition. The roof is another area that may need major repairs. The cost of repairing the roof may vary depending on age and conditions. The minimum life span of most tiles is 20 to 25 years. Therefore, if the service life of the existing tiles is less than 15 years, the number of repairs may be small. After 15 years, the tiles may begin to bend and shrink to the point where leakage may occur, so look for signs of this. One way to determine if the roof is leaking is to look at the roof of the house. If there are stains or water stains, it is a good indication that the ceiling is leaking, and it may be leaking. A stain or wet stain on the attic is also a good indicator. Although older roofs often show signs of fading, newer roofs will gradually fade. Colored ceilings can be cleaned easily and cheaply by chemical methods. Mold growth, which can be dissolved and replaced with water, bleach, and other chemical products offered by most hardware stores, typically causes discoloration. The cost of repairing it might not be an obstacle when a new roof is required. For example, if a new tile layer can be applied on top of an existing layer, the cost and time associated with this will be minimal. On the other hand, if there are already two to three layers of tiles, it is definitely necessary to cut. This may greatly increase the price of the new roof because the labor required for cutting may take extra time and, therefore, may be very expensive. In addition, old houses with multi-layer tiles may require more work. In a new house, the roof made of silk or plywood may be damaged by long-term water leakage. If the house needs to be completely renovated, it will definitely increase the cost of maintenance due to the extra time and materials required to replace the house.

How to determine the best price range in your area

Just as essential as choosing the right house type and the location is to choose a house within the price range. A basic rule to bear in mind when choosing a rental property is to buy homes that are at or below the average home selling price in your city. Average selling price means that half of the houses sold are at a price higher than a certain price, and half of the houses sold are at a price lower than a certain price. For example, if the average selling price in your area is $112,000, half of all houses sold will be $112,000 or more, and half of all houses sold will be less than $112,000.

$112,000. Almost all brokers may know the average selling price and can help determine this. Average selling prices vary widely and depend on the specific area you live in. A census was carried out in the united state in 2000 says that the average selling price of real estate in Victoria County, Texas was only $73,300, while that in Richmond County, New York was not high. $209,100. This is almost three times that of Victoria County.

There are three main reasons to focus your energy on homes with lower average selling prices. Houses in this price range are cheaper for your tenants, require less investment capital, and provide you with higher returns. Needless to say, most tenants cannot afford expensive housing. If they can, they will not rent. Instead, they will buy one. Of course, like everything, there are exceptions, such as a family moving from another area and temporarily renting it out until the construction of the new house is completed. Since ordinary tenants cannot buy more expensive houses, he should concentrate on finding rental units that they can afford. Cheap houses are also your advantage. The less housing costs, the fewer investment funds, and the fewer investment funds, the more houses you can buy. If your investment funds are limited, it will be easier to raise funds for cheaper housing. The dollar investment return for small houses is also higher because the rent per square foot of small houses is higher than that of large houses. For example, you can rent a 1,000 square foot house for $1,000 per month or $1 per square foot per month. On the other hand, the monthly rent for a 2000 square foot house in the same block may be about $1500 or 75 cents per square foot.

Qualified investors know that they need to maximize profits to find rent below average. I suggest you take a look at smaller, more affordable houses that can be easily rented. This will reduce your risk in the housing rental industry while maximizing your chances of success. Choose high-quality rental housing for your property.

Lio first looks for a nearby location, not an ideal place that is too old and in the city. The house should be the smallest traditional type, with two or three bedrooms, two or more bathrooms, and a garage for one or two cars. Furthermore, each house should be checked carefully to reduce unplanned maintenance costs. Finally, buy a house that is reasonably priced and whose price is lower than or equal to the average selling price in your particular market.

CHAPTER 5

FINANCING YOUR RENTAL PROPERTY

Your success in the real estate investment industry largely depends on your ability to obtain financing for investment properties. To master the various options available, you must fully understand the basic elements that make up the property's ability to generate income. Since the terms and conditions set by the borrower are different in almost all loans, it is important to understand how these differences will affect you. In this chapter, we will explore the complexity of the various components that affect your investment property financing, then look at the documentation most lenders need, and finally look at some of the many financing techniques you can use.

Financing conditions

Three main variables affect mortgage payments. This is the interest rate, repayment period, and loan amount. It is important to understand how these variables affect the profitability of investment properties. A major change in any of these three variables will change the net cash flow of the property and easily change its viability as an investment opportunity.

The interest rate is the first of three variables that affect mortgage payments.

Loan interest can be described simply as the cost of the loan and an additional installment payment, in addition to the amount due or principal. Interest rates differ widely between the many choices available for financing leased assets. Banks and mortgage firms also fight intensely. Bank loan maturity is typically short, and banks also use simple interest rates as a benchmark for pricing the loans. On the other hand, mortgage lenders usually have a longer-term and are based on indexes such as Treasury bills or the interest rate index provided by the London International Bank (LIBOR). Since the interest paid on borrowed funds represents the cost of funds, the higher the fee, the greater the amount paid. For example, for a small loan of US$100,000, a 0.5% interest rate difference will have the least impact on the viability of the investment property. However, if the loan exceeds $1 million, the 0.5% difference will be even greater. Experienced investors should take necessary precautions when applying for financing to negotiate the most favorable interest rate, especially for larger loans.

Studying Table 5-1 can better understand and analyze the impact of different interest rate changes. Using the calendar developed for Symphony Homes and The Value Play, we can examine the impact of interest rate changes on the $250,000 base loan. The loan line matrix illustrates how changes in interest rates affect changes in monthly payments. The loan amount is USD 250,000, the handling fee is 6.0%, and the monthly repayment amount is USD 1,498.88. By decreasing the interest rate by 0.5%, the payment will be reduced to $1,419.47, which means a direct savings of $79.41 for investors. Using this matrix, you can quickly and easily study the impact of interest rate changes on different loan amounts.

The second variable that affects mortgage repayment is the repayment period. Although the interest paid is the cost of the loan, the repayment period is to calculate the period of the loan, provided that the loan has been written off or repaid in full within the specified period. The amortization procedure provides the homeowner with a list or schedule of payments due during the loan period, indicating the part of the payment applied to the principal and the part applicable to the interest. This information is useful because investors can quickly see how many payments are being used to reduce the loan balance at any time during the repayment period. The shorter the repayment period, the higher the repayment amount; on the other hand, the longer the repayment period, the lower the payment. Let's look at a simple example :

Loan amount = PV = $250,000; Amortization period = n = 180; Interest rate = i = 6.0%; Amortization period = n = 360; payment = pmt = $2,109.64 payment = pmt = $1,498.88

In this example, the difference between the 15-year loan period and the 30-year loan period is $610.76 per month. Therefore, a question arises: Is it better to get a 15-year loan with a higher monthly repayment period, or a 30-year loan with a lower monthly repayment period? I consider using the 30-year discount because it offers more versatility, and you will do your utmost to reduce monthly cash flow. However, I work with many clients who plan to purchase investment properties and maintain long-term investment relationships, so I prefer a shorter relationship time. However, I recommend adding flexibility to loans with the longest repayment period. If you want to pay off the loan in less time, you can pay off more every month, but you don't have to.

List of loan documents

The documents required to apply for a mortgage vary from financier to financier. I think that some banks or mortgage companies require too many documents before approving loans, while others are more friendly. For example, I recently purchased an investment property from a moneylender who has never used it. The mortgage company requested more documents than any other lender he had worked with. I jumped your basketball once, but never again. I literally spent a few hours looking for a bank statement and zero reporters for two years to prove that I had created a personal loan for another entity. The loan was finally approved, and I bought the property but did not buy mine. In contrast, I applied for another investment property loan two days ago. This time, it only took a few recent bank statements to determine whether the money could be used for payment and my credit report, and the lender withdrew the money. Compared to the first lender, working with this lender is relatively simple. Guess whom I will return next time I need this kind of financing? If you guessed the second lender, you are absolutely correct.

Compared with large mortgage lenders, the types of documents required by first mortgage lenders over the counter are more common. The largest mortgage company has a complete insurance department whose job is to make people like me unhappy. On the other side, small local banks are skeptical of creditors but tend to be less proactive about paperwork.

Before submitting a formal application, creditors usually classify applicants based on certain criteria previously determined by the applicant to determine how much they can borrow. Based on the combined monthly income of $7,250, a monthly debt of $1,075 and a monthly payment of $10,000 will be eligible for collateral, ranging from $208,442.75 to $219,747.95. Rates and conditions indicated in the program. This example only applies to homes owned by the owner and does not consider the rent that will be obtained from the leased property.

Since the borrower is qualified, the lender must verify certain documents. The following table lists the items required by banks or mortgage companies. As mentioned above, some creditors will charge more than the items covered in this list, while other creditors will charge lower fees.

List of loan documents

Loan application form

A copy of the agreement between the buyer and the seller, including the sales contract and attached attachments.

Financial statements including personal property (including other real property)

Your income and business balance (if any).

Personal and professional income statements for at least the first two years.

Cash required to verify repayments and reserves: bank statements, information about savings and retirement accounts, other applicable asset s

Complete credit certificate and FICO report

If the building is currently used as a rental unit, the historical achievements of the building

Lease of the relevant property (if any)

View related property taxes

Lease Property Insurance File

Third-party reports, including property inspections and evaluations.

A smart way to finance your rental property

To apply the OPM principles described in Chapter 1, you must have the right to use other people's money (OPM). By financing as much money as possible and using as little money as possible, you can enjoy a return on invested capital. Most traditional creditors require a 5% down payment to get a 20% discount. For new investors, this may be more than some of you. We will find a way to raise payment in a few minutes, but the TV gurus have nothing to say? Although there are ways to save costs, my experience is that finding a reliable investment opportunity that requires a 5-10% discount is much easier than waiting to cut deals. In other words, the rental property group needed is much less but not much more than what is provided. It's like comparing an Olympic-sized swimming pool with the child of a one-year-old son I bought at a local discount store. There is a lot of water in the Olympic swimming pool. If you can't pay, then you can't expect anything, but if you have at least money to cooperate, I suggest you invest-check the scope by looking at the properties that require deposits. I will not fire you, especially if you are just starting to invest in real estate. However, I say this because it is based on more than 25 years of experience. I think that more experienced investors will agree with me when reading this book, that is if you have money to do it, instead of buying nothing to take over the world. The following list describes six smart ways to fund your rental property. This is by no means an comprehensive list of many ways to raise funds, nor is it. The purpose of this section is to provide several of the most common methods of raising funds, mainly through debt instruments, except for option contracts. There are many innovative ways to raise funds through equity financing—research checklist.

Credits

Almost various credit lines are available. Credit cards and national credit cards (such as Discover, MasterCard, and VISA) are the most common. The terms and conditions of such credit lines vary widely. The best interest rates and longest terms are usually found in domestic stock credit lines, while domestic and retail credit cards tend to offer higher interest rates and payment terms. Many of you may own your own houses. For those who do this, you may already be familiar with housing loans (HELOC). HELOC is a second mortgage that is mortgaged by the borrower's main house. It allows the owner to use the net value of his house to borrow, usually up to 100% of the house value, and sometimes even higher. Because this type of loan is mortgaged by a home, the interest rate is usually lower than other types of credit, such as credit cards. HELOC loans give lenders the option to borrow a house only by checking the check. These funds can be used for almost any purpose and are a good source of funds for cash advances. However, you need to go to a money lender to make sure you can borrow money to pay. Some lenders have absolutely no problems, while others need money to pay for cash already available. One way to meet this requirement is to use your credit line and deposit funds into a bank account before purchasing an investment property. As long as you don't violate the terms and conditions specified in the HELOC loan, it is completely legal. You just need to borrow from the approved credit line and put it in your bank account. The possible negative effect of using credit line funds is that it will increase your personal debt ratio. Since most creditors have a predetermined debt ratio that needs to be met, you need to ensure that the borrowed funds do not exceed the limit and eventually disqualify you .

For investors who insist that this is not a deal, this is a way to borrow money from a local stock loan and pay the deposit for the leased property. Since these funds are borrowed, they do not represent cash capital. For example, if you bought a house for $100,000 and borrowed $90,000 from the mortgage company, and the remaining $10,000 was used for the mortgage, you would create a zero transaction because 100% of the money was spent. The borrowed funds are used to purchase leased properties.

Cards such as Visa and MasterCard are also important sources of funds. Almost everyone can use a credit card, and almost everything can use a credit card. Most credit cards provide an option to make your credit limit reach a predetermined limit to obtain a cash advance. You can also write checks, which can be used for almost everything, including your investment property. National credit cards often have higher interest rates than other types of loans; therefore, you must use them wisely. Although credit lines can be an excellent source of credit capacity and enable investors to take advantage of them, I still recommend that you use them wisely. Remember to use these funds for investment purposes; therefore, use it with caution. Don't go away; all your "maximum" cards don't believe you can conquer the world. This is a troublesome sure way. If you are not careful, you may create a black hole, and the cash flow is negative, which is difficult to obtain. Remember, payment must be made at any given time. Since your goal is to obtain a predetermined rate of return for all borrowings used for investment purposes (including the different credit lines available), you need to ensure that the investment generates sufficient cash flow. It is important to cover all sources of debt and meet payment requirements.

Small local bank

Regular bank financing is usually available in small local banks. These types of banks can only cooperate with one or two branches, and the deposit base is only US$15-20 million, or it can be slightly larger, with up to 5-10 branches and US$200 million in deposits. An important advantage of using a local bank is that it can provide creditors with greater flexibility compared to traditional sources (such as mortgage lenders). For example, in addition to improving housing conditions, local banks can also borrow money to purchase leased property.

Small local banks also know more about the local environment, so they have more confidence in specific markets than large national or regional financial institutions. It is also much easier to establish personal relationships with local bankers than with other types of creditors (such as traditional mortgage lenders). Where the local bank's decision is partly based on these relationships, investors can join, introduce themselves, and talk directly with money lenders. This gives investors the opportunity to market themselves and their projects. Once the relationship is established and the banker knows you and feels comfortable, future loan applications will become easier, and you may need fewer documents, perhaps just updating—your personal financial statements.

Another thing you can consider is establishing a credit line with a small local bank, such as a credit line. The channel of credit can be unsecured or secured. For example, if you have accumulated funds in another rental property, you can easily use it as a mortgage to secure your credit line. Some lenders also provide investors with unsecured lines of credit, usually starting with a lower line and gradually increasing as the creditor's confidence in you increases. With a credit line, you can borrow funds with a predetermined credit line from the highest lender. For example, with a credit line of one million dollars, investors can purchase multiple properties at once. Assuming that the down payment is 10%, investors can buy up to 10 houses, with an average selling price of US$100,000.

Owner financing arrangement

This refers to financing provided by the seller or owner in one way or another. The seller can provide partial or partial financing for the property it owns. For example, if the seller freely and clearly owns the property, he may be willing to provide 100% financing to the buyer. However, even if there are only one thousand dollars, the seller may require a minimum deposit. If the seller still has a basic mortgage on the property, he can agree to obtain a second mortgage at 10%, 20%, or less than 30% of the purchase price. Investors may need to obtain another mortgage loan from a more traditional source (such as a mortgage company), but asking the seller to repay the second mortgage may choose to pay less rent. Despite, investors should take into account that not all lenders can conduct secondary financing. Before proceeding with this option, please make sure that your mortgage company has no regulations preventing you from making a second mortgage on the property.

There are several advantages to financing a property. One of the main benefits is that the buyer does not have to comply with all the underwriting guidelines required by banks and mortgage lenders. Unlike insurance companies that work with mortgage companies, sellers may need few documents. The seller providing the funds does not care about the source of the deposit, as long as it is somewhere. For the seller, money is money, whether it comes from a MasterCard prepayment, a HELOC loan, or a personal savings account. On the other hand, more traditional financiers, such as banks and mortgage lenders, can very clearly determine the source of payment. In many cases, the money may not even come from family members or friends. If so, you must also prove that the money belongs to you and not from a family member.

Another benefit of financing homeowners is that it avoids the fees and transaction costs normally charged for new loans, thus saving investors money. For example, when using real estate financing, there are no loan application fees, subscription fees, loan activation fees, or payment points. In the final analysis, when you rent a ticket rented by the landlord, the time required to close the leased property is much less than that of a traditional financing agreement because there is actually no procedure to approve the loan.

In short, the success of the real estate leasing sector will largely depend on the investor's ability to obtain financing from one of the many available resources. As a savvy investor, the more you know and understand debt instruments, the more successful you will be. Understanding financing, including interest rates, payment terms, and loan amounts, is critical to achieving financial goals. In addition, a thorough understanding of other financial considerations, such as loan terms, different interest rates assessed by borrowers, and penalties for advance payments, is critical to achieving goals. Finally, you need to understand the different types of financing contracts that allow investors to rent real estate.

CHAPTER 6

FIVE WAYS TO LOCATE RENTAL HOUSES FOR THE SMART INVESTOR

Investing the time to find a proper property for your real estate portfolio is critical to your success. Where you live without matter, there are always countless investment opportunities, many of which can be found in your own backyard. By using a systematic, integrated approach, you can find more houses for rent instead of spending time or money. However, you need to be patient when finding the right attributes. This is especially true for novice investors, who are usually excited and eager to get started. Enthusiasm is important, but if you don't pay attention, enthusiasm can cause problems. To be successful, you need to be fair and objective in your analysis. Manage your investment activities wisely and quickly, be strict, and, most importantly, be patient.

You can immediately use the following five different methods to find amazing rental houses. You can choose to use only one or two of the suggested methods, or use up to eight. I suggest you try the other methods you know best. As I gain more experience and become a full-time real estate company, I recommend all eight methods. The more rental properties are available for evaluation and analysis, the better your choice, and the higher the profit.

Classified Ads

Most local newspapers have advertising sections about the sale of personal homes. Many of these ads are placed by brokers and are intended to ask you to call their office. Look for advertisements that use keywords, such as investment opportunities, rental houses, or beginners' houses. Typically this descriptive language means you are in search of an old house in a given culture. Such kinds of ads merit research. However, if the house is no longer available or doesn't fulfill your investment requirements, the house always offers an opportunity to talk to a sales agent who can recommend an ideal home. The rent which suits your needs best. If the agent list is not what you want, then you should recommend someone in your office who specializes in real estate investment grade.

Most of the ads in the advertising section are sold by the owner (FSBO). You should also look for keywords again, which indicates that the owner is eager to sell; he can provide flexible terms, or the price of the house he owns is lower than the retail price. As you become familiar with local market prices, your ability to see large transactions will increase. Many homeowners do not know how much their home is really worth. For example, if the owner has lived in the same house for 20 or 30 years, he may not realize that the house price has risen as before, and the house is being offered to a third party. The value is much lower than the market. Some of you may think this is good for these people. I think the seller has an obligation to know the price of the house in his area. In my opinion, it is those people who determine the price, not me. If I can be sure that the price is higher than that of other houses in the area, I will not ask the seller: "Why is the price so low?" I think the owner knows what he is doing and has his own reason to sell below fair market value products.

Finally, you can use ads to search for your own ads in the "Real Estate" section, and the good news is, you do not have to spend a lot of money on these ads. Well-written and concise ads can be as effective as larger, more expensive ads. Your objective is to persuade people who want to sell their home to call you. The design of the ad should attract specific asset types to the type of housing you are looking for so that people don't have to worry about the type of housing you are looking for. If you are looking for a specific house, say three bedrooms and two bathrooms within a specific price range and with special conditions, and indicate in the advertisement .

Real Estate Magazine

Almost all regions regularly publish books or magazines specifically designed for real estate sales. Usually, you can find different magazines, some of which focus on one field, while others focus on another. Permanent business magazines can be found in many places, including shelves or newsstands located outside real estate offices, pharmacies, and supermarkets. Real estate magazines can be an important resource for finding single families. You can also find many real estate-related advertisers that will help in these publications, such as real estate agents, mortgage companies, appraisal services, surveys, securities companies, real estate services, and insurance companies.

Most of the adverts in these magazines are placed by brokers; they regularly place all the ads on one page. The advertisement usually contains a photo of the agent and a compelling reason for you to contact the agent to obtain the property. Although most magazine advertisements are placed by brokers and brokers, some magazines have FSBO sections. Although most of the sales agents in these publications focus on the traditional retail sector, there are usually many agents or businesses specializing in different areas of the real estate market. For example, some companies mainly focus on commercial real estate, while others focus on vacant or underdeveloped land. Others specialize in wholesale markets, such as distributors. Look for these easy-to-read magazines, which can be easily found in your area. It can provide a variety of information, including resources directly related to your real estate investment needs.

Internet research

There are many websites that provide various information about houses for sale. You can search in your area or any other area, for example, enter a phrase such as "Homes for Sale in Goodrich, Michigan." This search usually returns results from 20 to 30 or more listing sites in your area. The National Association of Realtors is probably the most famous of all real estate for sale. You can find this site on www.realtor.com. The website contains a list of more than 2 million different types of houses, including single-family houses, country houses, villas, multiple apartments, mobile homes, vacant lots, farms, and rents. The data obtained from these lists comes from multiple list services and does not contain any FSBO functions. The site is accessible to the public, so you don't need to be a real estate agent to access the site. It looks a lot like a multiple listing feature for properties available to the public or those with computer and Internet access.

You can also search using zip code, state, property type, price range, city, house age, number of floors, minimum and maximum square footage, and other criteria. Most listings provide a descriptive description of the property, photos, and contact details.

Some strong online sites are local newspapers. For all major newspapers contain a comprehensive list of relevant parts of the websites. The information is constantly updated on a daily basis. Typically this depends upon how frequently the article is written. For instance, if it is a record it can be updated daily. The national newspaper is published regularly. One of the advantages that newspaper platforms provide on platforms like Realtor.com is that there are many advertisements placed by people, such as FSBO homes, including ads placed by real estate agents. Newspaper advertisements on the Internet are not as comprehensive as websites like Realtor.com, but they do provide a lot of property portfolios for real estate agents and individual owners. These are just two of the many geographic investment opportunities on the Internet. The best way to buy real estate in your area is to use search engines such as Yahoo, Google, or MSN to conduct a specific search in your area.

Real estate broke r

In my comprehensive guide to buying and selling apartments, I discussed two techniques that can save you thousands of dollars in all your real estate transactions. A deep understanding of these two principles allowed me to save $345,000 in one transaction. Ignoring these two extremely important principles may disrupt your real estate career. The following story told in my apartment book is a good example of the importance of these two success laws. See if you can tell them apart by reading the story.

I bought a medium-sized C-level apartment building that meets all my precious gaming opportunity standards. In the first six months, I made some improvements to the building and brought it to the C+ category of B. Rental prices have risen, and real estate has stabilized in the ninth month. The complex accounts for 97% to 98% on average and has the least turnover. In the 10th month, it was time to start implementing my exit strategy. I will do one of two things: sell the property directly or refinance to withdraw as much of my funds as possible. I already have a broker who knows previous transactions. In fact, he worked in one of the largest commercial real estate agents in the country. He is a respected and active real estate agent, familiar with the apartment market, I think so too.

My own analysis of the financial statements of my apartment building shows that its value is between US$2 million and US$2.1 million. From what I have, I think I might win $2,050,000 and be willing to pay between $1,900,000 and $1,950,000. To my dismay, the real estate agent I am about to hire on my behalf has proposed an increase of only $1.8 million and said that he is happy to receive $1.65 million. I must admit that his analysis left me with a temporary impression. He is a trustworthy runner, and he is confident that he is capable of it. The sales price of $1.65 million did not match his idea. I began to question myself, asking myself where I was wrong. After all, I spent a lot of time and energy on this project, not to mention spending money. Is it free? My sense of despair lasted for about ten minutes.

It took me a few times to realize that I had two options: I could stay or stand up. I chose the latter. Now is the time for a the other opinion, so you can also get a third opinion. I quickly contacted two other brokers I knew and faxed my financial status. I make sure they will not harm my opinion. The first real estate agent is worth USD 2,100,000, and the estimated value of the second broker is between USD 2,000,000 and USD 2,200,000. bingo! Aahhh, life is good again. My analysis directly targeted the target and was confirmed by two other brokers. In fact, this story has a happy ending. The property was subsequently sold for $1,995,000. A thorough evaluation is required to obtain new funding. The appraisal report showed a value of 2.15 million US dollars, which confirmed my original analysis .

If you have not discovered the two important principles in this practical example, let me share it with you now. The first concept is that you must have a complete understanding of the concept of value related to your investment property. In the example cited here, I will not understand this basic principle of the real estate sector, which cost me $345,000.

The bases of understanding value is directly related to the second principle. Although I understand the true value of the building, the real estate agent I am going to hire does not. The second principle is that the real estate agent you choose to work with must be competent in the real estate field. In this section on an agency, the second principle will be discussed more appropriately.

Before taking the time to build a good working relationship with an agent, you need to assess your skill level. Many agents work part-time and are not enthusiastic about their work. They usually want to make more money. If they sell the house, it will be even better. I suggest you avoid part-time jobs and find someone who likes your job and can do a good job. You need agents who are in the real estate market every day and can provide you with new opportunities after they enter the market. Your agent should always check the offers that may be offered to you. For this, you need to check your investment criteria so that they know exactly what you are looking for. Real estate agents work with commissions, so I can guarantee that they will tell the rental property when they find it. Don't worry about rejecting some of the opportunities they offer. Simply explain to the broker what you don't like and why he does not meet the predetermined investment criteria, and then ask them to find another investment criteria for you. In short, it will provide you with the quotation you need.

I cannot emphasize the importance of working with your professional broker. I have worked with many brokers and agencies, and their experience is wide and varied. Regardless of whether you are buying or selling, the trade agent working for you is a fiduciary duty representing your interests. Therefore, in practice, you must make every effort to make good investment decisions. This includes providing important market data, especially for the environment in which you are buying. For example, your agency needs to generate a lot of comparable sales data to help you analyze your property. Almost all agents are members of the Multiple Listing Service (MLS), where information about sales compensation can be easily obtained. You should ask your sales agent for a list of all activities and a list of all recent sales related to the transaction. If you look at the most recent sales, you will know where the market is and why similar houses are sold in your area. If you check the active list, you will know the current market price and houses comparable to yours. This important market information is vital to your success in the real estate field. Without it, you will not have the basis for making good financial decisions and risk paying too much for a rental house that does not exist in the business world.

In addition to hiring professional agents, this is the best way to find potential investment properties in the housing market, not just one or two. I suggest you establish relationships with other brokers in your area. Everyone (including brokers) works within their own sphere of influence. Despite some overlap, no agent has the same friend or business contact group. Using more than one remedy will increase your chances of facing different and unique opportunities. I'm sure you have heard an old saying:

"Two heads are better than one." Angry investors know that this statement still applies in the field when looking for good deals.

Professional branch

Membership or association with professional organizations is another good way to find rental housing. Qualified organizations include local groups like as the Chamber of Commerce and national groups such as the National Association of Home Builders. Many areas also have real estate associations and clubs. Your participation in professional organizations provides opportunities to collaborate with others with similar interests. Members usually include investors such as you, real estate agents, real estate and tax lawyers, surveyors, judges, and many other professionals.

Business organizations hold regular meetings to share useful information. There are many group meetings every month, for example, having breakfast at a local restaurant. Invited speakers will appear regularly during the conference and introduce their knowledge on specific topics. You can find real estate associations in your area by searching the yellow pages or the phrase "real estate club" on the Internet. One website I use is called Real Estate Promo.com, located at www.realestatepromo.com. Click the "Investment Club" link to find a club in your area. The site contains clubs in almost all 50 states, so you can find something in your area.

Online property

The company's website is located at www.real-estate-online.com. Go to the homepage and click "Real Estate Club" to find investment funds in your area. After determining the club in your area, just dial the phone number, introduce yourself, and discover the time and place of the meeting.

I pray you to join at least one or two professional organizations and become an active participant. Your goal is to meet new people and build relationships with them. You want to expand your reach by meeting as many people as possible, especially with people with similar interests. Make sure that others know what you are doing as a real estate investor and what kind of home you are looking for. Although it takes time to build relationships, you never know when this kind of network will work. The person you are talking to maybe considering selling your house and want to close a deal with you. For example, a chamber of commerce to which I belong as a representative of Symphony Homes distributes newsletters to more than 500 members every month. For a small fee of $50, this camera puts my four-color brochure in the press release, giving more than 500 professionals in my market great exposure. The brochure increased the number of visits to the community covered by Symphony Homes and helped establish a strong brand image. One of the visitors was the local police chief and his wife. Although they did not buy a new house for me, they at least spent time researching my business and many houses under construction. Also, consider how many people know the chief of police. In natural dialogue, he was able to name my company among several of his subsidiaries, and these subsidiaries managed to buy me a new house.

These are five great ways to identify potential investment opportunities. If you are an explorer or real estate agent, buying online or in real estate magazines, you may find more houses than you think. To order to be effective, you need to stay impartial and objective to the selection process. Don't get attached emotionally to the estate. This affects your ability to interpret them accurately. You are on the road to rationalization, trying to justify the decision to buy. This is like buying a pair of new shoes. You know you don't really need them, but the clothes you just bought will certainly suit them well. One aspect leads to the next. You need a new mallet, a new belt or a new tie before you know the issue. Remember to change your buying decision carefully, don't worry, get patience first. In the end, you will find the rental housing that meets your needs, and it may be earlier than you think.

CHAPTER 7

WHICH PROPERTIES MAKE THE BEST RENTALS?

NASA admitted in 2006 that it mistakenly documented the initial record of the first lunar landing.

Decca Records had reason to sign one of the two groups in 1962. We opted for Brian Poole and the Tremolos. What party weren't they?

In 1788 the Austrian army was mistakenly defeated, and 10,000 men were killed. There are noticeable errors. The same is true of the real estate industry, but ideally to a lesser degree than the above examples. But choosing the wrong property is one mistake that can be fatal to your real estate company. Choosing the wrong property is choosing the wrong partner. Compensating for your health can be extremely stressful and costly! But how do you know what is the right property? There are several lands, after all. Which is it you would buy? Which is it you can avoid? Were there four better or worse bedrooms than the two? And the wardrobes? There are important questions to ask yourself if you want to purchase the right company and be successful as a landlord, so let's look at the different things I 'm looking for when buying a rental property!

Keep in mind, as everything in this book; it depends heavily on patterns in your area. The list below is not a set of rules to obey, but rather a wisdom that I have learned that has served me well.

Rooms: Long-term renters are hard to find in a single- or two-bedroom home. Single tenants prefer to go to the apartment, then switch quickly to the cute boy/girl at work, and require more space afterward. They move into one of the two rooms and soon begin to have kids and find they need more space. Three or four-bedroom houses, in my experience, tend to be the best rentals as they attract long-term renters, thereby reducing their vacancy costs. Usually, three-bedroom homes are the best type of saleable house, which can be ideal when it arrives.

Two-bedroom apartments are ideal for those looking for a multi-family home and are increasingly common. Apartments and one-bedroom studios are also popular, but they seem to attract a shorter-term occupant, and therefore more turnover is expected in this style.

Still, realize that getting more rooms isn't necessarily better. When you have five or more bedroom homes first, you will find that the only tenants willing to rent them are families with several children. Okay, I love kids as much as the next person, and I would never discriminate against them (it's illegal anyway!), but the fact is, it's too hard to have so many kids — property: broken windows, dirty carpets, etc. Maintaining a three-bedroom home (maybe four) is the safest way to provide legal countdown protection for the children.

Age: Generally the age of the property you are purchasing will determine the cost the fix would be. I am investing in a lot of older homes because they offer the best price in my market, but I pay a lot of money for my choices. Projects that seem easy enough seem to get out of control easily because they reveal current but previously unknown problems. You have to face the work performed over the years by those who have been much less professional and live with the repercussions of the past poor quality work.

Older homes are typically less energy-efficient than newer homes too, which can significantly boost their bills. One may think it doesn't matter if the tenant is going to pay for their own heating or cooling, but believe me, tenants know that. If your property costs $100 more for heating or cooling, your renters can do the math, and in the long run you will find it harder to retain the rental property .

I'm not saying you shouldn't be investing in old houses again. You just need to realize that the property's newer, the fewer issues you usually address.

Garage-When you invest in single-family homes, you will have trouble finding a long-term, stable roommate for a home without a garage. Tenants tend to bring together a lot of items and need a place to store them. And furthermore, tenants have the privilege of being able to park in a garage in areas with lots of snow or rain. Overall, I find that the homes I own and the garages are rented out far longer than the ones I don't.

Utilities: Some properties, particularly the parent, have all the owner-paid utilities, which is not ideal. Just purchase these types of property if the numbers really make sense, you will get big headaches because you will have very little control over these large expenses. When residents don't have to pay for their own heating, they prefer to keep the windows open in the winter or run the 24/7 summer air conditioning. They'll never warn you about the regular drops in the toilet that cost you hundreds of dollars a year because they don't have to pay for the wash.

When you are searching for single-family homes, then look for homes where the homeowner can pay for all the aids (including water, sewage, garbage, electricity and heat) directly. Before you purchase more houses, you can at least search for houses where landlords can afford electricity, and if you can find properties that can be turned into a "master meter" network so that tenants can pay their bills and own water.

Lawn: Tenants rarely take care of the property like you or me, with wide lawns, gardens and other outdoors. Even though every rule has its peculiarities, I look for properties that have smaller patios to keep the tenant's yard work to a minimum. That said, to attract a long-term stable tenant, relaxation space is very necessary, so make sure there's a place where the tenant (and/or their kids) can run around and have fun.

Okay, you may be shocked by that, but I don't like buying 'great' property. The point is it's really important to have a good consistency. A wise investor also wants a lot of profits, so I prefer to avoid ideal properties and search for troublesome assets instead. I'll just explain.

Eight questions about buying a house

1. The Bigfoot Smell

When you go inside an house and smell Bigfoot dead in the kitchen, the first thing you think about is: "Should I leave here?" The truth is that most people dislike it, but an experienced investment People will see opportunities. The unpleasant smell is one of the easiest problems in solving real estate, but it is one of the reasons to dispel 99% of the competition. Unpleasant odors are usually caused by one or more reasons, which is not difficult to solve:

Food rotting in the cabinet or rubbed on the carpet

Cat or dog peeing on the floor

There will be smoke on the walls, ceiling, and floor.

Formed on windows, walls, or other surfaces.

Big dead in the kitchen

As long as you don't have any environmental problems or leaks from the big sewers under your house, you may find that you can easily remove odors with a little cleaning. To eliminate the odor, check the list below and stop when the odor disappears:

Carpet: I think 90% of the problem will be immediately removed from the carpet and bottom pillow. Plan to hire a few people for a few hours to remove the smelly carpet. Most of your problems can be solved for less than $100. Open all windows and leave the properties for a few hours.

Mop: Use a mixture of bleach and water to clean the floor. Let it dry and open the windows for ventilation. (It may take a day or two for the bleach smell to disappear before you can see if the smell has really disappeared.)

Cleaning: Take out all crumbs from the kitchen and wash all windows. Obviously, you need to do this anyway, so look for professional cleaners that can get in and clean every square inch.

Prepare the floor: Buy oil-filled cans based on oil-based and long-lasting paint rollers at your local hardware store. Pour the primer on the floor (actually very good!) and spread it on every square inch. I warn you: the oily primer has a strong smell; therefore, please use a gas mask (price is about 30 US dollars), lest you fail. I'm not kidding. Otherwise, you will be left behind.

Wall Washing-This method is most common when it comes to the smell of smoke. Use a good sponge and a bucket of soapy water to scrub the wall. Usually, you will be able to see the residue of smoke on the wall with your own eyes, which is a strange experience.

Primer/Wall Paint/Ceiling: Finally, if other methods cannot solve the problem, please hire someone to spray the entire interior of the house with this oil primer on Kilz (primer paint is about $200)) There are two working days.)

When I followed these steps, I never encountered an odor problem that could not be eliminated. Whether you do the work yourself or hire a local technician to do the work for you, the cost may not exceed $1,000 (not including the cost of the new carpet, which you might do anyway) replacement).), you have a new, clean, repainted property, ready for new tenants. The good news is that unpleasant smells can greatly reduce the cost of a house, possibly even tens of thousands of dollars. Now you understand why investors often say: "Well, it smells like money!"

A final warning on odor issues-make sure the odor does not come from a damaged sewer line under the property or in the basement or similar tragedies. This solution may be more expensive. If you are not certain what causes the unpleasant smell in the property, please hire experienced personnel and/or conduct a professional inspection of the property.

2. The Hidden Third Bedroom

As I mentioned before, I don't like renting a two-bedroom house. However, in one case, I was very excited to purchase a two-bedroom house: when there was a hidden third bedroom. No, I'm not talking about the mysterious room hidden behind the wall (although it's true, that's great!). I am talking about turning a room that is not a room into a room.

For example, the day before, I checked a house with two bedrooms, one bathroom, and a laundry room, and then there was a large "storage room" next to the laundry room. This warehouse is 10 feet x 12 feet, which is the ideal size for a bedroom. The walls are finished, the floor only needs carpet, and a door must be added. In other words, to turn this two-bedroom house into a three-bedroom house, I am looking for labor and materials that may cost $3,000.

As a two-bedroom, the property is worth about US$90,000. However, as a three-bedroom house, the value of the same house is close to $115,000. I will never know why the agent did not include him on the three-quarter list. But I have been watching this kind of stuff. The difference in house value between a bedroom and a living room will, in many cases, be much greater than the expense of turning a "hidden room" into a technically valid space. It can help you generate capital for the property immediately because you have to pay for a two-bedroom apartment, but the apartment has three bedrooms. If you want to know, jumping from 3 rooms to 4 rooms may jump from 2 rooms to 3 rooms, so I usually choose the last one.

Obviously, not all two-bedroom houses have this hidden room. Most did not. But I found that about 20% of two-bedroom properties may have a third bedroom. Search for this type of property and search for keywords such as "extra room", "loft" and "large room" (usually divided into two) .

3. Ugly Countertops and Cabinets

You may have heard the saying "House for sale for kitchen and bathroom", this is not an exaggeration! People consumed a lot of time in the kitchen without saying "1979", such as bright orange counters or ugly cabinets. Most people avoid houses with these problems. These people don't realize how easy it is to turn an ugly kitchen into a modern and beautiful kitchen with just a few new counters and new paint in the cabinets.

Yes, that's right, you can paint old cabinets regularly to make them look new! Rust-Oleum sold a very good cabinet finishing kit at Home Depot for less than $100, which turned nasty cabinets into modern art.

In addition, replacing the worksheet is a fairly simple process. You can buy pre-laminated workbenches for a few hundred dollars at Home Depot or Lowe's and install them in a few hours, or you can get better granite or quartz if your environmental style requires it. In short, don't panic in 1979! For less than $1,000, it is entirely possible to turn an ugly and outdated kitchen into a beautiful kitchen.

4. The Bad Roof

This may be a bit shocking for people because roof leaks seem to be a big problem. However, I like to find properties that require a new roof because it can avoid competition, and a new roof is not an easy task. Yes, it can be quite expensive, but I can usually remove the current roof and install a new one for less than $6,000, and it will be completed in a day or two.

Now, I don't have to worry about the roof leaks of rental houses over the years; I can include it in my budget. Keep in mind that the cost of coverage may vary greatly depending on the contractor you consult. In our region, the two largest contractors for roof replacement usually charge between 15,000 and 20,000 US dollars, and because they are the largest contractors in our region, most people call and accept quotations from both parties at the same time. , But found that the quotation was within a few hundred dollars each other.

They hardly know that the business is owned by the same person, so the offer happens in the same way! If they take the time to call more contractors, they will find that generally speaking, almost everyone in the city costs less than $6,000 for a roof: the same materials, the same quality, but the prices are very different. Keep this in mind, therefore, when buying the next roof. Don't like that anyway! Compare rates, ask for feedback, and see recommendations. Don't let your bad roof overwhelm you; see the chance!

5. M…M… Mold? !

Oh, did I just say the M-word? Yes! Yes, form is one of the biggest questions I look for when buying real estate. You will find that mold is terrible to ordinary consumers (perhaps to you), but that is not the case. You will see that mold is a fungus that grows everywhere in nature. Now in your home in your car. It may be in your beard and hair. When you live in a humid climate, you always breathe air. (Are you still afraid?) Mold is everywhere.

However, when the mold marks begin to accumulate and accumulate in large amounts, the human eye will suddenly find the mold and begin to see black or green spots on some surfaces. If there is enough mold in an area, it may be dangerous for people with certain immune system problems, but a small amount is not as anthracnose as most Americans think, but let us always think it It's like eating a tablespoon of ricin; by complaining about some mold on the real estate, I investigated the cause of mold and got an incredible deal.

The form is not a random event; there is a reason. The reason is the humidity. Remove moisture and remove visible mold! If you are going to enter a potential rental property, and the bathroom walls have become moldy, and you find that there are no windows or ventilation devices in the bathroom, what do you think? Yes, mold is growing because the moisture in the shower cannot be drained from the bathroom. Install ventilation equipment; the problem may be resolved. The formation of the entire ceiling? I can bet Leaks on the ceiling or there is no insulation on the ceiling directly above the mold (therefore, the condensed water will form in rooms in cold places without insulation, causing mold to grow).

The only shape I really care about is the shape on the basement wall because it shows that water is leaking from the foundation, and it starts to scare me. Fixing a leaky base can be very complicated and expensive. Therefore, unless I have more experience, I will avoid these problems.

6. Compartmentalized Configuration

The compartment is a function in many houses, especially in old-fashioned houses, where the rooms are designed to separate from each other. Today, people are moving towards an open concept of life, where there is no clear boundary between the living room, dining room, and kitchen, and there are no various combinations. People want to barbecue in the kitchen while hanging out with their family in the living room or dining room, but this powerful combination does not allow this, so it is not ideal for ordinary homeowners.

Like the other articles on the list, I am interested in anything that alienates the public. The cubicle is a problem that fascinates me for two reasons. First, in rented properties, separation is not always an issue. Therefore, you can choose houses with fewer houses than similar houses, but you cannot rent less. Second, you can easily turn on the combined function for modernization. For less than $2,000, the contractor can break into the wall and open the property, increasing its convenience and value.

7. Jungle Landscaping

You may have heard the term "external attraction" by now, and you may already know the importance of a property that looks perfect from the street. After all, the view is the first thing a potential buyer sees when visiting the property. This is why I like to find houses in places that are less like terraces and prefer the Tarzan jungle. Tallgrass, withered grass, neglected bushes, pink flamingos, everything goes well! Gardening is not very difficult and not very expensive, but poor conditions will prevent most competition and help you be truly fascinated. Simple cleaning, cutting, and sanding can be used to treat the property. It's amazing. It usually costs less than $1,000 to turn a problematic landscape into a beautiful backyard.

8. Junk, Junk, and More Jun k

Have you watched the Hoarders TV show? The program will take you to the homes of people in difficult circumstances to save or collect large amounts of garbage.

Sometimes the house is so full of rubbish that certain rooms cannot be entered. Although it does make television interesting, it is not a myth: congestion is a real and very common problem for people all over the world. If these collectors have to move or disappear, the waste they leave behind may be a major obstacle for temporary buyers. But when I saw the garbage, I thought there was no problem; I saw the opportunity. You can get an amazing amount on the property because no one wants to solve this problem! I can hire someone to clean it 100%, and then put it to the point where it can be covered with new carpet, paint, and rent to get amazing cash flow.

Three problems I avoid when buying rental property

Below are three things that I try to avoid as I look for a house to rent. It doesn't mean I'm never going to touch a property that has either of these problems, but there are simpler explanations for that, and I would include that in my calculations.

1. Fifth .. .

You really can't repair a neighborhood quickly. You may of course go to the local city hall and start a community watch, but the community would certainly not change because you want to. So I don't want to buy a property where the neighborhood is always going to be an impenetrable problem. The property will always be difficult to rent, tenants will destroy the house, I will experience evictions and delays in the houses, and in the end, the value of the property will never increase (and it can decrease). I'm not saying I'm just going to shop in a Class A store, but I certainly would not shop in a Class D area.

2. Basic questions

The foundation 's problems scare me, as it can be a pitfall of money to fix, and sometimes the cost of a solution will obscure six figures. It is true in the case of foundation issues in a basement or slab house. You may also put any property at the bottom of this issue group that has water leaks, and stay away. Sure, there are buyers investing with a bad base in properties but the risk is too high for me.

3. Shared routes

I once purchased a lovely house in a nice neighborhood sharing a driveway with a neighbor's home. The two houses were practically 20 feet apart, with the main driveway evenly split on "their side" and "my side" in the main I saw no problem with this situation when I bought the house, but after a couple of months, I discovered an awful truth: the neighbor was a road grabber.

He stacked up garbage, cans, cars, tires, and everything else on the driveway you might imagine. Although he was good enough to leave his garbage on the side of the shared driveway, it made my property extremely poor and we leased or sold it for a horrible time. The garbage on the driveway of the neighbor lowered my property's value by 20 percent, and I could do nothing about it. Today I don't buy a property where my bottom line may have been affected too quickly by the neighbor.

There are other location-specific problems beyond these three, such as being directly under a flight path or next to loud/angry dogs. You 're likely to have your own set of "contactless" apps and that's okay. Success is usually found when you say 'no' instead of 'yes'. Not every deal you consider needs to be changed. As the saying goes: "One man's waste is another man's treasure."

Conclusio n

There is no set rule about what makes a perfect rental property. Instead, it is the perfect rental property that will help you achieve your goals. Period. If you buy the wrong offer, you will achieve these goals. This chapter is not designed to give you a list of what you should and should not buy, but I hope the principles I have covered will help you refine your buying criteria so you can decide. Focus on finding the best features and avoid possible mistakes.

If you start looking for deals, a funny thing will happen - you'll probably find potential deals! It can be a little scary for a new investor because it's time to start breathing! -the other people! In the next chapter, I discuss the bidding and negotiation process to bring you to the rental property of your dreams.

CHAPTER 8
REAL ESTATE NEGOTIATION

It started with a herd of Canadian geese in the wrong place at the wrong time.

On a cold mid-afternoon in January 2009, Captain Chesley "Sully" Sullenberger lifted the Airbus A320 with 150 passengers and five crew members from La Guardia Airport in New York. At 3:27 a.m., two minutes after takeoff, the plane hit the herd of birds, shutting down both engines and causing at least one fire. The plane was dead in the air. Without sufficient altitude and power to climb much higher, Captain Sully quickly determined that returning to the airport was not an option and that there was only one alternative: a landing on the Hudson River.

When Captain Sully aligns the plane with the water, he focuses on equality. Too much to the right or left, and the wings could first hit the water, causing the plane to tear. If the plane tilts too far, it can turn on its head and kill everyone on board. If it is tilted too far back, the plane's tail will catch water, causing the Airbus to hit the surface with a bomb. Minor adjustments were made, both to the electronic board and to the captain himself: a small tap on the left, tap on the right. At 03:29, Captain Sully sent out the three slightest words that any passenger on the airline could hear: "Prepare for impact".

The plane collided with water in the Hudson River at about 3:31 a.m., with lawyers, stockbrokers, and other professionals insight in the skyscrapers along the Manhattan skyline. Due to the precise leveling of the aircraft and the experience of Captain Sully, the aircraft did not tear or capsize. It landed perfectly in the water, and Captain Sully, along with the other four crew members, helped the 150 passengers to safety. Captain Sully was an American hero.

In an interview with presenter Katie Couric after the event, Sullenberger said: 'One way to look at it could be that I have been making small deposits in this bank of experience, training, and education on a regular basis for 42 years. And on January 15th, the balance was enough for me to make a very big withdrawal. '

While I was preparing to write this chapter on negotiation, my mind immediately turned to the concept of an emergency landing on the water and the "Miracle on the Hudson". Trading is the art of staying stable in a turbulent situation. It's about small adjustments on the left, right, back, and front. It's about staying calm when hope seems lost. It is about successfully dealing with unforeseen circumstances that you are facing.

While a jet can never land safely on the Hudson River, I believe you have the skills to be a good negotiator, and everyone has. All you need is "small regular deposits in the bank for experience, education and training institutions". In this chapter, I will give it to you.

The negotiation process

I talked about the process of offering real estate in the preceding chapter. What happens next is very out of sight. You wait for a reply. There are 3 different ways for a seller to answer your offer:

1. Accept it

2. Reject (or ignore)

3. Make a counter-offer

If you accept it, all the better! If they reject it, it's good; there is always another deal, or you can offer it again when the seller gives notice. However, if a provider sends out a counter-offer, this is where the real fun begins .

A counter-offer (often called a "counter") is a response to another previous offer. In other words, if you offered $ 100,000 in a property and the seller said, "No, I want $ 110,000," the seller's answer is the counter-offer.

In most of the offers I have made, the initial offer was not accepted; the same probably applies to you too. And that's not a bad thing! I claim that if your initial offer is accepted, you have probably offered too much! Of course, if you're in a very competitive market, it might not be, but in general, I consider a counter-offer to be a good thing. That means the seller wants to sell me and is ready to find a midfield where both parties can get what they want. The negotiation process is where both parties try to make it happen. Remember, both parties want exactly the same thing: a sale.

Many people see the word 'negotiation' and think that one side wins and the other loses. In a good negotiation, however, both parties disappear in the opinion that they have more or less achieved what they wanted. If there is no negotiation, then it is that one of the parties thinks it has merged! So remember: a little back and forth is good. In this chapter, I will explain how you can do this successfully.

Note that I do not just want to negotiate for the price. In fact, different parts can be negotiated. For example, you could trade the following one or all of the following:

Price: how much will you actually pay for the property ?

Closing date: when does it close? Next week? Next month?

Closing location: where will the closing take place? Your title business? Yours? A law firm?

Contingencies: What contingencies can be removed from the P&S agreement?

Financing: will the seller agree to take out a second mortgage on the property?

Closing costs: who pays what during the closing process?

Indoor Warranty-Often a home warranty is included with a home sale, and certain maintenance products are protected after the sale, which can help to ease the fears of buyers. Will you have one in your agreement? If so, who's going to pay for it?

Reparations: What does the seller address before the property is bought? Want to keep them? Will you buy an "as is" property?

Credits: How to close down money for repairs? When you need a new roof and the seller isn't able to get one before closing, will you negotiate the cost of a new roof that was offered to you at closing time?

When to negotiate

There are three main times you might want to consider negotiating the terms of the offer .

1. At the beginning

The most intense negotiations you are likely to experience when purchasing a property will initially take place immediately after the submission of an offer. This is when the big agenda items are removed, and your 'ideal offer' is offered to the seller. You send an offer, they make an offer, you can offer it, and so on, until an agreement is entered into or entered into separately.

2. After inspection

If the inspection reveals an unexpected defect in the property, you can negotiate again at this point. If you have inserted an "inspection contingency" in your offer and it is within your inspection time frame, you may refuse the agreement, and we will refund you. Some investors prefer to trade very lightly beforehand and instead push for the inspection. Personally, I recommend this tactic only if it is absolutely necessary. This is not a good time to negotiate, because at this point you probably spent a lot of money on the inspection, possible reviews and other aspects of the deal. However, if you find something you did not expect during the inspection, do not be afraid to renegotiate the agreement. Do not be stupid about it!

3. At any time !

In fact, negotiations can (and will) take place at every stage of the process. Until the property is officially transferred from the seller to the buyer at the closing, the property transaction always feels as if it is balanced on a cliff, and the slightest breeze can drift from it. The negotiation covers both.

The parties prevent the agreement from falling, and therefore a small negotiation is needed throughout the process to ensure that it is concluded.

10 tips for a successful negotiation

While in all situations the following tips aren't working, the more you negotiate, the more you can compromise. You'll probably find that in your everyday life you 're still using several of those tactics, whether you're negotiating with your kids, your partner, or your colleagues.

1. Be ready to go

Perhaps the most effective trading tactic of all, if you don't get what you want, is to be 100 percent willing to forfeit a deal. If you don't need as much as the other guy, you'll be improving your spot. It is much harder though than it sounds, particularly for new investors. You 're still working hard to make a deal and finally come up with something that could succeed, and by now you 're likely to be emotionally attached to the contract. You do want to get this deal completed! I understand. I understand. Yet if you are desperate, you have already lost yourself.

Also, make sure that the other party knows that you are ready to terminate the agreement if you do not get the necessary approval.

2. Know your role

You need to know your job and your position before you negotiate and go through the whole negotiation process. Which kind of quality is that? When you make a bargain like John Wayne and start demanding a lot of compromises, but the seller has five approval rates on their property because it's the market of a seller, you'll be misled just because they're closing the house to your bid and looking at one of the other buyers. And keep a good eye on your bargaining position.

3. Always get the last reward

The negotiation process involves many changes, which prompt (and offer) concessions. For example, the seller may ask you to pay $100,000, and you can agree, but only if you pay your closing costs. They may come back and say, 'I cannot pay everyone, but I can afford it', so you can say, 'Of course, as long as it includes a home warranty. Like J Scott, author of The Book on Flipping Houses, once wrote: "If the other party realizes that every time they ask for something, they will have to give something, of course, they will not ask anymore. Then what she needs, so that someone does not ask her. give up important in exchange for additional (non-essential) demands from him. "

4. Find the real motivation

What's really needed from the other side of the deal? The real inspiration sometimes isn't what you think. Perhaps they can close quickly so that prices are less important. They do not want to risk their recurring income from their rental property, and therefore may be open to seller financing.

Using the time you negotiate to figure out what your true motive is, and seek to give them what they need when you get what they want.

5. Wear a red herring

This business strategy gets its name from a technique used to train dogs in fox hunting competitions by distracting the animal with the strong aroma of a dead fish. The red herring tactic is aimed at getting the negotiation to focus on something unimportant, and guiding the seller of what he really wants. For example, maybe you want the best price, but if you offer a low price, you are also offering something that you know the seller will not give up, such as agreeing to leave your porcelain at home.

They might insist that porcelain is non-negotiable, and maybe a little insulting, he asked, but that would make the cheap offer even better. "This man is crazy," they would say. "There's no way to give your grandmother fine porcelain!" We take the prize, but we will keep the porcelain.

And you will smile and accept.

6. Impose a penalty when seeking concessions

The negotiation process may be uncomfortable and frustrating for both involved, but it is what everyone needs. By enforcing a fine each time the other party asks for a compromise you will support the negotiation by making it a little harder. One fine can be as easy as not making your lawyer investigate the matter for a few days. This will encourage the other side to avoid demanding concessions because they will soon understand it hurts if they do.

7. Stay with your number s

Real estate is a math and numbers game, so keep up with your figures and don't let the anticipation get any better. Negotiating math is a smart tactic, because it's hard to argue with. "Seller, he'll say," at $100,000, my lease, insurance, holiday, repair, and administration costs will be around $900 a month, so I can just rent the property for $1,000 a month, which will only give me a 5 percent ROI. This doesn't work for me, but it will lift my return to 9 percent at $90,000 which works for me. That is hard to refute.

8. Do not take offense

Hold the light of the talks, and do not take offense. Remember this is a game about a round trip. I've seen friends discuss that looks very much like this:

My friend: "I will pay 100,000 Dollars."

Salesperson: "No, $100,000 is too little. I need $120,000 at least. 'My friend:' Fuck you! You are nuts!" Negotiations end.

Do not act like a friend of mine. Keep it light, so that there is no offense to either side. The goal is to focus on the deal so both sides have what they want, so you get the panties open and sit down at the negotiating table before you get what you're looking for .

9. Negotiate with data

Use data to explain your point, where possible. One of the best procedure to do that is to negotiate with you when buying a home. The seller may want $150,000 for your property but if you can show them that other similar properties recently sold for between $120,000 and $130,000 take it out and turn it into cold, hard deeds. The data is hard to account why!

10. Ask for your lowest price and then lower

If you negotiate with a motivated seller personally, one strategy which works is almost always simple: ask the seller what the lowest price is. Typically they say an amount, but it is never your lowest price, it is the starting price!

Then they'll ask a follow-up question like, "Sure, but what if next week I could pay everything in cash and close?" Almost always, they'll go down slightly. If I were to print it again, I might say something like, 'If I were to give you [even a lower sum than your current lower price] and get the money you need over the next ten days, it would be unreasonable because she likes to sound unreasonable, and there's a fair chance they'll answer with 'Yeah, I might do that' In less than a minute, you could convince them twice of their 'lowest price', which could save you thousands (or even tens of thousands) of dollars. Calculate it at an hourly cost, and it'll be the best, easiest money you've ever made!

Conclusion

Like a plane crash on a frozen river, your goal in your negotiation is to keep it level and safely reach your goals. Bargaining is about giving and taking, the small adjustments left and right that will help you get through your next transaction.

Negotiations are not rare; however, unlike plane crashes. It's done in all regions of the world as part of a real estate transaction. It can be humiliating and scary. This needs bravery, persistence and practice. But, if you don't bargain, you will find really good, extremely difficult, and attain your real estate goals. Learn to learn the art of trading, stick to your numbers and create an exciting future to conquer the fear.

CHAPTER 9

HOW TO GET A LOAN APPROVED, GUARANTEED

One of my worst work at a national bank was as a private banker. Yeah, I am the guy sitting at the counter seeking a loan and trying to refinance his home.

He had hated this role when he was young. So much sales pressure is bad, so many hours, so many loans, so many memories I have to waste my money instead of working for it. All the same, my research has given me details about how the loan process works. Want to find out what I found? Loans are like a weapon of defense. Must have the right code to make it open! I added the word "secured" to this chapter 's title not because I assume that the loan will still be accepted, but because I want to show that the loan process is not a mystery. This is a lock where code can be opened. If you put in the correct code, your loan will be approved. Can you get this application in today? Maybe not.

But, unlike the safe gun code, this code isn't the only code I can use. You should have the "digital" mix of it already. So I know if you're doing it right you know what's required and you're going to support it. If you purchase your first home, purchase an investment property, refinance an unpaid loan or do something entirely different, this chapter provides the information you need to break the code and say "yes" to listening. With bankers, that always echoes.

Understand how the loan works

Until we consider authorizing the loan, let us understand some basics first. How's the loan working?

There are, of course, many forms of loans and creditors. Standard banks, mortgage brokers, borrowers with securities, financiers, commercial financiers and so on. Each has its own system. Yet let me address the loan process briefly. The person you're talking to is usually just a salesman (like me). This is the secret to making the whole thing ten times easier: the person is not responsible for saying " yes "to your loan or" no.

If you go to the bank and sit with a banker, they may only be there to collect your details and become your point of contact. The Client is the best decision-maker. The borrower is a qualified individual who, based on this information, can analyze all the puzzles offered by the seller and accept or reject loans. The insurer knows all of the policies, laws and regulations and is willing to make sound decisions. While the consumer has all of the decision-making control, he is generally not very imaginative and definitely not stubborn. So to accept the loan, you need to do two things:

1. Convince the seller that you and your loan are worthwhile

2. Tell in advance to persuade big subscribers that your loan and you are worth it.

The first part which is compelling from the beginning is always simple in my view. These people were able to say: "Yes, no problem, we can do it." I noticed it ten times when I tried to refinance the last five places. I heard him repeatedly saying: "Yeah, Christopher, no problem. We will give you a loan! Then, six weeks later, I got a devastating call: 'Hi, Christopher, this is (enter the banker's name here), we can't really get a loan. "Our bank saw [sorry, here]."

I'm not blaming the banker. I used to be. I got an entire week of training, and they sent me to the store to get a $1 million loan. In fact, besides the loan application, I got a loan application fee too. In other words, as a first-line lender, it is in my interest to ask someone to apply for a loan which they think can be approved. Approval is the work of the insurance firm. I'm just like him. Just a hint.

"Intermediate." Even though the loan is not accepted by the creditor, he is the first person to concentrate on this job .

The Role Of The Bank In Approving Your Loan

Let me tell you a little story about me, not wishing me luck, but just illustrating an argument. He closed twice as many businesses as another banker employed at the branch while he was employed at a branch. We still have the same track number, the same number of apps, and the same followers, but I've done twice as much.

That's why, because I'm very innovative, I can buy twice as much property as others, with almost no deposit. You will note that many people enter the wrong code when you first accept a loan; this is problematic: a boring banker or insurance firm just says, "No, I 'm sorry" and gives up because I'm different. "I can't approve this loan," I never ask myself, but "How to approve the loan?"

Now, in authorizing those loans, I have no unethical or illegal behavior. This is often as simple as paying off a small credit card or modifying the form of a loan. I mean: Looking for an innovative banker when you start searching for a loan. You need someone who doesn't just say "yes" or "no" like a machine but battles for your approval too.

At least if you are looking for a home loan, perhaps the best way to find it is to ask a real estate agent who your favorite lender is. In our city, nine out of ten police officers will speak of the same person. Find that person-this is your first step in approving the loan.

Even the brightest and most imaginative bankers would not take this into consideration. So eventually you should make sure your loan is accepted. No, you read it wrong. You have no excuses to pray after completing this part. At the very least, you'll know whether your loan will be accepted or not. No, Janelle, how wonderful your banker is, he cannot turn pigs into pancakes anyway. Your order is for the user to draw a pencil. Let's speak to insurance firms about the proposal.

Understand What The Insurance Company Thinks

Let me tell you a few trade secrets: you need more than the lender wants.

Just think about it. Creditors wouldn't make money without debtors. How do you think that banks and mortgage lenders are investing hundreds of millions of dollars on publicity? They just need us!

Why is it so hard to obtain a loan?

In short, the money lenders are following the same advice I gave to potential real estate investors: doing business is better than doing bad business. In other words, something they 'd rather borrow than borrow incorrectly. It sounds minor but this is the first step in your loan approval. Loans are bets from money lenders and money lenders only want to bet on other things. This is why the loan seems so difficult because you have to prove that it is a good choice.

So, what is a "good bet"? I don't care, exactly, because I don't care about your creditors. There's one very easy way to find them, though: question them! Start establishing relationships with local banks now, if you want to borrow money this year. You never know when it's useful for this connection. I'll now give you some specific details about what your banker really needs to see. It's time for code unlock!

12-digit code required to approve a loan

Remember, your moneylender must borrow money; all you have to do is open the safe!

When the insurance firm looks at the loan to determine whether to issue a sentence of "yes" or "no," it needs to make sure that you have the right code. The code is the minimum borrowing standard for institutions. Some of those requirements are decided by bank regulations, and the government decides other requirements. Others are being covered by private insurance firms. Approval of your loan is as simple as properly entering the code. I will explain the 12-digit number of that code in this section. Many banks can need less while others need more, but they must start with those 12.

1. Property type

Some lenders only lend certain types of property. So the first thing you can ask is whether the lender borrows the type of real estate you want to buy. For example, if you want to buy a commercial property, but the lender only has a fixed loan, you will find that the door is closed. Trust me; I took care of it.

2. The location of the property.

Credit providers usually can borrow money or not in certain places. Make sure your financier agrees with the location of your property.

3. Property status.

Most borrowers lend property only when it is in good shape. Since they want to make sure the property can be sold if the property needs to be abandoned later (and they want to make sure the property doesn't lose value because of the conditions). Just check what he wants with your moneylender, then. Remember there are several approaches that involve an effort to buy properties; don't immediately change the best solution .

4. Loan amount

This is what I had in mind when I applied last year for a loan. You'll see that Fiveplex I's refinancing is a commercial property as it comprises five units (more than four are considered commercial units). Most commercial lenders do have very few loans, however, and since I need just $100,000 in refinancing, I hear a lot.

5. Debt/Income ratio

The lenders want to know the price you can pay when buying real estate. We use a calculation called debt-to-revenue or DTI to calculate that. It is based on the debt-to-revenue ratio. You'll be interested in two separate DTI numbers though, so let's look at those two numbers:

DTI Advance Rate: The DTI Advance Rate is the ratio of the total house value to the monthly amount due. For instance, if your main salary is $1,000 per month and your total monthly job income is $3,000, then the current initial DTI is 33.3 percent, since $1,000/$3,000 = 0.333.

This number is not as important to immovable investors who want to purchase or refinance real estate leases as FTI funds .

DTI standby ratio: The standby DTI ratio is the ratio of the amount that you earn to your total number. To put it another way, your total monthly debt divided by your total monthly income is the FTI DHN. So if your gross monthly debt is $2,000 and your monthly (total income) is $4,000 then the initial DTI is 50% (because $2,000/$4,000 = 0.50).

-- lender has a DTI number that is important to them, and one of the most important things you can do is to make sure it's helpful to the bank to ensure that your loan is accepted. Look. What. Generally speaking, you would want the front DTI to be less than 28% and the back DTI to be less than 36%. When you ask a creditor about DTI specifications, these numbers can usually be viewed in the following format: (28,36), where the first number is the main DTI, and the second number is the main DTI.

6. Loan ratio

The biggest problem for money lenders is risk aversion. On their side, they want to ensure that everything that happens in the future runs smoothly. If you continue to pay indefinitely, you will be satisfied with the interest. When you quit paying though, they'll want to know they didn't lose money. To guarantee that, the investor needs to know that the property contains ample money to cover the expenses in case you need to burn it down and sell the building. Financials have a measure to determine this, called the loan/value ratio or LTV. That is the ratio of the total amount of the loan to the property's fair market value:

LTV = total market value / loan / fair value

For instance, if a property is worth $500,000 and you want a $400,000 loan, you are looking for an 80% LTV loan, then $400,000/$500,000 = 0.80.

Credit providers typically have different conditions for maximum LTV, depending on the type of property. For example, the LTV loan tax would rise to 96.5 percent on a property that has an FHA loan and owns the land. Nonetheless, financials may not want to borrow more than 50 percent of LTV in the commercial real estate market.

When you are an investor, you can find that 70 to 80 percent of LTV is used as the investment property norm.

I also have an additional note concerning LTV: LTV is measured on the basis of all loans (including second and third house loans) based on mortgages. Both those loans can be aggregated by the financier to calculate the LTV.

7. Solvency

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I also have an additional note concerning LTV: LTV is measured on the basis of all loans (including second and third house loans) based on mortgages. Both those loans can be aggregated by the financier to calculate the LTV.

8. Source of compensation

The lender needs to ensure it stays stable in its ability to repay the loan. In this end, they must examine the cause of the repayment of your loan. This means that for most investors they will be searching for your employment. They'll want to know how long you've been in this role, and what your past income has been. If you have just begun a new career, it may be much more difficult to gain approval if you have had several years of work in the same position. The lender can also calculate your rental income because you are an ordinary investor and use that income to repay your debt. Yet when you've received more than two years of income, most investors won't give you any income (remember, they want stability).

No, Janelle, the house you own can never make up 100 percent of your income. They will provide 70 percent to 80 percent of the fee to decide their position.

9. Experienc e

And they may want to know your skill level. This is particularly true for big, commercial, or multi-family lending. What, then? As the bank realizes he will not be able to make payments if anything goes wrong. When the new apartment building has a $30,000 monthly mortgage, so the lender will know you won't be able to pay if all the tenants move. And they want to learn your level of expertise and make sure you have the skills you need to stop these tragic incidents.

10. Cash reserves

Moneylenders want to see to it that they have enough money to smooth over the difficulties. Make sure you have at least some money in your savings account before applying for the next loan. The sum would depend on the moneylender and the sum of property owned, but there is something every money lender needs to see.

11. Recent credit changes

The lender wants to know that the asset is not only stable but will be equally stable, especially in your credit decisions. Therefore, when trying to obtain a loan (such as opening a new credit account or adding new debt), don't make your credit ugly.

12. Compensation factors

Finally, you should be mindful that the loan manager is a real living person, and if you do not meet one or two conditions, there might be a factor in the payout. For example, if your credit rating is within a few minutes of what you want to see, but your LTV is extremely small, the lender may abandon the minimum credit rating requirement as it will be paid for by rights in the LTV. It's hard to say precisely what the moneylender is going to do though, so it's best to insert the ankle perfectly into the round hole.

Now that you have a clear idea of what the lender thinks let's talk about how to bring the loan into a package that can trigger the mortgage.

Facilitate creditors to approve your creditors

As I mentioned earlier in this chapter, certain codes are required to approve loans. If you get the correct password, you can open the "safe. "

If the keyboard is not found, however, then the code is invalid. You may know, in other words, the twelve digits needed to open the safe, but if you don't know how to access it, then these numbers are useless. And let's get this safe open. As already stated, the lender needs to authorize your loan. The banking authority decided to say yes. Means the insurer. How is it that we use so many derogatory words?

So people don't have the right numbers! Which is the best way to make the process easier? How to correctly enter those numbers? It's simple: Do your banker's heavy lifting.

Around the same time, the lender has various credits. We purchased a Bill Johnson car loan, refinanced Sally Wiggins, and took out a Harry Potter broom loan. The bankers will therefore follow the route of least resistance and choose loans that are faster and easier to settle. Therefore please do your best if you want your loan to be accepted and accepted quickly. Make the job as straightforward as possible. You know all the 12 digits the banker has to enter, then write them down in detail, simplify all of the banker's "personal" material and then include a file to save him. Ask the banker in chief for a list of all the things needed. At least, it may be the following:

W-2 has paid tax refunds over the last two months for the previous two years .

Description of all properties

If the banker offers this list, do not use it as a wish list but instead as a to-do list. Your task is to the most organized way of collecting information. If there is one point you need to remember in this chapter, it is this: you have power over presentation. Love your seaside time! I arranged the whole kit into a folder purchased from Staples that included the cover, definition, photos and guide when I applied for the loan that was finally accepted for my Fiveplex refinancing. Anything exceptional but I gave it to him in the most organized way.

Following?

If you plan to use the traditional banking, credit cooperatives, finance, private lenders, real estate, or other financing technologies that I talked about in the previous chapter, you will always hear the "no" voice unless a combination is found. In this chapter we will go through the most common code needed by bankers and other decision-makers. I hope you have a thorough understanding of loan approval after completing this chapter so that you can continue to purchase leased properties.

When I talk about rental properties, at this point in the book, I cover everything from thinking to planning, buying, and now financing. However, there is another step between asking you to finance and becoming the owner: the process of proper care.

CONCLUSION

In the last 28,000 words or so, we started a journey that started by just changing the way you think about real estate and then continued with the process of drawing up a plan, networking, and finally purchasing—your business and efficient administration. I hope you now have all the tools you need to rent your portfolio so you can achieve everything you could possibly want in life.

But it's not over yet.

In this last chapter, I want to talk about the rest of your life as a tenant. After all, finding and acquiring a good property is not enough for lasting success. You must live successfully to maintain this level and grow over time. So let's talk about what will follow in your life, after the acquisition, in a section, I will call the five principles of successful rental properties. These five principles will help you achieve your rental property goals until one day you stop gambling.

The five principles of successful rental property

The character of Uncle Ben in the Spider-Man comics and movies once said, "With great power, there is a great responsibility. "

While giving Spider-Man advice on how to kick bad things at the top, the same principle applies to fixed investors. You came across something incredibly powerful when you decided to invest in real estate. Your family and friends will never go over your head to take control of your financial destiny. In many of the world, even those who know the power of real estate can do nothing about it.

But you are incredibly blessed with great power, which means you now have responsibilities! You may not feel 'successful' yet, but it's good. Cultivating these habits now can help you become a successful investor. Pretend you're doing it, right? Here are the five responsibilities that every homeowner should assume during their investment life.

1. Manage effectively

The first responsibility you will have if you become a seasoned fixed investor is to manage your portfolio effectively, whether you own a land manager or control your land. Owning a rental property is like walking a tightrope. You have to keep walking this thin line, and if there is a gust of wind coming from the left and you push to the right, you have to lean to the left to balance yourself and not fall.

In your real estate activity, the "gust of wind" can take different forms. Employee thieves, poor property managers, natural disasters, fires, economic downturns, and the like can throw your investment off balance and force you to step in and maintain stability. Don't think you can sit on the beach only because you own a couple of rentals and relax 365 days a year.

Yes, the goal may be financial freedom, but that freedom requires continuous work.

2. Increase income

In the course of your investment life, one of your tasks is to increase the income that your rental property generates. And I'm not just talking about rising rents, although that's obviously the most important aspect of raising incomes.

First of all, you need to make sure that your property is always rented at the market rate, not below. You would think that offering less than market rent results in less drama, which may be true. But how much do you sacrifice? It is becoming more and more a problem with the number of units you have. If you have 50 units, and each one is on the market for only $ 25, that $ 1,250 will be lost each month or $ 15,000 per year. At a rate of 10%, it's worth $ 150,000, which you cannot get for only $ 25 a month.

Of course, you should also know that its price is too high. Just as I advocate increasing the rent to stay up to date, you need to quickly lower the rent if necessary to fill the units. As I mentioned earlier in this book, the vacancy will be one of your biggest money holders, and keeping your income competitive is the easiest way to keep vacancy rates low. It may be a slight balance, but learning how to maximize your income is extremely important for your entire investment life.

3. Reduce expenses

Another task that you need to be constantly aware of is cost reduction. I'm not saying that you should spend all your time on money and that some owners go too far. You do not have to sacrifice the right of your tenant to quietly enjoy your property just because you want to save money. However, there are many other ways you can reduce the cost as a homeowner, such as:

Transfer responsibility for certain utility payments (water, waste, electricity, etc.) to the tenant.

Replace your garbage collection with a larger container with fewer collections

Lower prices bargain with manufacturers in exchange for longer terms or exclusivity arrangements Turn to energy-efficient products when you pay

Electro power .

Switch to low-flow toilets and implement other water-saving techniques

water bill if you are responsible for paying it Compare prices for better insurance prices

Dispute your property tax account if you think it's too high

These are only a few ways to reduce the daily investor’s expenses. No one else would definitely do these tasks for you; however, small adjustments can often lead to a drastic improvement in your performance.

4. Return

Lastly, I believe that each investor has a duty and an obligation to give back to others, regardless of the level of success they have achieved. There are a lot of forms you can give back, but I urge you to educationally and financially give it back.

Educational: You may have bought your first business, but it puts you ahead of 90% of the rest of the population who have never made a real estate investment. So give back and share what you have learned.

Financial: I firmly believe in a financial donation. If life has rewarded you, I think you should pay financially to help those with fewer opportunities than you. Do the research and look for an organization you can trust to use your money to make a difference in the world. Not only is it good for the world, but it's also good for your heart too, it helps you stay connected and focused on the things in life that really matter. It is easy for real estate investors to focus so much on money and success that they lose sight of the big picture. And you do not have to be a millionaire to start paying. Do it today! I recommend that you start donating 10% of your income to a good cause and see where it leads.

You will never get to the end of your life, and you will be like, "Man, I wish I did not have to deliver much." Cultivate an attitude of generosity in yourself and become the type of person who contributes to society. Ultimately, much of the success you are going to have in life is facilitated by someone else who has given you back and helped give you the edge. It is now your responsibility to pay for it.

Can you perform?

Let me end this book with a very simple question: What do you want in life?

A new wagon? A lovelier house? Spending more time with family? Early Retreat? More Travel time and money? Spending less work time ?

In your life, it can be wonderful things to wish for but it's just not enough to want it. As I originally noted in the book preface, Michael Jordan once said: 'Some people want to see this happen. Some would like to see that happen. Others allow that to happen. What type of person are you?

You have just read a complete book on the step-by-step method of generating wealth through real estate. You have learned to put your mind in the right place. You have learned how to make a plan that will help you achieve your financial goals. You've learned how to find the traits that best fit your criteria and analyze the offerings to make sure they make sense. Eventually, you learned how to finance these properties, and, after purchasing them, how to manage them to ensure that they continue to perform best for you.

I have invested my heart and soul in this book and given them all the information I know about investing in real estate. I have told you stories of other successful investors in the real estate industry. ,

But one more thing is missing: action.

Without action, you are just another book reader. Without action, you're just another insignificant businessman. Without action, you are just a dreamer, a dreamer. Without action, you are destined to go the same way as everyone else. Without action, you are trapped .

The books are excellent, and you have taken an important and valuable step in reading this one. I hope you pass this on to a friend or read it again, this time with a marker and a pen in hand. Yet a book is only a stack of paper, wrapped in cardboard and covered with ink. This is what you do with the information in it that matters.

So take action!

You do not sit on the bench while the others go to the field. Go out there and let it happen. I do not want it, do not want it; just do it.

Rental Property Management 101

Discover Secrets, Tips, And Hacks to Managing Of Real Estate, Even if You’re a Clueless Beginner

Christopher Frankli n

INTRODUCTION

Deciding to control your business directly is a big step, but it is also advantageous, as it will help you grow your business in the long run. The major benefit of buying a rental property is that it will provide you with a continuous income stream, and even the partial results can be very satisfying. The property increases in value and worth through time according to the location and area, also if the property itself is unchanged.

Maintaining and upgrading it will have additional revenues. That’s why plenty of people choose to own a rental property as a business. Creating an effective property description serves as good support in the beginning. After getting a rental property, the next step is to manage it appropriately, rather than outsourcing every aspect. Contracts, late fees and maintenance etc., can be a little scary and overwhelming for a new rental property manager to become a savvy one. If a rental property is not maintained correctly, it can be destroyed. This should not demotivate the owners because it is possible by following the right guidelines, as explained in the book. Rental property owners go through various tough challenges during the beginning of their business .

Owning an excellent rental property can be a fantastic source of income for many, but it should never be confused with having a life that is free of responsibilities and just full of profit. For a newbie, everything from setting up the basic structure that you can occasionally reuse by getting help from the backers seems so vague. Many factors need to be focused on before buying a rental property and repairing and setting it in such a way that it turn into highly profitable. The first step is purchasing a rental property, which is highly profitable and is expected to grow and become more and more prized over time. After that, repairing necessarily has to be done so that the rental property is ready to be rented out in the market. Once you have the rental property and you have repaired it well according to the requirements, then the next step is to set or decide on a reasonable price for that particular property. Setting the price of rental property is a critical feature. Pricing can both increase and decrease the revenue, so it needs to be decided carefully with proper attention by considering every single aspect.

For this purpose, knowing the market price according to the number of rental properties available in the market is crucial. During the buying process of the rental property, some of this research has to be done. Figuring out the average earnings of the area, the average size of the family in that particular area and average market rental prices, help to set a perfect price for the property .

Taking care of the property and tenants is the primary responsibility of the owner. This ensures that the rental property will keep rewarding you in the long run. Financing is another tiring challenge. To make sure that your plot will remain yours will need you to leave no vacancy in your rental property. Having a high vacancy rate can be problematic. So, having proper security of all the finances is very important. Rental property owners need skills in managing the tenancies and income in such a way that they can cover the mortgage and the expenses of the property management. New owners can have a difficult time getting tenants if the property is not well maintained and well managed. It can lead you to stress, financial problems and even a lawsuit. It is better to avoid this. The heaviest responsibility that the landlord has to bear is the management of the property. The management of the rental property includes managing the tenants, managing maintenance of the property, managing the finances and managing inspection. Everything including a collection of rent, management of taxes, screening of the tenant, agreements of the lease should be known and studied deeply. Property management is a crucial part of being a rental property owner. It is obvious that it brings a lot of stress with it, but it is something that has to be deal with, no matter what or how. All the stress and pressure can be converted into productive stuff, if handled gracefully .

Acting upon essential and proper outlines, as will be mentioned later in the book, can solve the issue to a great extent. It is important to fix and consider all such issues before they happen rather than addressing them once they have happened because what it's done cannot be undone. Being a rental property owner, having tenant in the property calls for utmost devotion and dedication to the business. Receiving calls in the middle of the night should be considered normal. Managing all this is quite a task but not impossible. Getting tenants and dealing with them is also an art. Tenants have a direct influence on the management and maintenance of the property.

Getting a tenant who takes care of your property as his own is the key feature. All the helpful tips and guides to achieve the key features are discussed in this book. Advertising the property and getting tenancies to go hand in hand. Good advertising promises good revenue. Knowledge of all the legal terms and conditions of rental property ownership business is also very important and seem a bit overwhelming. Still, it is worth it since it saves the owner from a lot of legal troubles.

Along with getting knowledge of all the law conditions, the owner should not forget to consider his local laws as well. Learning laws feels like a daunting task, but it is not intimidating when it is something that you have an interest in and have invested in .

Tax planning is another salient feature. A proper guideline is to be followed to plan a good tax system. Taking the help of a property managing company can reduce the struggle of managing the rental condos and properties and take you halfway. Still, it is always advised that the owner should have an idea of all the basics of his business and property, so that he won’t be dependent on anyone for his own business. Staying organized is the key requirement. This not only helps the rental owner to maintain his rental property but also saves his valuable time which he can use for something productive side by side. Organizing all the important files neatly and consistently helps a lot. There are a lot of papers which a landlord has to deal with, and if it is not done correctly, it can leave a bad impression on the quality of the work.

There is a close relationship between getting a worthy tenant and the owner's mental peace. Excellent communication is the key. It is the first step to a healthy relationship between the tenant and the landlord. The landlord is expected to reach out to tenants regularly to keep a check on the current condition of the property and addressing the concerns of the tenant. Asking for brief feedback is also a good idea. Getting a good tenant can free the owner from thousands of worries. This lets the owner focus on the work even more and get more profit. Also, this increases the satisfaction of the tenant.

We cannot say that it is very easy but attainable by following the guidelines mentioned in each Chapter of this book. Adding up more and more properties to the business is always the right action but calls for more time and responsibility.

This is a revenue and profit booster if done correctly. It allows the rental property owner to explore more in the field of rental properties and get the best for his business. It seems so complicated and tiring, but it can be handled with proper planning and guideline, which will be discussed further. High turnover rates of tenants can also prove to be problematic, and this should be avoided. It is a big cash killer. Prioritizing the maintenance, being a good owner and taking care of the concerns of the tenants are pretty much the basics, but how to achieve all this is the actual matter. This is all told in depth in the different Chapters of this book. Knowing everything about everything, like setting the right rent prices, finding tenants worth your time and energy and even what to do when you face an eviction problem is very necessary.

Facing an eviction can be stressful. The rental property owner should know and follow ways to avoid evictions. Improving the screening process can make a big difference. Checking the background of the tenant, having his financial details etc., are necessary. Getting information from the tenant's previous landlord can also be helpful at times.

CHAPTER 1

RENTAL PROPERTY MANAGEMENT 101

In most cases, what has been the norm is that people often take rental property management as either too passive of a job or too ignorant in terms of underestimating the intricacies and attention to details that are more than usually needed. Rental property management is a considerable discipline in itself and to shape it into a proper business requires in-depth knowledge as well as in-ground experience in the matter.

Many factors are responsible directly or indirectly in rental property management and its success or failure. The essential context of the situation such as the property is a one-off private investment made to secure a good side business or several properties. These properties are being managed under a firm, determines its nature of management and its amount of returns in monetary terms. Other factors that can be important for rental property management could: hiring an experienced and competent property manager who can add significant value to the said investment. This is why, most private rental properties, as well as firms, are dependent on a good real estate agent, as more than often they prove their worth and bring in good returns.

Tenant Screening is another critical topic that is often overlooked in case of private rentals which are not run by a private firm. Merely, getting tenant is only halfway through the story as a bad tenant, it can cause more loss of image and financial leakage for the property. A thorough and experienced tenant screening often but not always ensures:

- Due pay on regular time.
- Long term relationship with the client, which in turn ensures trust.
- Less long-term damage to the property.
- Assurance of nuisance not being created in the area.

Experienced property management companies are often bestowed with thousands of requests. Therefore, they are good at analyzing the information about tenants and spot red signals if there are any. The compatibility and priorities of both the property owner and the interested tenant are also seen. In many cases, small or medium property owners are forced to outsource a majority of the work to Rental property management companies. This is due to the protection from rental scams directed towards the owners and any kind of lawsuits that could be filed based on discrimination against any party interested in the property. As such, these kinds of services are not easily available and property management companies provide a shield against bad tenants, scams, and possible lawsuits. Interestingly, they can provide these significant and valuable benefits due to their experience which takes time to gather.

When starting a rental property management company, many enthusiastic entrepreneurs often ignore or don’t pay attention to the legal issues involved in the said business.

Many small property owners who have been in the business for a long time and who know the industry inside out are aware of the fact that it takes just one troublesome tenant to create significant money as well as legal issues for the property. That is one of the major reasons that a good rental property management firm or a rental property manager is always armed with the knowledge of certain rental laws that are specific to the state or region. They are also aware and updated of any changes that have been brought in the regulations in recent times. Most of the time, well known rental property firms have their legal teams that look after these subjects. The mentioned legal teams always ensure that neither the firm nor the property owner is left vulnerable for a lawsuit or accusation made by the tenant. It should be kept in mind that each state and municipality has its laws on top of federal laws covering up and overlapping a number of these laws. Various important areas come under these such as:

- Lease addendums.
- Crucial conditions, including property and safety of the particular property.
- Eviction of the Tenant.
- Inspection of the property.
- Concerned security deposit (if there is any).
- Rent collection.

In most cases, seeking professional help makes it more than profitable for small or independent house owners as a single lawsuit or legal issue that can cause major financial damage. Hence, most owners want to avoid these kinds of hassles. It also exposes the fact that there is, indeed, a huge market for rental property management firms. Rental property firms often emphasize one thing which is shorter vacancy cycles for the property. It is done with the help of efforts that are usually made by property managers.

These efforts include low cost, but eye-catching cosmetic changes with the help of intelligent designers. A property manager always bears in mind that recurring fees should never cross a certain limit. However, he uses the available resources to reach the maximum amount of eyeballs possible.

Effective marketing is another thing that ensures a low vacancy cycle for any property. Though, it sounds undeniable in reality. That is to say, it requires seasoned and experienced marketers to reach a target audience for a particular kind of property. Experienced property management companies are good at doing this job and some firms even have a dedicated marketing team who has written and published hundreds of ads and are experts in reaching a broad target audience in a small amount of time. Due to their volume, they are also able to negotiate cheaper advertising rates both in print and online publications. In more recent times, many firms have a different and dedicated digital marketing department whose main motive is to target and influence audiences of a particular kind.

Determination of proper rent rates is another important thing. However, location plays an important role in deciding the rent of a particular property. Any price point that is too high or too low for the said property will affect the profitability of the property. Besides, putting it too low will decrease the said value and both the firm and the house owner will lose money every month. But putting it too high could make it for the property to pull in customers. Thus, this would hugely increase the vacancy period. Setting the right price for the right property is also an art in itself that requires a lot of estimation and experience in the field.

Tenant retention is an important factor while running a rental property management company. While many of us are aware of the downside of having a low turning tenant and loss of rent, what we often don’t see or pay attention to is the fact that properties that have too many tenants changing home often have gets high maintenance cost. Tenant retention is a conspicuous issue that needs to be kept in mind and worked within. If the said property is passed on by too many clients, it will also grow a negative word of mouth in the locality. Ergo, it would make it difficult for the firm to get new tenants or increase the vacancy period. The turnover process often involves a thorough cleaning, and remarketing as well as screening process while settling down the new tenants all of which take resources such as: money and time, and notwithstanding a renewal of re legalizing the entire process once again. Hence, keeping the current tenants happy and taking good care of their needs is a far shorter and more straightforward method that also ensures an increase in revenue, improved word of mouth marketing both for the property and the firm, and a lesser vacancy period which affects the revenue of the firm.

Most successful rental property management companies have a strategic and experienced retention policy in place which ensures most if not all of their customers' happiness and wants an extension in their stay in the current property. These policies require a vast amount of experiments with different clients and take years to build. They need to be consistent, systematic, and strategic, which are the telltale signs of a successful rental property management firm.

One of the more complex and bone-breaking situations for a firm is the tax process for a rental property management firm. Though, there are no complicated processes to this responsibility. Most of the time, hiring a veteran tax consultant often solves the issue and saves the firm from any kind of serious tax evasion allegation or similar legal issue. Many large firms also do have in house tax experts in place, related to having a digital marketing team or a legal team. In many cases, the firm can help the property owner in understanding legitimate tax deduction as well as the necessary forms and documentation to make those claims. In many states and regions, the property management fees are deductible or concession able through federal law.

Private property owners can often increase the value of their investment by putting in preventive maintenance by putting in place systems and online as well as offline funnels that catch and deal with maintenance and repair issues sooner than later, at least before they grow into a larger and more costly problem. For this reason, the firm requires a reliable written maintenance check program and very detailed maintenance documentation as well as regular maintenance visits. Rental management firms are often able to collect this data on behalf of the property owner and accordingly provide suggestions and feedbacks regarding any kind of upgrades or cosmetic changes. They also will show how they will affect the rent that will be charged and ensure the impact on maintenance as well as the security cost of the property.

There are various other revenues in which a rental property management firm can increase its revenue. Some of them are as follows:

- Additional services to property owners such as: tax consultation and assistance.
- Providing homes to travelers by listing on various travel sites as empty properties (always available and ready to be taken).
- Being a thought leader and processing data to sell the churned information about listings and needs of a particular area.

There are innumerable benefits for both the property owner and the rental management company as it is mostly a symbiotic relationship. The property management company brings in the much-needed professionalism and strategic decision so that the property reaches its full monetary capacity and keeps away from troubled tenants. On the other hand, rental management firms need these small and medium-sized property owners so that they don’t have to buy those properties themselves, which would increase their burden of capital and immovable assets.

Like we have discussed above, noticing and avoiding problem tenants is a big part of this business. Evicting a tenant is often costly and wired hard in the legal system. That is the reason why most firms give outmost importance to screening and noticing prospective clients before handing over the keys. The excitement in adding more clients would often push both the agent and the house owner in trouble. In most cases, properties that are run by the owner are targeted by problem tenants as most of them are aware that their monetary history is very likely to be scanned or investigated as a single landlord who doesn't have the resources or money that a team of property management agents has. However, there are several stand-alone screening services as well as a database of tenants who had a bad credit and behavior record. As a matter of fact, it takes real-world experience to detect the tale-tell signs of a bad tenant. Many people just seem excellent and honest at first glance, but we should always keep in mind that this is a business, and we shouldn’t let our superficial judgments take over our hard-core instincts.

We have analyzed factors, the rental property management companies, and the tenants. These factors are of high importance and cannot be neglected at any cost. If you are thinking about having a good or bad tenant, then you also have to think about managing them. Here, a capable and experienced property manager is required. Having a bad tenant is not less than a nightmare because it will severely affect your finance and property. A good property manager can efficiently deal with bad kinds of tenants, and most importantly, they have all the records of tenants.

You can add important value to your investment by hiring a reasonable property manager. Tenant screening is a critical process because there are high chances of getting a bad tenant. Once you have a bad tenant, then it's a real hassle to get them out of your property. Instead of dealing with a worse situation like this, it is necessary for you never to accept such tenants in the first place. A thorough screening process will help you find a tenant who pays on time, rent longer, and put less damage to your property. All this causes fewer problems for you.

Now, if you search for good tenants, then it might be a troublesome process for you. But screening for a good tenant is a straightforward process for an experienced property management company. A property manager from a reliable property management company can quickly dig for the real facts about the candidate because a property manager has seen thousands of applicants. If there are any warning signs, then they can analyze that information correctly.

A list of tenant requirements should be kept in mind. You need to determine what requirements are necessary to be satisfied by your ideal tenant. This will help you in having a better chance of finding your perfect tenant. All the factors should be considered, like the income of tenant according to your rental demand, employment requirement, past rental history of the tenant, smoking habits, references, behavior, and much more. Finding your tenant based on these requirements is known as the screening process of tenants .

You could face a lot of rental scams if the screening process were inconsistent. To make yourself and property safe from such scams, then you must have to allow a management company to handle the screening process and give you the best tenants.

Once you find your ideal tenant, it is time to sign a formal rental contract. Hiring a local lawyer can assist a lot in setting this contract and ensuring that you don't miss any critical detail. The agreement will include information about the rental payment, payment timings, maintenance detail, eviction procedures, and home rules. These contract details can, later on, prevent any disagreements between both parties in case of any damage or conflict.

After selecting the best tenants either through a property management company or on your own, the next mistake that most of the property owners do is that they don't pay regular visits. If you want your property to be adequately maintained, then you need to pay visits on scheduled time. It includes checking whether or not there is any plumbing issue, check batteries in smoke detectors, alarms, furnace filters, and have a look at how the tenants are maintaining your property.

The most significant factor in rental property management is to establish and maintain open and honest communication with your tenants. Either you are handling your tenants yourself, or you have hired a property manager. In both cases, there should be the maintenance of proper operations, and tenants should be kept informed about all the matters. Delaying the maintenance can deteriorate your property. It can also cause a drop down in the rent that you can get for the property. You are the reference contact of your tenants, so you should be available to help them resolve any matter.

Besides the short term repairs, there might be some severe and significant repairs. In that case, you need to help tenants to move for a short period, as they already have paid the rent. The second option is to pay them with alternative accommodation in upcoming months of rental repair.

Along with the property, giving attention to your tenants will earn you tremendous respect and confidence from the tenants. Checking if they are facing any problem and then solving the problem will benefit both the tenants and your property. You can also ask your current tenants for referrals, if they are moving out or if you are looking for more tenants. So, if both of you are satisfied with each other, then it is more likely that they will recommend the tenants with whom they would like to be neighbors with, making this process easy for you and them.

Another factor in rental property management is raising rents. You might need to increase the rent due to the rising costs in the area. Raising the rent for new tenants is a normal process, but raising rent while you already have tenants is quite a complicated process. But, if the tenants have a long-term stay, then you have to do this. In all cases, you first have to reveal the new rental rates to your tenants, and if they have any issue in accepting the new rent or they think it is too high for them, then, you need to work with them on this. After communicating with them, it will assist you in determining if they will continue to stay at the new rent rates or not.

You need to reinvest in your home with the revenue you earn from the property during the year. This will help in giving the ideal shape to the property and will increase its value more than before. The revenue that will be generated will depend on the location of the property, luxury level of the home, size, and amenities. You can get accurately predicted the revenue of a home from professional vacation rental management companies.

Provide easy-to-use instructions to the guests and tenants, so they don’t have to spend all the time figuring about how to use various items like TV, AC, laundry, and all other facilities. If you have hired an experienced property management company, they will do it all for you, and you don’t have to worry about all this.

Being a landlord and managing a rental property is hard and rewarding work. You need to stay alert and well organized during the whole process.

You can manage your rental property easily; all you have to do is to try!

CHAPTER 2

THE EIGHT BUSINESS ATTRIBUTES OF A SUCCESSFUL LANDLORD

IMPORTANT ATTRIBUTES OF A SUCCESSFUL LANDLORD:

As discussed above the most common misconception that most people have concerning running a property is the idea of having passive income, whereas in reality being a successful landlord needs active involvement and is a much more complex business. It has its ups and downs. But it is generally quite rewarding in its nature. Being a good landlord also means providing tenants with one of the most essential and basic necessities of life: Shelter. It can be hugely fulfilling, but only if a good relationship is maintained with the respective tenant. Though putting out perfect traits for a supposed landlord, would be like finding a needle in a haystack, there are indeed some traits that are more commonly found in successful landlords or independent property managers .

Being Organized

Being an independent landlord or property owner can be a tough task as they have to run the entire show themselves. In a firm, different people manage different aspects of the business, but an independent property owner is often forced to dawn many hats at the same time. If that person is running multiple properties, things can be even more difficult for him. In these situations, being organized goes a long way and helps to sort out many overwhelming tasks. As a landlord, the person is responsible for the movement of all movable and immovable things on his property. One thing getting out of place can be a big hassle for the property owner or the tenant. More often than not leasing new tenants and dealing with maintenance issues often require a lot of paperwork which can take up a lot of time for both the parties adding on the burden of saving and filing all such receipts for tax payment. Thus, the property owner should have a structured and well-organized system to keep these files and making sure they are all placed in the right position when they are needed. Being organized and disciplined is probably the most critical role in being an excellent independent property manager.

It is perceived that many landlords are not very good at using the available resources at hand. With time technology have become our best friends and the same goes for independent house owners. Landlords should take full advantage of this mobile revolution and use the help of smartphones and computers to organize documents.

Excellent communication skills are another thing that goes hand in hand with being a successful landlord. It is the key to developing and maintaining good and healthy relationships with respective tenants. A sound and a healthy relationship, in turn, transform into happy tenants. They would not vacate the property and might even go to the extent of paying more in monthly rent after a certain period of time. Responding to inquiries, questions and concerns that come from both existing tenants and new interested clients is very important. A quick response ensures less confusion and frustration on the part of the new tenants or clients who are looking for a new house to rent. It shows eagerness and professionalism on the part of the owner and helps the independent landlord to seem like an organization.

Many times, if there is any new mandate or changes from the owner's part, it should be duly notified from the owner's side. Any further maintenance cost or change in property policy should be communicated to the tenants well in advance to avoid any kind of hassle or disturbance. The comfort of the tenants will ensure their happiness as well as their satisfaction, and in return, it will make a good impression for the property.

A lack of eagerness in communicating with the tenants can be seen many times on the part of the landlord, many landlords take this business as a very passive one and see its character as one which could be taken for granted. For example, if something important is needed to be conveyed a cold email might not be the best option to pass on the message, and instead, a quick call or text or both for formality would be a better idea. It hugely decreases the tenant's chances of not getting the message and ensures to and fro communication. In case the tenant couldn't be reached a warm email immediately, or even a notified and respectful letter at the doorway could be the way forward.

A mutual perceptive between the landlord and the tenant is essential. On the landlord's part, a general understanding of people will help empathize with people. As running a rental property, the business can be categorized as a service business where the behavior of the person involved matters a lot. Empathy and emotional intelligence are essential aspects. Let's just assume that running a property or few properties for that matter is halfway similar to running a lodge or hotel service. However, strict rules and policies are fundamental to ensure discipline and longevity of the property. They help both parties in establishing what they could expect from each other and what the boundaries are. But it is a bit tricky as most successful landlords also know when to be strict and when to be lenient and flexible, it depends a lot from a person to another person and one's intuitions. Demonstrating a reasonable level of understanding from time to time is healthy. It will ensure respect and education from the tenants, while also ensures that they might reciprocate this goodwill in some of the other forms. Being understanding and flexible in no way means that the owner should be overbearing or taken lightly by the tenants. For example, if the tenants ask for leniency or removal of a specific fee, it depends entirely on the owner's judgment whether to give the tenant the concession or deny it as it could create a problem and an atmosphere of similar excuses in the near future. But if the landlord refuses the request than he at least owes the tenant an explanation of why such leniency will not be provided, it shows a strong character on the part of the house owner.

Being a successful landlord is an equal part of being compassionate and lenient and equal part being strict and non-compromising in certain rules and regulations regarding the property. As important as it is in building relationships, it should be kept in mind that maintaining a certain distance is always healthy. They are having a deep and personal friendship with your tenants is not a very good idea though it might seem like it. In reality, it can be a very sticky and unavoidable situation. When the landlord grows a personal relationship with the tenant, the tenant is much more likely not to maintain the required discipline or act too relaxed when it comes to renting or other due pays. Tenants, in reality, are just like any other customer in a brick and mortar or online business and hence having a welcoming nature and friendly attitude might be beneficial on the landlord's part till the time it is professional.

Honesty and integrity are other aspects that go a long way in building trust as well as a reputation for the house owner. Not talking about a kitchen sink that is broken might save you a few dollars, but it will show a lack of character, and the tenants will lose trust in the owner's integrity. Long term reputation should not be compromised for short term and petty gains. Transparency in communications is imperative to building a good reputation among the rental community. Even if it does put some amount of disadvantage upon the landlord from time to time, in the end, the tenants should be able to trust the landlords more than the other way around. Establishing a positive and honest reputation is inevitable for making a good impact on new and old tenants alike.

Traits of a good landlord

Building a trust system helps the property to have a low retention rate in the long term. The final result should be for the client to be able to trust the landlord and also the other way around it makes both the party feel that they are not being taken unfair advantage of. In reciprocating this fair behavior, the tenants will be far more inclined to take good care of the said property and abide by the laid rules and regulations as the landlord's side is more humanized with these acts. Being open to the point is always a good exercise, instead of avoiding or deflecting a question that is thrown by a client. The said concern can be serious, and not getting a straightforward answer can be hugely disappointing for the tenant. It is true that being honest and upfront in nature can lead to some severe and uncomfortable questions in the short term. Still, it will ensure clarity, happiness and transparency in the long run while also guaranteeing the landlord doesn't have to constantly deal with pushing back certain criteria and expectations because things were not cleared out in the beginning. For instance, if a said repair to the property has been requested for some time now and it is being delayed for some time, the due reason should be communicated and talked about instead of avoiding the entire situation. Similarly, if the tenant is not complying with some rules laid out at the beginning, the landlord should notify the tenant regarding the same and ask for a reason as to why he is not adhering by the rules that were laid out to him.

It so happens from time to time that every landlord or property owner, does come across rude tenants that have to empathy towards the property or the rules that are attached towards it. In such cases, a sign of a successful landlord is to keep calm and not go with the instigation that he was subjugated to. It is the landlord's responsibility more than anyone to maintain composure and foster a positive environment ensuring that the peace of the neighborhood isn't disturbed, and the rule of law is maintained. In extreme cases, if the situation is a very complicated one than the owner can think of taking legal assistance and going forward with putting the client in place of a lawsuit or something similarly strong. Respectful behavior and relationship bring everyone to the calm even if it is one-sided at first, gradually the calm person is able to bring the situation under his/her control. The mistake that most landlords make is aspiring to be more professional than it is needed at the situation, unknowingly or knowingly some do lose the human side of the entire conversation which is the crux to the whole business and its nature of functioning. Just like the landlords, the tenants are humans and susceptible to day pressure of running a family, having a day job and maintaining life in a high-pressure environment. It is only human that they too fall short of expectations from time to time. For many people, who try to find a place to stay far away from their place of origin, their adoptive home provides them with a sanctuary and confinement that they so crave for so it does happen that many tenants get easily upset if they feel like there are too many rules that they are forced to accept. These are the incidents where a landlord must show professionalism, show compassion and understand the tenant's issues while being crystal clear at communicating his side of the story. These are skills that most of us already have but aren't aware of. Responding to dissent or agitation with your form of disappointment will only worsen the situation. The landlord is often required to have a perfect balance of understanding and energetic personality at the same time.

Running a rental property isn't an easy thing and requires dedication. In many cases, it is seen that for the reason with a low margins on a single property landlord often owns and runs multiple properties, making things even more complicated. Though depending on the location of the said houses, it can be a hugely profitable and rewarding business. As we have talked above more often, independent house owners lack the resources and lubrication that a property firm might possess. Hence, he is usually at an advantage when he takes full prioritization of his available resources. The Internet and technology is a big helping hand in doing these tasks. Juggling so many different things in such a short duration of time isn't easy and prioritizing resources, prioritizing tasks, and meetings are equally important. There are only 24 hours in a day and so many jobs to be fulfilled. The list of to-do's keeps on growing as days and weeks slip by till it goes overboard, and client dissatisfaction becomes a reality. Keeping one's units in good order and well maintained should be a landlord's top priority. Though it depends on a person to another, on what they want to prioritize the most in many cases immediate monetary gains and long-term relationship building takes the top positions.

It so happens that many times new and experienced landlords alike find themselves in a competing set of tasks in their to-do list. They are pushing the property owner to a state of indecision. In such a situation, the landlord has to be good at judging which task he should do first and which one he should do at last asking questions like which one will have to most impact on the long term of the property and the attached name. Or which action will have the most immediate impact and likewise what will be the lost opportunity or impact if the task isn't given priority. These questions will help the landlord in making decisions, but the entirety will still lay on his/her sound judgment.

It doesn't matter which style of running the show the landlord has taken. It is more like each to his own. What matters is consistency with his actions, rules and behaviors regarding the property and the tenants who occupy it. People, in general, like a sense of security, and it helps if they know what to expect from the very beginning of the transaction they are getting into. It is very important because having different standards and rules for separate clients can lead to a lot of confusion and resentment, which can affect the turnover of the said rental firm or singular owner. All the policies and rules should be clearly defined and available beforehand to all prospective clients. Uniformity helps in forming an image and even building a brand if any landlord is having ambitions or goals of being an authority when it comes to rental properties and its management .

Adding on extras or going the extra mile in helping clients/tenants can go a long way in making a good reputation as a landlord.

As goes for rental management firms who are very serious and stringent in their screening process, even independent and small landlords have understood the importance of checking and screening potential tenants. In this day and age where data and resources run the world, they are available to every person, screening a tenant for a regular check to see if he/she has any criminal past or has serious credit lapse has become the norm. It is also in the safety of other tenants who might be living in the same apartment. Clean and clear history and clean credit history might be an indication that the person will probably be a good tenant. In financial screenings, credit cards, accounts and lines of credit are seen and screened to check if it was sent for collection issues.

All in all, one of the most impactful things that a landlord can provide is the amount of reliability and trust that he ensures. If he/she has made a promise, then they must follow up or lose their reputation in similar situations in the future. A substantial presence if maintained, can work wonders for the property as well as the landlord.

All In all, a successful landlord will be one who has a perfect sense of business especially real estate business and a good balance of communicative skills along with restraining when it comes to mixing up with tenants. Many property owners who have been in the market for a long time are seen to form a community of independent landlords and help each other out in many matters ranging from monetary help to legal help. Out there are many organizations which on behalf of the entire landlord community, speak as a representative in front of the government when necessary.

Most successful landlords who have not just survived but thrived in the business have taken some solid and organized steps in dealing with taxations as well as fixing utilities regarding the property. They understand that being a landlord is a two-way process of mutual learning and understanding where both tenants and landlords are in a symbiotic relationship with each other. They don't let their ego come in between and like any good businessman always keeps their eyes and ears open for an excellent opportunity. There is still a time when scaling becomes a necessity, and it applies even for the rental management business, and when this scaling occurs, putting systems in place becomes even more critical. There comes an immediate need of creating a filling system. A scanning process. Easy to read but clear cut and uniform rules that apply for all tenants and integrating one's business with a payment gate away to make life easier for both the landlord and the tenants. The use of technology SaaS and cloud computing to store files and make things more aligned, as well as sophisticated, has been seen in many new successful landlords. At the end, it is a continuous process and not a source of passive income which doesn't require any attention.

CHAPTER 3

PURCHASING A RENTAL PROPERTY

The real estate can be an addiction for some and a warning sign for life to many others. Depending on how they dealt with the opportunities and warnings thrown at them. The entire world of real estate can be rewarding and extremely tough at the same time. We talked about rental property firms and their effectiveness in dealing with certain aspects of tenant's issues or needs. Then we talked about the traits of a good landlord. But this Chapter deals with an essential factor, one that comes much before being a good landlord or running a rental property firm. This Chapter deals the question of how to purchase an excellent property at a profitable valuation in a desirable locality.

The first step of ensuring a suitable rental property is searching thoroughly in different locations and localities. And fixing on one depending on what we are looking for and what will be our top priorities. The location option will be highly determined and dictated by our choice of whether we want to actively manage the property ourselves or hire someone else to do it for us. Monetarily the margins will vary hugely depending on the accessibility and desirability of the location. Still, it is also co-related to on-ground subjects like having a high initial investment if it is indeed a high demand location and the expectations of such clients when managing the property.

Real estate, in its true character, is a geographically limited investment. What it means is that a desirable and highly in-demand area in the Bay area of California will obviously have pretty high rates of return but also huge initial investment when compared to a place in rural Mississippi. Stringent laws also play different rules in property purchases in different states. It might be effortless to invest in real estate in one region while some other cities or states might have a lot of taxation and red-tapism.

There are many features that a prospective buyer should consider before buying a property. Some of them are as follows:

AVAILABILITY OF OFFICES AND JOB MARKETS

Though this is an often-overlooked aspect availability of jobs and a busy working population is the core to most rental management firms and independent owners alike. Working people, especially in the age bracket of 23 to 45, make the most important and stable customer base for most rental properties. Paying customers makes up for good tenants as they already have a steady source of income and are less likely to miss paying their dues. Proximity to big technology companies and office parks have been known to increase the rent of properties many folds. The most important quality that most working people look for is proximity to their place of work, as traffic is an important thing as well as a lifestyle issue in most parts of the world.

Another major implication of having a property in an area with a vibrant and growing working atmosphere is the influx of regular and high paying tenants. Let's just assume that one of the said tenants were not happy with the rules and services of the apartment and decided to quit, if the town is at a location where there aren't any businesses or offices than it is evident that there will be a large gap before the entry of the next tenant, thus making revenue loss for those few months or weeks. But if it is in a high demand place that has a lot of working populous than the gap period will be extremely low and so will be revenue loss. The firm or the independent owner can be assured that there will be someone or the other who will come and occupy the property. It gives a kind of assurance to the property owner and helps in maintaining a more professional approach in running the unit. It is seen that places like Silicon Valley and other tech hubs in recent years have seen a very high number of working and office going people. The numbers in some cities are so concentrated that landlords are in huge advantage and are able to charge very high rents for properties that could be usually considered medium to small. This circumstance isn't limited to the bay area or the U.S alone but can also be seen in many high-density places in Asia and Europe alike. The presence of offices and big businesses also make room for property owners to catch growth and see a future where they can run multiple properties. Safety of having customers also allows property owners to make the houses more comfortable for the tenants as they are guaranteed to get their investments back. Many times it is seen that those beginner investors are very keen to buy properties that are nearby or at least close to the place they are living in. It can be said as a bad judgment as the priority should be things such as convenience, safety and proximity to office and industrial areas if and all the plan was only to put the property on rent for long term. Judging the priorities right when choosing to invest in a property is a critical aspect, the judgments and priorities should not be emotional ones but rather strategic and decisive.

CONSIDERING ONE's COMFORT LEVEL IN BEING A LANDLORD

Even before investing in a rental property, one must pay heed and ask ourselves if we are ready to have the role of a landlord, an effective and successful one for that matter.

Aspiring landlords should be aware that like every other business, the rental business too, needs attention to detail and a eagerness to do the smallest of tasks. Wanting to be a landlord or rental property owner can sometimes mean performing tasks like fixing a toolbox or cleaning a clogged toilet. Yes, one can always call in for a service boy to perform these tasks, but they might not always be available and also, in the beginning, depending on other people isn't healthy for the business as it eats into the profits. In many instances, it is seen that longtime successful house owners do get down dirty to have their work completed.

It is true though that with time and with adding more properties getting involved in everything becomes impossible and the responsibility of the owner receives more managerial tasks. But to get to that position. Being able to run a team becomes essential after some point of time. Most landlords are well connected with service providers be it handymen, contractors or cleaners. A good network of people, whether they are service providers or consultants, ranging from tax advisers to legal advisers, is necessary to run a successful rental management business. In many ways, having expertise in many areas of the field can be very helpful to the landlord.

Rental properties could have small and big issues after a point of occupation which will need immediate solving if the firm does grow to become a multi-property entity than there will be a need for creative and efficient employees to streamline the business. A core understanding of how real estate works and a knowledge of what factors play a decisive part in people renting the said property is not only necessary but also prevailing. Prior experience and degrees are also helpful provided they allowed in-ground experience as theoretical knowledge is seldom helpful. As discussed above the amount of involvement required is the most underestimated and miscalculated thing by new house owners when they lay out a property for rent. Renting never was and never will be a real passive income in any form though it might look like one. In the end, communication skills and infrastructure, as well as civil design knowledge, are added benefits if the landlord already possesses them, though they are not necessary.

KEEPING AWAY FROM DEBT

Though seasoned investors might play with debt as part of their strategy in making an upward portfolio, it isn't safe for new or first-time landlords that are looking to invest in real estate and lack the necessary experience or market leverage. We all are aware that debt in any form can be a huge burden, and it is almost like playing with fire. A good credit record on the personal level as well as in the business helps the proprietor to leverage any kind of credit when it is necessary. It also adheres to a good track record when it comes to tax payment. Debt in any form, shape or size shouldn't be taken till it is necessary. If the about to be proprietor is already hanged deep in debt with personal loans that might be related to students loans, continuous and ever-increasing medical needs or a growing family that will increase expenditure in the coming months than buying a rental property might not be the best time to invest in a rental property or get into the real estate business as a whole. It is a business with an extremely fickle nature, and one should keep that in mind.

The basic calculation is that if the cost of debt is higher or smaller than the return from the investment, than it is not that big of an issue. Seasoned rental investors and entrepreneurs always suggest having a cushion of cash that can save us from going into bad debt in case the return from the rental property isn't sufficient. Having a safety net and some amount of security is always preferable.

In the beginning, we shouldn't vie for too much profit and overcharge the tenants but have a minimum goal of attaining a margin that at least ensures some amount of safety and guarantee.

Sole investment properties generally have a larger down payment than properties that are directly owned by the owner. Solo investment properties also seem to have more stringent laws around them.

Given that mortgage insurance generally doesn't work on rental properties, the only way to go forward might be through bank financing or personal loans.

The last thing any landlord wish is to get stuck with a massive liability in an area that is on the decline instead of catching steam or at least being stable. The best places to buy properties for future returns are locations where the population is on growth, and there are sound revitalization plans on the way.

IT DEPENDS ON THE FINANCIAL GOALS

It depends on the financial goals of the landlord, and the targets may vary from a person to another whether to buy the property with cash that is available in hand or is it better to finance the property and keep the total sum in hand for further needs. These things depend on the ambition and forwardness of the owner. And the financial goals that he wants to achieve. Paying cash upfront can help cut down on monthly expenditure and pressure, it also allows the landlord to pay less in the long term because in a way he is free of any interest that otherwise would have been added. Financing or taking a loan, on the other hand, does increase the due burden but on the positive note, it also frees a lot of cash on hand which could be utilized further in productive subjects that give a good return. If and all the landlord decides to go ahead with financing the project, then he must keep the interest percentage at the check and choose a lower mortgage payment that will not affect the profit too much. We must keep in mind that in today's day and age, finance is also readily available for everyone, but that doesn't mean that it is cheap when it comes to returning the principal amount.

INVESTING IN LANDLORD INSURANC E

Landlord insurance is different from property insurance and helps to keep the business and the proprietor separate. The Insurance on the property might help it revive in times of crisis but will not be helpful for personal monetary issues and problems of the landlord. Keeping one's investments safe and separated from the business is very important. Different companies in today's world provide these insurances and at a secure payment per month.

IMPORTANCE OF A GOOD LOCATION

We have already talked earlier about the benefits of having a vibrant work culture and office going population in some previous points. Location is the most critical and decisive factor while choosing a rental property. For a landlord, it ensures high returns, stability and security that there will be less vacancy.

Mobility in today's world is actually at a crossroads. On a conjuncture where for example, people want to take a drive in a leisurely empty road and less traffic, but don't want to give up their precious time stuck in traffic while going to work. Young adults or millennials who are making up a massive chunk of the workforce are redefining the way they moving and the way they drive. In these scenarios, ' location is the most vital factor while deciding about a rental home. Even for people who are in their late 30s to 40s or a demographic which can be considered as older compared to millennials looking for a secured community with the Availability of must have amendments such as good schools, hospitals and gyms. People who are earning comfortable amounts of money through either their own business or through jobs don't care to shell out a few extra hundred dollars for the facilities as mentioned earlier.

Safety and low crime rate are other critical factors which tenants look for while choosing a location. It is only evident that no one would like to live in a locality where robbery or assault is a common order. It is often seen that progressive adults who have recently had a family or are looking to raise kids soon look for a secured and safe neighborhood that is cosmopolitan on nature and has the potential of improving its infrastructure even further ahead in the coming times. Landlords should understand that tenants want maximum value for the minimum buck and those who will be able to provide it will be successful and make a mark for themselves in the rental industry.

Other factors include transportation and connectivity. Proximity to airports and bus stations or train stations increases the value of the property. The property doesn't need to be right beside these places at per, but secure connectivity is what people Desire.

INFLUENCE OF TECHNOLOGY ON RENTAL PROPERTIES

Like every other sector in the last few decades, even the rental and real estate business has been hugely influenced and affected by technology. Many property developers and rental house owners have adopted the whelms and ways of this new world. But the ones who have understood its power have leveraged it in their side. Many landlords and property managers have realized that technology isn't a for but a friend who can make their work more seamless and streamlined. It can be used for a different purpose, like getting more leads. Sending and getting automated emails and even sending queries and filing for taxation. In recent times we have seen many new-age startups disrupting the rental scene altogether, e.g. we work and breathe. These behemoths should be kept in mind next time an aspiring landlord decides to expand his portfolio or buy a new property. It is also true that many new age property managers and rental owners have risen due to these startups. They have given birth to many new real estate entrepreneurs.

Before purchasing a rental property, never rely on one project manager. As it is the decision, which is of significant importance so, you need to speak to different property managers. Ask them some questions like, how much will be the rent of a property with this specific number of rooms and size, ask them about the average rental rates in the area. After you have gathered the answers from different landlords, then you can find the data on the popular websites. When you have the data, then you can cross-reference it, this will give you a good insight into the property rates.

Then comes the home inspection part, the home inspection is typically paid, but it is well worth the time and money. With this, you can quickly point out the red flag items. If left unnoticed, then it can cause substantial financial problems, which will end in costing thousands of dollars after the purchase of the rental property. These home inspection results can also be used in the negotiation stages of purchasing the property. If there are any flaws in the property, then you can easily convince the other party to lower the price. Inspection is a vital part of determining that if you're taking just the right amount of risk or not.

If you are buying the property for the first time, then it is important to look for the rentals that require minimum or no renovating. As the real estate is generally a growing asset, it will increase its value more. It is considered a careful decision to buy a low-cost home, because the more costly and luxurious the house is, the higher your expenditures will be. There is always a potential for some emergency cost to crop up; it is not only your upkeep and maintenance costs. The extra cost may occur unexpectedly like, roof damage due to hurricane, pipe burst, so you need to plan to set aside a specific percentage of your rental income for all these emergency costs .

Determine your return on every dollar that you are investing in the property. Evaluate the rewards vs the risk factors, to determine if investing in this rental property makes sense for you or not? Awards contain the growth of your income, and risk factors involve the high entry and exit costs, tenant issues, and much more. You just need to stay calm while purchasing a rental property, take as much time as you can because picking the wrong property could be a disastrous mistake for the rest of life.

CHAPTER 4
FINANCING A RENTAL PROPERTY

Buying or acquiring a rental property is a smart way of earning an income or getting into the real estate market according to many. But the first step towards this mission to find a way to fund this project, finding the required amount of money for the rental property could be a daunting and tiresome task. Becoming a landlord does require a certain amount of cash that many aspiring and young people might not have. As many of us work to diversify and make up our real estate portfolio and taste the waters, raising funds for our rental property could very well be the most significant and very first challenge that we face. It could be agreed that things will be a bit difficult for individuals who have sufficient surplus income or an excellent credit record. The most conventional and common practice is to save up for a hefty down payment and grind through your monthly income to pay the rest. Either through a loan or a mortgage. The good part is that these aren't the only ways to raise funds, and even for small and independent rental firm owners, there are plenty of ways if we are creative and alert about it .

Leverage in Real Estate

Before looking at ways to fund a rental property, a new investor should know the meaning and concept of leverage in real estate.

Leverage uses acquired capital or debt to increase the potential of the ROI “Return of Investment”. In real estate, the most typical way to clout your investment is with your own money or through a mortgage. Leverage works on your side when the value of the properties rise, but it can also lead to losses if values decline. The bigger is your leverage, the bigger will be your ROI capability.

The method of leveraging works best when the values and pricing of rents and overall property rises. As the amount of rents and property rise, the mortgage remains constant, leading to higher profits. To keep in mind today's situation, the said values are rising handsomely; giving rise to more and more potential investors gaining benefits through investment. All you need to know is how to leverage real estate investments with borrowed money.

The leverage can be calculated as the following equation:

Investment property financing / Property value
This is also known as loan to value ratio.

WAYS TO FUND A RENTAL PROPERT Y
Below are some common and lesser-known ways to fund a rental property.

1. Conventional Bank Loans

A customary home loan or standard advance, is a house purchaser's credit that isn't offered or made sure about by an administration substance. It is accessible through a private bank or others government-sponsored enterprises. In other words, it is not backed by the federal government. This type of mortgage obeys the guidelines set by Fannie Mae or Freddie Mac.

With this type of financing, the expected down payment is 20% of the house's purchase price. However, in the case of investment property, the lender may require a down payment of 30% of the funds.

The things that determine whether you opt for a conventional bank loan or some other options are your credit score and credit history. These decide whether or not you are eligible for the loan, and they also determine what type of interest rate applies to the mortgage. Both the lender and the investor need assurance that their money is safe, so the lender will review the investor's assets and income. In contrast, the investor should be able to show that they can afford their existing mortgage and are also able to pay the monthly loan payments. The basic rule is that the borrower is expected to have at least six months of cash left aside to cover both mortgage obligations .

2. Seller Financing

It is a relatively less known but an excellent way to secure funding. It works even for clients who aren't able to secure a loan and hence are on top of our options list. It involves getting a loan from the individual we are purchasing the property from. These kinds of barter loans are usually limited to the real estate market and aren't found very commonly in many other sectors. In a case where the property seller is able to lend the loan, it is quite often hassle-free and faster compared to getting a loan from a bank or a credit union. Going to a big institution always involves a lot of paperwork and due diligence which is not the case if it is being landed by the same property owner that we are buying from.

In some situations, the seller may also be another rental property investor or might be the live-in owner of the property. It should be noted that when a second party owner does the lending, the rules are different in different places and states. However, like any other financing method, this method too, comes with its pros and cons. This way of gaining funds is for smart people who can hustle and not for landlords who are just looking for another way to improve their monthly income. Seller financing forces the taker to be more active about the business and have a smart game plan. It is also true that any aspiring landlord who is thinking of raising funds through this method needs a solid plan of how he/she will utilize the fund before they approach the funder. Having a plan beforehand installs confidence in the lender's mind. The details of when the money was taken and when it will be returned must also be mentioned. Both parties should have precise contract terms and conditions written out and prepared to be executed. All the terms and of the property loan and details should be written down on a paper of agreement and signed by both parties to avoid any legal issues in the future.

3. Private Funders

Another popular and common method of raising funds is taking money from private funders. Many independent lenders are available in the liquidation markets that are willing to lend money with interest attached to the said property. These kinds of loans are very similar to traditional mortgage loans. This kind of funding works best when the landlord or property manager isn't new and has taken loans before but is looking forward to expanding his/her portfolio. This method too requires less amount of paperwork and documentation compared to institutional funding. The only con of taking these types of loans is the often-high amount of interest that is attached to this funding.

New and aspiring landlords should keep in mind that just because of high-interest rates shouldn't keep them from considering this method. Also depending on the location, it might so happen that the potential cash flow and income of the property are so high that it more than makes up for the high-interest rates than there is also the possibility of appreciation of the property which will be quite high in the long run. These are considerations that might vary from property to property and location to location. Private funding can be considered as an excellent short-time option until institutional financing is obtained.

4. Online Mortgage Loan Suppliers

Mortgage funding is another way of financing that is becoming more and more popular in the last decade. Mortgage providers have also had a considerable transition online where it has gained popularity in the new aged office going crowds. In due time online mortgage providers have earned more trust and reputation compared to their offline counterparts. It is another thing that applying for an online mortgage loan is a much more comfortable and hassle-free process than getting one from a conventional provider. There is an ample number of online mortgage providers. Online loans marketplaces as well, as websites of offline providers. They have now transitioned successfully to provide the same services. There are a number of conveniences regarding online mortgage funding such as not requiring to physically visit the bank and going ahead with the entire process in the comfort of our homes with the help of a laptop or mobile phone. The only thing that we have to do is fill up some necessary information and paperwork. Compare our loan options which are an added advantage. And then set up with a suitable partner for getting our loan. The most significant advantage though is most online mortgage lenders not stipulating debt to income and above marked income requirements, which is where most first-time loan appliers fail and hence is a huge advantage for them. These online mortgage loan suppliers instead focus on bad credit history if there is any and genuinely of the applier.

5. Home Equity

A mention should be made to another popular method that can be categorized in it. The method we are talking about is home equity. The main barrier to this method is that the approached or at least the guarantor should have a prior property based on which the new loan will be granted. It can be drawn either on one's home equity or the guarantors, depending upon the kind of equity loan or cash for the next rental property. It is indeed a great way to secure a rental investment property. In the majority of the cases, the approaches can borrow up to 80% of the current home value to purchase the second one. A cash-out refinance functions differently and comes with a fixed rate. However, it can extend the term of any mortgage that is existing at the time.

6. Fix and Flip Loans

For some investors or borrowers, flipping the houses seems to be the better option as this method is more attractive and promising because it allows the investor to receive their profits in bulk as the home is sold. While in the other conventional methods, the investor has to wait on a rent check each month. However, this method puts the lender out of ease. This type of loan is a short term loan that gives the borrower enough time to make renovations in the house so that the property can be put back on the market as soon as possible. In other words, Fix and Flip loans are hard money loans meaning that the property itself secures the loan.

Hard money loan is more comfortable to qualify as compared to the conventional method, and this is one of the advantages of this method. However, the greatest downside of this way is that it is not very affordable and can be a bit expensive. This is because the interest rates of this loan can go as high as 18%. This interest rate depends upon the lender and the timeframe the investor has to pay it back. In conclusion, this method provides ease in the technicalities but can be a little expensive if the investor has a short timeframe.

Methods of Payments

It has been an age-old question and confusion whether to part with your hard-earned cash and buy a property or finance it and pay much more in interests later. But with the entrance of technology and the internet, these choices have been fused and made it easy for aspiring house owners .

Many buyers prefer all-cash sales as it decreases the burden of interests and allows for a different amount of leverage. This kind of buyer doesn't like to get into complicated situations that involve lender relationships, interest charges and monthly mortgage payments, adding up to a huge total sum of the principal amount. Many people opt for financing their property because they don't have the required capital to make it all cash buy and neither do they want to tie down their available liquidity down to each property they invest into. Savvy and seasoned investors who understand the real estate market very well often balance the monthly payment amount to the rental income which they get from the property. The rental income is usually high as they know where to invest and when to invest. Landlords both on the cash and finance side of choice have the advantage of the property appreciating in the coming years. Though is the rental property management company being on expansion than the proprietor should consider borrowing money instead of exhausting all his in-hand cash which can work as leverage later on.

Debt and Leverage

It is a known fact that nobody wants debt. But debt in our common notion has been hugely misunderstood. It can indeed be a powerful tool if used with care and knowledge. Not all liabilities are bad debt. A home mortgage with low interest is, for example, a good option that provides the investor with a high amount of appreciation in the property offered he has chosen a good location. When an intelligent investor is tapping into god debt, he/she is tapping into a dominant real estate investing tool that can transform a single home purchase into a flourishing portfolio.

In reality, debt and leverage go hand in hand. We don't correctly understand debt because we don't understand leverage. Adopting a specific financial tool or borrowing money in a low-interest rate and certain strategic ways can be called as some form of sufficient leverage. This is a common form of raising money in many big real estate firms or portfolio owners who are bullish in real estate.

Rewards and Risks in Purchasing a Single Family Rental Property

There can be substantial rewards as well as risks in purchasing a single-family rental property. The main disadvantage of buying one single feature or not hedging one's portfolio is the risk of a certain property going bust. On the other hand, Leveraging gives investors and capital owners alike a more significant market stake and subsequently, much more return. No investment comes with a zero-risk guarantee. But we can make our small or medium-sized investment safer by following some simple steps .

Not drying up one's Liquidation Capacity

In other words, we should not dry up our cash in hand. Using debt instead of purchasing a property and managing the rental outcome and the payable amount might be a good idea.

Depending Too Much on Debt

The very opposite of the topic as mentioned above, is too much dependence on debt, up to a point where it becomes bad debt and is sucking up good investments and increasing imbalance in mortgage payments. It will take a big part out of the profits and will the entire point of the investment useless. This kind of situation is generally called getting underwater in real estate and investment terms. It is generally a situation when the property is worth less than the mortgage. These situations usually occur when the payable loan amount is much higher, and suddenly the market takes a dip while the payable remains constant.

Other Risks

Other common risks include delayed or legal traps while the sale of a particular property is due. Frequent vacancy issues and mismanagement on the part of the owner. The inability to pay mortgage payment is another factor .

How to Navigate Risk

Experienced investors usually strike a balance between what they have to give and what they have in hand. They use enough financing to improve and jack up their returns but not so much that their debt to property value ratio is misbalanced. One common way that real estate buyers use to mitigate risk is having excellent cash flow from the property itself, which is then used to pay any kind of debt attached to the property or obligation attached to another rental property. This kind of calculated risk is easier for seasoned investors than first-time homeowners because their purchasing decision is dictated by a broad portfolio management team who is good at number crunching and not by a single person betting on an individual property.

There are certain cheat ways and tricks through which eve first-time investors and property owners can be debt-free and leverage from a capital market at the same time. Now, we will talk about a few of those.

- Paying close attention to one's credit score: Similar to most significant purchases made with the help of financing, Lenders will take a closer look under your details while financing for a property. Hence keeping one's credit score high and good credit book is very important.
- Having the necessarily closed cash reserve: We often don't pay attention to the amount of liquidation in hand, which can play an essential role in growing the business. The money that is leftover in our accounts after paying the banks is the only leverage that is left with us at that moment.
- Knowledge of mortgage rates on investment properties: We should keep track of the fact that mortgage loans are higher on specific investment criteria when it comes to real estate

investment. The fluctuations in rates of interest depend on the market mood and could vary from time to time. Keeping a tab on markets is another way of understanding these fluctuations.

What to Look For in Investment Property Funding

Before investing, you need to be careful to get into the right properties in the right locations. Also, you need to be aware of your assets and income to select the best option for investment. You should look for a property that gives you great potential for equity appreciation, the highest possible cash flow each month and trustworthy tenants that pay your mortgage each month.

The Bottom Line

Investing in a rental property or undertaking such a project are risky ventures, but they offer the potential for a big payoff. Every borrowing option has its pros and cons so. It is up to you to keep in mind and be aware of what the short and long- term costs are and their effect on the investment. Finding the money to utilize it in one's benefit seems to be the most challenging and impossible task, but it is not that hard if you know where to look. Explore every option thoroughly and chose the one that suits you and your financial statistics the best.

CHAPTER 5

PREPARING YOUR PROPERTY FOR TENANTS

A new property that has been built needs the minimum as well as maximum customization. It is almost like allowing a teenager to drive a car. There isn't much guarantee that there will be no damage or wear and tear to the property. Just like we can prepare our car for a potentially risky driver, we can start to prepare our house for potentially risky tenants who might cause damage to the property. Whether we are looking to rent an immediate second property or running a multi-property rental management company, we barely have any knowledge of whether it will be returned to us in the same state after the tenant has vacated the property. Yet that is a mitigated risk that we are willing to take. There are many things that a rental property owner should keep in mind before he/she lets tenants stay in his property to minimize and decrease his risk or at least hedge it up to some extent.

- The mortgage has to be an ongoing one. Checking on the loan it helps to protect us for any kind of unwanted risk which might cause stipulations for the renters and the landlords. For example, an FHA loan requires the landlord to occupy the home for one year before renting it. If the landlord is buying for the sole purpose of renting it, then it is our duty to let the lenders know about this purpose.
- Considering a property management company is always a good idea to manage a house optimally and at less cost compared to what a single or independent landlord can do. This is one of those jobs that are better left out to the professionals. Property and rental management companies often take care of the hardest part of renting a home.
- Preparing the home for different rental parties is a continuous process. In recent times competition has been stiff and tenants are used to getting good service which they often take for granted. Following, there is a list of things that needs to be done before letting the property on rent.

1. Cleaning the property, which are the windows and doors and the entire premises. Keeping the property clean is an utmost necessity.
2. Fix anything that is already broken as it will show the landlords goodwill.
3. Checking that all the appliances are working
4. Basic things like spraying for pest
5. Putting a fresh layer of paint o the wall to make the property look new
6. Making the house more livable by decluttering and removing any valuables

- Knowing how to find a good tenant is another part of preparing the property for a suitable tenant. Though we would imagine that a tenant would rent our home and never do any damage in a real-world scenario it is not the case as the property can be taken by a plethora of people in its lifetime. Hence finding a good tenant is very crucial to the property and to the business.
- Understanding and noticing potential red flags: This is another point or rather a skill that landlords should keep in mind. Taking things for granted can be harmful to both parties. The homeowner is always responsible for any maintenance or repair that is to be done to the property. Tenants who care less can be a nuisance and are better off not being entertained.
- The owner should be very clear about certain things before he/she allows the new tenant to stay in the property. These rules or restrictions can be things such as:

✓ Whether domestic animals will be allowed in the property. And if so will it require a pet deposit.
✓ Will the landlord charge extra yard deposit?
✓ A list of certain utilities that the tenant is responsible for
✓ Would the landlord need more than one lease signer for the property? In case the first person who signed on the lease isn't available anymore.
✓ Any kind of clause that gives access to quarterly and yearly maintenance of the property

- The final and most important decision is the decision on whether to make it a single person project or go solo. Doing it all alone will make things clearer but harder for the person. At the same time, managing a team is no easy task and might need high managerial skills, prior experience and more monetary investment if a landlord is going to rent a property without a property manager than he should prepare for the house to be managed in such a way that it is efficient for both parties.

CHAPTER 6
SELECTING YOUR TENANT

Now, after doing all the work from buying to preparing the property, you're wondering who'll your first tenant be! Are there any guidelines which I can use to select the right tenant for my debut rental property? Tenant selection and screening are a little stressful but a great learning experience as you'll find, many people who're trying to convince you that they're the most fir for the position of the tenant.

CREDIT CHECK

The financial aspect of renting is one of the most crucial elements as you might have obligations ahead or which you may depend on the rental income, and any delay can be painful for you.

A credit check of the aspirant tenant is something that you can't take for granted. Credit checking includes the history of loan repayments, defaults, bankruptcies, or any other history of financial fraud or defaults .

Make sure to obtain the list of bank accounts, credit accounts, loans. Documents related to this list will provide you with enough information about their repayment pattern, and any outstanding or delay payment. Ask about the type and terms of the loans, and most importantly ask about any delay or failure in payment.

You must actively look for the bankruptcy status if they have any discharged bankruptcy than don't hesitate to ask about the details like causes about financial stress and how they take themselves out from that position. Past bankruptcy is fine but not the pending bankruptcy as it'll free them from paying any rental obligation. So, analyzing the credit report in detail is critical. The landlord must do it.

The primary purpose is to ensure that we're renting our property to someone who has a decent history of fulfilling their financial commitment. A credit score matters a lot in the selection of the right tenant. There're many agencies which can help you with that, so if you don't hesitate to take their services rather than regretting the lousy decision later.

At last, make sure that you have the application properly as some of the potential tenants use the clause of not taking the credit check, and if that's the case communicate the need of credit check and take the signature on the document stating their agreement to the credit check.

INCOME AND SUSTAINABILITY CHEC K

As we all know, past success is not the guarantee of future performance. And you must not rely entirely on the past information for the tenant's future performance. Instead, make sure you know about their current employment/source of money. See the bank statements of the past 12 months or more to get the real idea of their financial position. And do little math, to know if they did have enough income to pay all the bank loans, rental obligations, or any other liabilities. And don't hesitate to ask about how they'll manage to pay rent if your calculation shows the adverse result. Be aware that all the documents have a similar name and related details to ensure authenticity.

PREVIOUS RENTAL HISTORY AND FEEDBACK

Take the list of all past rental agreements, to know their streak as a good tenant. Also do communicate with the previous two or three landlords regarding their consistency of the rental payments, behavior, taking care of the property and the level of responsibility shown in paying any utility bills. Make sure to call the last landlord; and do listen to both sides of the story to get the real and unbiased idea of their history as a tenant. And they're becoming the tenant for the first time then make sure that you obtain the signature of the co-guarantor or Co-signer. (If applicable) .

We live in a digital age, where we all have our digital existence. Do check the LinkedIn profile or Facebook of the tenant to verify the details provided and especially the employment details as hiding such information in the digital age is near to impossible.

LEGAL ADVICE

Having a legal person does always pay off, it doesn't pay of giving any profit on the fee paid to them but rather it pays off in a way to reduce the probability of selecting someone, who can have a criminal background or can involve you in any illegal problem. So, having someone on your hand, who knows about the legal aspects and documents, will always pay off and remember the type of pay off you get from them.

ADHERENCE TO THE TERMS DEFINED

Be prepared to meet several people, who didn't read the terms and conditions of the rental agreements in detail which will, later on, lead to insane misunderstanding, clashes and conflicts. So, from experience, it's highly advised to take the surety regarding know-how of all the conditions, and to be more prudent. You can restate the terms which you might think are necessary to be followed and do take their general agreement in compliance with them .

Some of the everyday things which you should talk about clearly in order to avoid any kind of misunderstanding are mentioned below:

1. ***Pet and their policy:***

So, if your tenant is a pet lover or has a pet, then you should educate her/him regarding our pet policy and cleanliness.

2. ***Repair and maintenance responsibility:***

This is the area, where most conflicts or clashes occur as both tenants and landlords by default think that another person is wrong which leads to no room for open discussion, and even one can win by force once but will lose the long-term relationship. So, stay clear, what are the things which will fall under your domain of responsibility and what are the things which will fall under their realm of responsibility as a tenant.

3. ***Initial deposit:***

Highlight the amount of initial deposit and when it needs to be paid.

4. ***Amount of rent, time period, and any adjustments like inflation increment:***

The majority of people forget the time duration and the yearly increase in rent by the amount of inflation. So have the highlighter and do highlight the amount of rent, time duration covered, and the inflation adjustment.

5. List of things that are illegal to do in a rental property:

Have a good knowledge of the local law, and what are the things defined as not allowed/prohibited/ illegal to do on rental property. And for this having a legal person on your side as mentioned above will help a lot.

6. The number of people allowed to live in that house:

For every house, there’s an average number of people who can live in, based on the room or the space of the house. So, make sure to know the number of people who’ll live in that property and their relationship with each other.

CHAPTER 7

THE TENANT -LANDLORD RELATIONSHIP

Cultivating a good tenant and landlord relationship is necessary to have a long term commitment with each other as no landlord has the time to track his/her tenant 24/7, unless you have the heritage of luxury real estate which most of us don't have! No tenant will want to complain every day for the problems since everyone has to deal with their things in life. So, these are few areas which both landlords and tenants have to work on in order to cultivate a better relationship and remember; don't rely on others to take the initiative, you'll end up complaining about their lack of commitment to start.

Easiness

'Let's be honest, life is not as easy as it seems, and everyone is going through their share of suffering and responsibility, and some are going through more. In such a competitive world, there's no better way to develop genuine relationships than bringing a little of facilities as well as easiness in one's life. So, with all the necessary measures, try to add little ease in the life of your tenant. It can be as simple as grant them to stay in a house a day before the rental period starts as they don't have any other place to live in, other than an expensive hotel.

Have an intent to bring easiness in the life of your tenant will eventually build unshakable trust. In order to bring comfort to someone's life, you have to know about what they need in their lives.

Know their needs

One of the basic fundamentals is to know the needs of your tenants and then facilitate things to them accordingly. A single tenant has completely different needs from the one who is married or has children. So, learn to see things from their side as re-engineering it in a way that makes a perfect intersection between the needs of tenant and landlord. Having a win-win strategy is far more suitable than a win-lose or lose-win strategy.

It is worth mentioning that when we construct a property for business purpose, there are certain things which are essential and must need to be implanted and calculated. First of all, when we ponder upon such a splendid project, we should eloquently perceive the outcomes and hurdles. Nothing is easy as we think, life is not a bed of roses. When we enter into practical work, we have to face plenty of challenges. We may have to solve several problems. When the property goes on the market, we'll have to meet new people of different minds and behaviors. We have to deal with constructive as well as destructive thoughts. We meet optimistic people, and some are pessimists. When we think of putting our property on rent, we should put a thorough glance at these challenges. It also deals with the control of our wrath. We should take care of ordinary prudence before putting our property on rent. The owner should remain active and vivacious while running his business of rental property. Because if the business of rental properties were an easy task, every person would be a billionaire. Running your business in the right direction is very significant. The policy of running a business should be impeccable. The terms and conditions should be palpable and vivid. It will be helpful to avoid any disruption in the running of a smooth business. It will be useful for both the owner and the tenant.

The relationship between the landlord and the tenant should be friendly and smooth. It will remain an excellent relationship, if it is run, in conformity to the interests of the owner and tenant if the policies are strictly followed by both parties, the landlord and the tenant. The relationship should be smooth and friendly, for sure. If the policies are not followed, then it will inevitably lead to precarious results and both, the landlord and tenant will face the consequences. It will disturb the whole set up. It could create a nuisance and mental disturbance, so it is recommended to follow the terms and conditions. If terms and conditions are appropriately followed then, overtly we can avoid the unwanted consequences. Hence, it is crucial to apprehend the significance of the relationship in the right way and direction. If we misinterpret it, then we should be mentally prepared to face its consequences.

It will help us to create an environment based on love, peace and harmony. It is the ultimate purpose of our lives to facilitate others’ lives and to love humanity for the sake of committing good deeds. It will provide us with mental satisfaction and success in our property owner’s etiquette. On the tenant’s hands, if he will create hurdles for others, it will inevitably affect our lives in the same manner. Keeping in mind these facts, can help us to better understand the significance and importance of the relationship between the landlord and the tenant.

Some individuals do not own a house. There are plenty of roving people, and they are vagrant. If we are preparing our property for rent, we should be grateful to the Almighty for this blessing that we have our own house and we are making our property for lease to provide shelters for others. So, the landlord should be very vigilant while constructing his property. He should build it in such a way that as he has to live there. He should build it according to the map to attract more people. The landlord should try to create a warm and useful environment for any kind of tenant. When we construct a building for our living, we can decide the color of the walls, the color of the doors, bedding, bedsheet colors, bathing and appliances etc. On the other hand, when we are constructing a building from a business point of view then we should decide things accordingly. We should select the color of the walls which is attractive. Most of the tenants prefer to attach bathrooms, so the owner should try to fit attach washrooms. The color of the doors should be eye-catching to attract more tenants. It is necessarily required to manage things according to business requirements. We need to decide things warily.

The experience to run a business is a vital tool to earn more and to manage the system in the right way. If the owner is new to this business and he knows nothing, then it is a scintillating idea that he can ask an agent to render services for his business. The owner should take advice from the agent about which steps can be made to improve the business and to build a healthy relationship with the tenant. It will help the owner to run the business smoothly and effectively.

First of all, the property must be compliant according to the norms of the local council and the government. For example, the smoke sensor if required by law in the kitchen. After that, the general preferences of people must be kept in mind. The owner should act maturely if he remains puerile, then definitely his business will go into loss. So, the owner must be very clear about the business; otherwise, it will never be proved cordial. Acting maturely and warily is an essential element to run a successful rental property business. If the owner would remain in a state of a puzzle, then it will never help you run a smooth business. If the owner is flummoxed to run his business, then it will create dithering conditions. It is going to affect the relation between the owner and the tenant severely.

The property must be prepared for rent gingerly. It should be made fit for the use of the tenant. It should present a good look rather than being looking filthy. It should not be a horrible place to live in. If it is not giving a good look, then it will exacerbate the situation, and it will severely affect the business. It will be appalling for the tenant if the cleanliness of the house is not heeded. Things in the house should be adequately arranged. It should not be a mish-mash. It will eloquently be a cause of disdain for the tenant that an owner who has not been taking care of the things in the house how he will take care of matters and problems that will arise later. This is a very important aspect that first impression should be attractive and enchanting because the first impression is the last. If we fail to satisfy in our first impression, then all efforts to convince the tenant will go in vain later. All our such attempts will be foiled to draw the desired results because our first impression presented was a bad picture or a poorly maintained property.

The property must need to be inspected thoroughly and clearly. All the steps to ensure safety must be taken. Before the property is rented, every facility should need to be checked. It includes home appliances, water pump, alarms and bell, the windows, the lights, all the plugs and so on. The owner should make sure that all the things are working correctly. There shouldn't be any ambiguity left in appliances regarding their performance. The owner should rent the property with Bonafede's intention. It should not contain a harmful purpose. For example, if the ceiling of the house is not in good condition and it is not intimated to the tenant, and during the tenancy, if the damage is caused, then it will be devastating for the owner.

The owner will be held liable for this damage. He is bound to pay compensation under the law of torts, where he has infringed a right to correct information and wrong intention. He has breached contractual obligations. We can understand this breach with another example that when a person takes a car on rent. The owner knows that its brakes are not in working conditions and may be fatal. But he does not inform the tenant that its brakes are not in a proper position to drive. If later on, an accident occurs, here the owner will be held responsible for the accident. He will pay the damages. Keeping in view these facts, we conclude that the safety of the property should be ensured, and all measures must be taken to ensure safety. All the relevant facts must be disclosed and intimated to the tenant to avoid any inconvenience. It is against the law if we do not demystify all points, we will be held liable and responsible for the damage caused. We will be answerable in front of the competent court for hiding these facts. To run a successful rental property business, we must make clear all terms and conditions to the tenants. They should pay attention reading the terms and conditions before entering the property or sing a contract. After signing the contract, both parties are obligated to follow the rules and fulfill their contractual obligations. One should be very much clear to read the policy and its terms. Afterward, no objection can be raised in this regard that I was not aware of this rule because the law says that ignorance of the law has no excuse. One should remain vigilant in this regard. Later, no one will be held liable except the person signing the contract. Your signature is the evidence that you have agreed to all terms and conditions of the agreement. It is advised to read all times and understand them with the tenant.

Cleanliness has its importance and significance. The owner should take special care of cleanliness to prepare the property for rent. The owner should be fanatic to take care of sanitation. It includes the sanitation of floors, bathrooms and other appliances. Because the property is kept empty for a certain length of time, then germs may be precarious and fatal for the tenant's health. Cleanliness should be maintained in the required manner; otherwise, it will be suspicious of the tenant. If our credibility is lost, then we will not be able to become a successful rental property manager. Reliability is an essential element to run a business because the contract is signed when the parties are credible.

Another crucial aspect is that once you are preparing your property for rent, you must inform your insurance provider as well as your mortgage. When the property is ready to rent your status alters. When status changes, then obviously the terms and conditions of your policy will change. Your status will be converted to the landlord. It is necessary to inform the insurance company so that if the tenant causes any damage, you should be able to get compensation as per policy signs. If we fail to do so, then we have no right to demand compensation from our insurance company based on the damages incurred on behalf of our tenant. So, when you are preparing your property for rent, you should not forget to intimate it to your insurance company, because if you forgot then definitely you will face the consequences. After all, a fault is on your end, and you will be considered as you intentionally did so, and your right to compensation will be waived. The mingle is in your court that how do you manage your business and remain active-minded to see these matters, because if you will stay reluctant and you will show negligence; then definitely you are the sole person to pay the price of this act because you remained slack and you were not able to handle the situation. Then definitely no one else will come to tell you that you should inform your insurance companies unless you do not know on your own. So, you should prepare your property for rent after clearing all grounds.

The owner should know the value of his property. If he knows the value of his property, then he will be able to demand the rent in conformity to the value of the property. If an owner does not know the value of his property, he will not be able to demand an adequate fare. When the owner talks to the tenant, he should tell him the benefit of his property as well as the value of the place where the property is situated. It will help the tenant to decide whether to take this property on rent or not. It is up to the landlord to decide on how he convinces his tenant. The owner should tell him what facilities are available in the vicinity of his property. It may include world-class educational institutions in this area. It may consist of local facilities or shops and useful points, including parks or playground areas. The owner should tell the tenant that his property is not airtight; instead, it is airy. There is proper facilitation of ventilation. You will not feel suffocation. An excellent kitchen and a playground for the kids is available. These are different facilities which are necessarily required to be disclosed. After disclosing all these facilities, the owner will be able to demand rent. It will be beneficial for the tenant to decide how much he can pay. These are the factors which are of immense significance and importance. We cannot deny the importance of these factors, because these factors are the nitty-gritty of running a successful business. These factors will be helpful to attract a good number of tenants when the landlord starts to advertise the property in the local market. Hence, we will be able to flourish in the business.

There are certain things that the landlord must keep in mind before renting his property to a new tenant. The first and most important thing is that the tenant should not be a criminal. Because if your tenant is a criminal and any criminal activity is carried out then definitely his place of residence will be traced from where he planned this activity. And if your tenant is a criminal then definitely you will be under strict observation and investigation. You may be behind bars being the supporter. In order to avoid this inconvenience, the owner must investigate all the history of the tenant. The owner should also investigate whether he is a defaulter or not. Certain tenants are absconders they get a house on rent and on the time of paying rent they abscond. They become habitual offenders. The owner should check whether he is a habitual offender or not. The owner should make clear all the terms and conditions of the policy. No ambiguity or doubt should be left. The owner should tell the tenant when he is bound to pay rent and what will be the method of paying rent. It may be through a bank account, or the tenant is bound to come physically. The owner should tell the tenant the annual increase in the rent, which is very important to be intimated. The owner should check the truthfulness and trustworthiness of the tenant. The tenant should be responsible and liable. The owner should ask him to check all appliances and hand it over to him. It should be made clear that if any damage will be caused, then the tenant will be responsible and will pay the compensation. If there will be any natural catastrophe, then definitely the owner is responsible. The natural disaster may be flood, heavy rain or fire. Under these circumstances, the owner will be accountable.

The tenant is bound to return the house in the same condition as he received it; this aspect needs to be well clarified in the agreement. The owner should also check whether the tenant is a bachelor or married. If the owner is giving the upper portion of his house on rent, then definitely he will give it to a married family because bachelors are usually considered to create a nuisance. It is arduous to keep bachelors with family. So it should need to be clear that whether the tenant is coming with a family or not. The owner should visit his house from time to time for his satisfaction that the tenant is living politely. Certain tenants are very wicked and dishonest. They deceive their owners, and they do not pay their rent in time; instead, they give lame excuses to pay rent in time.

Terms and conditions must be written clear to the tenant so that no disruption is caused. The owner should be mentally prepared to deal with these matters and disputes. Certain tenants leave the house in abysmal condition. Under these circumstances, the owner needs to act wisely. Any ill-advised action of the owner may be devastating. The owner should try to make his tenant disciplined and punctual in paying rent in time because if the owner neglects the due date, it may lead to a screeching halt. All things must be written on affidavit. If all things are mentioned on testimony, then the owner is not required to grapple with the tenant; instead, we have the legal path available for further proceedings. Well begun is half done. So, the owner should remain strict from the very beginning. We should not prolong the dispute; instead, it is essential to sort out the solution. When any dispute arises, the veracity of the dispute can be confirmed with the help of the affidavit. If we will remain reluctant and languish, the dispute will affect our business. If we negotiate the matter, then it will abridge the seriousness of the case. It is usually advised that the dispute between the tenant and the owner should be settled with negotiations and conversation. Because, if the matter goes to the court, then other rental property managers in the area will try to decline the level of your business. It will provide them with an opportunity to spoil your respect. We should try to abstain that such an opportunity should not be provided to the opponents. It is necessary for the promotion of our business. It will escalate the standard of our business if we promote it positively and credibility is ensured. Reliability is one of the most potent weapons to make your business reliable. To do business, the stronger source potential of the tenant should be checked. The owner may give his property on rent. Later, he comes to know that his tenant is a pauper and he is deprived of a sufficient amount to pay rent. So, it should be made clear that the tenant has the knack to pay the rent. If he is a pauper, then we are not available with any remedy. Pauper is such a person who is not able to spend even a court fee. So, to avoid this problem for later, we must check the source potential of our tenant.

In this Chapter, we studied how we can prepare our property for tenants. We discussed those significant aspects which are essential in the tenant's and the owner's relationship. We discussed the points that an owner should keep in mind while hiring a tenant. We studied that the owner should remain vigilant and active. He should know how to run a successful business. If he is not experienced, then he can hire an agent to guide him. We dealt with how an owner should make all things clear about the tenant, including his criminal background check. Because the owner may go behind bars, if his tenant found criminal and maybe jailed. It is essential that before putting your property on rent, all the necessary information must be collected. House should be given inadequate conditions and must be taken back in the same condition. Sanitation must be kept regularly from the tenant, in mind that the house should be adequately maintained. To flourish your business, proper steps and measures can be taken for the advertisement of your property. The owner and tenant relationship will be excellent, if all the matters go smoothly; otherwise, it can cause problems for both parties.

CHAPTER 8

PROTECTING YOUR INVESTMENT

We are now going to see how you can set up your entities in real estate property management, for maximum protection, maximum privacy, and minimum taxes. So let us go through the different types of entities that are available for buy, sell, hold, or rent your real estate property investment. Then we will put it together break them down and then put it back together again so you can understand how the different entities work together. Therefore, where we start with different types of entities such as:

- C corporation and by default most when you file a corporation, most people file by default C corporation. Some people will file as an S corporation, which is a specific tax election.
- C corporation makes to become an S corporation.
- We have an LLC. The LLC files multitude of ways is confusing.
- We have a trust.
- A Limited partnership.

This is the picture of the types of entities, okay? So we'll start with the basic one, a C corporation which is called an ordinary corporation. It is formed by register with the Secretary of State certain forms and going through some specific procedures, and then it files its own tax return annually. It has owners we call shareholders. It has officers, a president, secretary, treasurer, and so forth. If used properly, a C corporation can save you a lot of money, but if misused, there are some negative tax consequences. Either way, you do it whether it is a C corporation or an S corporation, they are both corporations, and they both protect the owners, the shareholders, from liability for anything that goes wrong in the company business. So as C corporation has shareholders, and it files a tax return, and then an S-corporation also files a tax return, but the main difference between a C and an S corporation is; in a C corporation you can get double taxed. Meaning the corporation can pay tax, and then if you take it out as a dividend to the shareholders, the shareholders and then taxed a second time. You may have heard that before, the C Corporation is bad, but if properly used, it can save you money. An S corporation, on the other hand, files an informational tax return. A different one than a C Corp files and then all of the income and expenses are passed through to the shareholders, as either a profit or a loss, is a net number profit or loss. Therefore, the general rule is here, if you are making more money than you can spend, meaning the corporation makes a net profit of 100, and you only need to live 50, then you are going to go with a C corporation. Because you can get certain tax benefits that are not available in an S corp.

In an S corporation if you're taking up all of the money that you're spending. You are netting it out to a net-zero anyway. Then you go with an S corporation, so you probably figured out, most people start their business as an S corporation. When they start making some serious changes, then they go to a C corporation. For most of you, you will probably be starting with an S corporation.

In the picture of what you are doing, now we have an LLC and the interesting thing about an LLC, is there are four different ways that it can be taxed—an LLC file with the state like a corporation. Like a corporation, its owners, which we call members, are protected from liabilities of the company. So, C corporation, S corporation and LLC will enjoy the same protection for its owners. Limited liability. However, the LLC does not have a tax return. There's no equivalent as an LLC tax return. The LLC will choose how it wants to be treated for tax purposes by the IRS. Along with the four ways, we're not going to talk about all four. But the most important one it could be a corporation, or it could be a partnership now. As a corporation, it could be CRS so that it can be a CRS corporation, or it can be a partnership, is the fourth way but not good for our use here in the discussion. So we'll just ignore that fourth one. So if it elects to be a corporation that files a corporation return, or, if it elects to be a partnership, it files a partnership return. Now if you are like with most of the people, who especially who are in the business and are busy, and just getting started with property management, instead of using a C corp for an S corp. In most cases again, most of you beginners will be S corp. We use an LLC that is electing to be taxed as an S corp, or taxed as a partnership. The sense for that is; we want to preserve some of the pass-through tax treatment that would be available if you just owned the business in your name. Their certain tax benefits we'll talk about, in just a little bit. To sum it all, now that we've talked about S and C corporations and LLC's, what we're going to do is file an LLC, and then one is going to be electing to be treated as a corporation. Then we may have a second entity, which is filing to be treated as a partnership. We'll see how those work together, when we put it all together after we break it down.

Then we have trust. A trust is not an entity at all. A trust is an agreement. It's a written concession between two parties. The person who creates the trust and the person who manages the trust. So we have the Creator called the grantor, and then we have the trustee, who's going to manage it. It's just a written agreement that says trustee is going to magic, for the person who created it. Now people get a little confused with trust. They compare trusts to like a corporation, which has a filing of a tax return, a trust, the type we're going to use, doesn't have any of those things. It doesn't have a tax ID number. It doesn't have a bank account; it doesn't file tax returns. It's simply an arrangement, where one person holds property for another. Now if you think back to the beginning stages, of trusts back in England and, you know, years and years ago, if you own property in your own name you have to go fighting the King's army. So what someone would do, is you put the property of a friend or relatives name. It is too old and says look we'll put it in your name, and so, therefore, you won't have to fight because you're too old. I won't have to fight because I don't own the property. But between you and me I still own it. But we'll put it in your name, and that's basically, what a trust is. You're taking title and one person's name for the benefit of someone else.

For tax purposes, the trustee is not the owner, the one who set it up is the owner, and we'll get back to that a little bit. You'll see why that's important and relevant, and lastly, we have it's called a limited partnership. Which again is like a partnership, here and sometimes we use what's called a family limited partnership, which is an asset protection device, to avoid liability. But also avoid people getting to your pieces of stuff if they get a judgment against you. For the most part, a partnership here in a partnership. Here are six of one-half dozen of the other so, what I'm going to do is; there's only going to be two entities, we're going to use corporation LLC or partnership LLC and then trust. Okay? So now let's review section one, and by the way there's going to be four sections. They're all about the same length, so you get an idea of where we're going in the first section, what we've learned was that you could have a C corporation and S corporation. You can also have an LLC. The LLC can choose to be treated for tax purposes by the owners as either a C or S corporation or as a sharing. We're also going to use a trust for certain purposes, as we'll get into later, so if you're just getting started you're probably going to want to go with an LLC taxed as an S corporation. Besides, if you're going to buy and hold rental properties, as you'll discover the LLC taxed as a partnership may be the way to go. Let's take a look at it, break it down now.

At things like income and expenses in real estate, so you have an understanding of why we recommend certain entities for certain types of business. In the real estate business now, basically, there are two types of income that you would earn. One would be active, and one would be passive. So if you're earning the income from a passive source such as rental properties or you lend money, and you could collect interest on a note that's in the category of passive, so that is treated differently for tax purposes than income which is active. Also known as ordinary also known as earned so these a rental income earned not it's considered investment income it's a different nature then income earned over here which is active ordinary, or earned and similar activity that you might be doing now. To earn this type of income, would be if you have a w-2 form, an employer or you're a 1099 employer, or you're self-employed filing on a Schedule.

C that's all in this active ordinary earned, and the main difference between the two the active, versus the passive, is what we call FICA tax, which is also known as payroll or Self-employment tax. It is a pretty big chunk that comes out of your income, in addition to state and federal income taxes. And Obama care tax, don't forget about that. That applies to everything you're making enough. So, we want to try to avoid the FICA tax. The best we can on our income, because we don't want a nanny system where the government takes money away from you because they think you're too dumb to handle it on your own, and maybe someday you'll get it back if you're lucky. You'll get all of it, more likely to get some, of it perhaps even none of it. So we're going to try to avoid paying that FICA tax if we don't have to.

If you're doing things like rentals, we want to go over, and the passive category and then overactive we're going to go into a different category, which are things like flips. If you buy, fix and flip properties or you wholesale them, then you're in the active ordinary earned. Now, the challenges here, if the IRS tags you as what they like to call a dealer, a real estate dealer, that someone who buys properties, intending to resell, and in many of our cases that's precisely what we do. But, if they tagged you like that, they're going to want to put all of that income into this category: active, and charge you fight acts on all of it. We don't want it, on this portion of the income so all we have to do, is segregate the income into two different entities. We don't get that problem coming back to haunt us. In terms of expenses, on the other hand, there are certain expenses you can take against passive income, and there are certain expenses you can take against active or ordinary income. We want to preserve those, the best we can as well, and understand that there are certain types of entities where we can expense things and other types of entities where you cannot. So, the long and short of it, if we want to get right down to it.

What is the bottom line here? Let me tell you the bottom line: if you are doing this type of activity, you want to use an LLC as S corp, and if you're doing rentals and other stuff like that, you want to go with an LLC as a partnership. That will allow you to get the highest benefits income earned in your S corporation. Yes, that is active it might be subject to FICA tax, but if you can expense a lot through here, and get your net bottom line down to close to zero, then there will not be any tax to pay you. Know to pay, because there's not much income, but even still if you have some income, at the bottom that you haven't taken out then you're probably want to seek, or at some point anyway, but even if you have some income and you've taken out of here, and don't want to get taxed. FICA tax on the S corporation allows you to pass it through, and eliminate most, not all, but most of the FICA tax. You're going to get with your tax accountant to explore that possibility further. We don't want to put this activity over here, because we're going to lose those expenses and we're going to pay FICA tax. So, we keep them separate, passive rentals, and an LLC filing as a partnership ordinary, active unfledged an LLC taxed as an S corporation. We're done with section one, which was discussing the different types of entities. We're done with section two, which is talking about different types of income and expenses.

Section three recovering now is a continuation of section two because we didn't talk about one major type of deduction that's available in real estate. That you want to preserve and that is depreciation. When you buy a piece of property, that has an improvement, such as land, that has a house or building on the property, the IRS lets you depreciate the structure. Now, we know that values go up, so it sounds almost counterintuitive, but in theory, at least the structure does depreciate wear out. So, the IRS gives you a tax deduction against the income from that property or other properties that are in the same family as an offset from the income that you earn. For example, you could be earning on a rental property, five or six thousand dollars a year in positive net income, so rent minus expenses, minus mortgage, minus taxes, you can have five to six thousand dollars net income in your pocket. But once you take the depreciation deduction, against it which is just the paper loss it's not a real loss, it will offset or wash it, so you pay no tax on that income and if you can create a loss, which is not that difficult to do, not in reality.

We are still making money, but on paper, if we can create a loss, we can take that loss and then use it to wash against other income, and reduce our taxes. Let me give you an example: so let's say you have a house, and let's say your net income is like we said five thousand dollars per year. Okay? Now, if you can depreciate this and let's say, based on the value of this house you get a seven thousand dollar per year deduction for depreciation at least. On paper, you lost two thousand dollars, but you didn't lose two thousand dollars. You made five thousand, but on paper, we're telling the IRS legally, ethically, that we lost two thousand dollars. Now that's great because we'd have to pay any income tax on the five thousand in the first place. But now we have this loss, what else can we do with that? Let's say you have another business, or you have another job, you have other rentals that are making money, that are not creating a paper loss. You can take this and wash out some of the taxes on some of that income. Reduce the overall taxes. You pay depreciation on rental properties. It’s one of the amazing gifts that the IRS gives us. And if you're paying too much in taxes, you just need more deductions owning rental real estate. It's one of the best ways to create the depreciation, deduction to offset so that you rarely pay if any income tax on your other activities.

To recap, we've covered the different types of entities, the different liability protections, and the different tax structures. We've talked about income, expenses, and depreciation, and avoiding the FICA tax by being tagged as a dealer, and avoiding those consequences. Now we're finally down to it what you've been waiting for a piece of the whole picture the big picture the bottom line all right get to it bill already I got all right so let's say you've got a couple of rentals over here. Then you've got some cash assets, and what I mean by cash assets, is if you've got stocks, bonds, mutual funds, cash, artwork, jewelry, rare coins, whatever those are considered cash assets, or cash equivalents. CDs mutual funds, all that stuffs because you can pretty quickly, turn that stuff into cash. The most important thing that makes it different from this asset is this asset can cause you liability. This asset can get you soon, this asset will not now you may get sued because you have money, but is the asset itself doesn't create any liability, so you don't want to put this cash. It is a low-risk asset in the high-risk asset category. Right? Let's say, you also have some sort of business, and when I say business I mean anything ordinary, or active income so whether you know, run a storefront, a consulting business, or you do wholesales and flips. Whatever it is, all that or earned ordinary income is a business. Let's put them all together, and see how everything fits now in terms of the real estate.

What I like to do, is title property and what we call a Land Trust, earlier we talked, about trust and how the gist agreements are arrangements between the person who formed the trust, and the person who runs the trust the trustee. We said that the real true owner for all intents and purposes, for tax purposes, for liability, for everything is really, the person who set it up. So, what we're going to, do is title each property in a separate land trust, and the beauty of a Land Trust is this agreement this land trust agreement. You and the trustee only know it. There's no public place that you file, a trust of this type so nobody looking on public records can find out who's the true owners, like the guy trying to get out of fighting for the King's armory, by putting it in his uncle's name. Similar tactic what, we do we call the trust something very generic like 223 Oak Street trust, if it's 223 Oak Street, okay? The trustee is not going to be you. It's going to be someone who's a friend, or relative with a different last name that's not obviously you. There are types of trusts, where people put their name all over, for estate planning. We're not going to use that here. We're going to use this Land Trust where it's just the trust name and then care of a trustee who's a friend of yours our relative.

With a different last name, a PL box somewhere, farther away from the better out of state, out of the country even better. So people poking around public records, they just see a Land Trust, and there's no physical address or office they can go to it's, just a PL box. They have to hang out or write a letter to the trustee, and the trustee is going to say well the trust agreement between the true owner and me, is something I can't reveal according to the trust agreement. So, unless they can get that person into court, and get a judge to make them which is very difficult to do, by the way especially if they're out of state and out of PL box. It's a very effective barrier, the things like lawsuits tenant IRS code enforcement all these people poke in at what you own. The Land Trust will give you a big layer of anonymity. They don't know who the true owner is. The trust, so each property has a separate Land Trust, and then the owner of that land trust, of each one. In this case, we're going to dump both of those, into an LLC. This LLC is taxed, as you guessed it a partnership. Now, we'll get to who the partners are, in a moment, so the Land Trust titled owns the property, the two trusts are set up by and owned by the LLC. The cash can go right in the LLC, again because there's no liability of those assets. Those assets don't create lawsuits, so we put it into this master LLC, and then the business as you probably would have guessed is going to go into an LLC as an S corporation. That doesn't tie-down. It's a separate entity and the point. It is that stuff that's done in the master LLC. It's the stuff that you want to keep. You want to accumulate, and you want to pass on to your family when you die. The business has no value without you if you die. Your flipping business or your wholesaling business has no life. If this company you know, has no accumulated assets, it just earns income, has expenses washed through it, and whatever is leftover, you're going to take it out and spend it. Then this company, as if by itself, has no value and you're going to keep it separate. Your main company that faces the public the one you do mailers, on the one you have your business card, is going to be this LLC taxed as an S corp. Then, your holding company is this LLC, which some people call a family LLC. Sort of like a family limited partnership, but just a different kind of limited partnership. Called an LLC. Who are the owners of this LLC, well typically it's husband-and-wife, now if you're not married, you can create a partner very easily. Let's say you're just one person, instead of having a life there. We'll take this LLC to make it your partner. Now there are two owners. It files a partnership return, so the bottom line, where's the money coming from.

You're going to take money out of here, without most of the FICA tax. You will have to pay income tax on that, though, but you earned it. So there we go over here, we have cash assets, maybe earning a return, or just holding it, and then the income and expenses the net goes into the LLC. What is nice is everything passes through in terms of the depreciation. So, if you have a rental house, you depreciated everything passes, right through to your tax return. Therefore, you can use that as an offset against other income. From the other one property to another, even income from this business. It will reduce the taxable income on the stuff you earned, and that is the whole of it.

Protect from Bulgars

Another very important protection aspect for your property, it's against burglars. We're going to go in a lot more details about securing your property in depth. In this second part of Chapter eight, we're specifically talking about securing and protecting your property from burglars and so on so the first thing you want to think about likely, to be broken into, or vandalized when it's vacant. The best thing you can do for that property is, to get it fixed up and have a tenant living there as soon as possible. Some, of the things that we talk about, are going to be geared, more towards you know keeping the property safe, protecting it from burglars, when the tenant is living in there. However, a lot of this has to do more so with those first 30 days when you're rehabbing it and trying to get it to rent ready. The next thing you need to realize is that there's only so much that you can do if somebody wants to get in. If a burglar wants to crack into your house, that badly they can just take a sledgehammer and beat a hole through the wall, and they'll get in. So, what you're trying to do is deter them. You don't want to give them a sense to the break-in, you don't want to leave your windows open, you don't want them to be able to see a bunch of tools inside your property. You don't want them even to know that rehab is going on. Keep in mind, all of the above mentioned are just ways to deter people from breaking into your property.

So that being said, before you ever buy this house, you want to take a good look around, and you want to see how well you're going to be able to protect it. You know is it in a well-lit area? Does it have security lights? If it doesn't, how easy would it be to install security lights? Is it on a well rip lit road? Is there a path going through from the front yard through the back yard to the street behind it? Is there a fence that goes all the way around it? Some of those things are going to help you decide if this is even a property you want to invest in. If there's a path running through it, and it doesn't have a fence then, you might not want to buy that property. If it does have a fence, but there's still a path running through it, then it might just be a simple a matter of repairing that fence, or putting a gate, things like that.

Think about it, if I wanted to break into this house, what would I do? Do you know how get in? Would I take a crowbar, and try to pry the door? What you know, are any of the burglar bars, rusted? Would it be easy to break those? Can you break the joints where they were welded together? Think like that, and then work backward from there. Other than a window, or a door, the two most common places that I see burglars break into vacant houses, the first one would be AC units. I guess technically, that is a window, but what people don't realize, is they think well: well there's an AC window error unit, in this window, so no ones are going to get in. There might even be bars around this AC unit. But for some reason when they put these cages around these AC units, they don't put bars underneath. On the bottom side of that cage frequently and so, they'll remove the condenser from the AC unit, and then they'll pop the front face off of the AC. They can just climb right through that AC unit. A lot the other thing that, I see is you often have the main house, and then you have a carport, and on this carport, there's a laundry room, now the only way to get into this laundry room is actually to walk outside onto the carport. Then go through the door, but that laundry room is usually connected to a kitchen, and frequently these laundry rooms are unfinished. Therefore, it's just you see the framing, you see the studs for the walls, and then you see the drywall on the kitchen side, but no drywall on the inside of the laundry room and so. They will literally just take a hammer and break through the drywall. They'll go right through the kitchen and then they're in the house. If you want to make sure that you secure those laundry rooms, along with the rest of the house, that's something that goes unnoticed. A lot of people get a lot of grief because they didn't think about that like I said before you're going to want to make sure that you don't give them any reason to break in. So typically you start out, buy blinds almost immediately and you put it up throughout. The house, mow the lawn if there are any kind of broken windows then, you car repair all of that stuff and, not going to get into that too much, but you should do investigate on the broken windows theory. They've found that crime rates drop drastically when they go into neighborhoods, and they just do simple repairs and clean up the neighborhood. A little bit, and don't allow things like broken windows to sit for long periods of time. I think there's a legitimacy truth to that theory. I don't buy houses if there's a vacant house right next to it. Especially if it's falling apart. I'm going to clean up. I'm never going to leave a bunch of building materials to sit out in the carport, or the driveway. Get those removed as soon as possible, never leave your tools lying around and just trying to make it look like there's someone there, or at the very least that someone is coming and visiting the house several times a day. They will be less inclined to try and sneak in because they don't know if they're going to get caught.

Now, as far as your burglar bars go, you're going to want to have security doors and burglar bars on all of the windows, you do not want to use the cheap aluminum burglar bars, that you can buy at Home Depot or Lowe's or Walmart. You want good solid steel, probably custom welded burglar bars, and those are very expensive. If you get, they made new or made custom for your house. You could go to buy just a lot of used welded steel burglar bars. Just kind of watch out for them on Craigslist, and if you do it that way you can get them anywhere from free, or for cheap as twenty dollars for a set of good solid burglar bars. If you will going to do this long term, then you just start gathering this stuff because you know, even if you don't have a particular need for it right now, you're going to have a house in the future. That you'll probably be able to use these bars for it, so you start accumulating some of these things. As you need it, you use it, and that really cuts down on your rehab costs. Later on down the road because, if you're buying in a lot of these neighborhoods that I buy, then you just these are things you absolutely need for section eight and really just for safety in general. All of the bedrooms have bars on them. They need a way for the tenant to get out of those rooms. They need some sort of a hinge on them, and they need some sort of a lock now. I prefer to put deadbolts that require a key, and then just put the key somewhere, a little bit further inside away from the windows. So, that a burglar can't see that there's any kind of a key on the wall. Section eight will not usually let you do that section eight wants a deadbolt that you can twist, and then you can open up those bars. The problem with that is if a burglar knows that you have that type of deadbolt, you can literally reach in and just flip the knob there, flip the lock whatever that is, and so if you have to, have that set up then you need some sort of a mesh. A small welded wire mesh to go over the top of those bars, so he can't easily stick his hand in there, and flip it around. Now that being said, even then he can stick an Allen wrench or something like that inside, that mess frequently if it's large enough, he can flip the lock that way, so you're going to want a nice size metal plate, where that lock is that's long enough that'll be it will be hard for him to get in there and flip that lock open. And it is an added security measure if you either know how to weld or be want to take your security bars to a welder. You can put a door that flips open or closed on that lock, so even if they could reach their hand in around those bars, they would have to break the window in order to open that door, and in order to flip that latch.

Also, when you install your deadbolt, there are two screws when you install these deadbolts. If you screw them really tightly sometimes, it's pretty hard for you to turn that lock. Therefore, if someone was inside the house and there was a fire they would be able to twist it, and it would open, but if a burglar were trying to reach his hands through the outside, and twist it, it would be a lot more difficult. At the very least, you're want to crank down on those screws. It is really good, and that might help a little bit something else, that a lot of people do and I'm not necessarily condoning it, but I'm not necessarily saying don't do it. Are they'll put deadbolts that you twist to unlock in for their HUD inspections, or their section eight inspections and then as soon as they pass the inspection, they'll just swap them out for a deadbolt that uses a key. Then they'll put a hook right next to the window, with a key on it, and you know that way the tenant is totally safe, but it's going to be hard for those burglars to get in, and really, to be honest with you I think that's the way that it should be.

Anyway, because you're not just trying to protect your tenant, from a fire. You are trying to protect them from a burglar as well. So the next thing that I think about is lighting. I want the whole surrounding area to be well lit. I might get some motion-sensitive security lights, and you don't have to have the electricity cut on. To use these, they have battery-powered, security lights from Walmart that you can literally just put at every single window, at every single door, all the way around the house and if somebody goes to your house in the middle of the night, and light just all of a sudden pops on. They've got their tool bag or whatever it is that they have. They are going to be less likely to continue trying to break into that house.

I also in the high crime neighborhoods, will use a company called simply safe. Simple safe is an alarm system that doesn't require a contract, so if you want the full system, where they call the police and they notify you. It uses a 3G or 4G network, so you don't have to have any kind of internet set up in order to use it. They charge around $20 a month, you can put those sensors on all the doors and windows, they got some motion sensors as well, and it's got a loud siren. Actually, they have two different sirens that you can choose from. You're easily going to want to go with the louder one. If somebody does break in, usually that siren is all that you would need, in order to get them to leave. Sometimes, with the more stupid ones, it's not so you might want to take a step go, a step further and pay the $20 a month. I typically just use the siren, I don't sign up for the service, and it's done pretty well for me now. If you really want to take it a step further, you can go ahead and invest in no-contract internet service to come out. You can get Arlo. Arlo is a type of security camera. What I like about it, is that it is magnetic, it's wireless, so you put these little bases, you put them on the ceiling in different places, or just wherever you want them, and the camera has a magnet in it. You can move the camera easily from one area to another, it just kind of sticks to that magnetic amount. It also does have a two-way audio camera, so in addition to seeing whoever is around your house, and hear who's around your house. You can actually talk to them, and you can let them know: hey I see you on camera, and you need to get off my property because the police are on their way! I think it's around $550 for a set of four cameras. It might be six cameras, so it's a little bit of an investment, but what you're going to do, is you're going to set it up during your rehab. Then, when you leave, you're going to take it down, and you're going to use it on your next rehab. The last thing that would say, even though I don't do this, I know a lot of people that do it, and it works well. I just I'm not a dog person, but I know a lot of investors that they have pit bulls, or American Bulldogs, or Rottweilers or something like that. What they'll do, is if it's house dog they'll put one or two of these dogs in the house. If it's not a house dog, they'll put you know three or four dogs in the backyard, or just around the entrances. That is you know those people typically never have problems with burglars and vandals. I am not saying it would not happen, but if that is an option for you, you might want to consider it.

CHAPTER 9

HIRING A PROFESSIONAL MANAGEMENT COMPANY

A crucial decision you made as a landlord is whether you are going to hire a property management company or not. Because they had properties vast in numbers, so they needed someone to manage as well as look after them. People often try to manage their investments by themselves, but they could not do it. Due to extensive overload or workload, they need help in managing their business of rental properties where a professional management company makes a tremendous sense. The property of the executive's organizations can be an immense resource for your business; however, they don't come cheap.

What's more, there are different reasons why you probably won't need or need one. Carefully survey the variables talked about underneath to decide whether hiring a property manager's organization is the correct move for your business. Let me clarify you with the help of an example:

Sealing on an investment property resembles getting another little dog. At the start, everything you can consider is how stunning, charming, lovely, and flawless your doggy is. Indeed, it may pee on your floor, or whimper throughout the night… Ho wever, see that face… By what means can you get frantic at that face? Give it half a month, and in case you're similar to a great many people, one day you'll open your eyes and understand that the charm of your doggy can't masque the truth any longer. Just because, you can observe that thinking about a doggy isn't all useless fooling around. It requires some investment, a great deal of love, and challenging work. The equivalent is valid for declaring a speculation property. Be that as it may, the results of not taking appropriate evidence of your property increases the path past woofing and asking for food during the meal. Weak rental administration can turn even the "best investment" into an endless money pit… and in case you're not careful, you could conceivably lose everything.

Numerous new examiners needed to get familiar with this exercise the most difficult way possible, yet you don't need to. How might you deal with your property effectively so that you can create progressing month to month

income? In case you’re similar to most new financial professionals, in all actuality: you probably can’t. As another business professional, the greatest inquiry you have to answer is: Would it be a good idea for me to self-deal with my property or recruit an accomplished property supervisor?
Furthermore, as with most things during everyday life, there are upsides and downsides to the two procedures. In this Chapter, we will examine both the option to deal with the property system itself or hiring a company. Before we should go to hire a professional, let us first talk about what a professional company does in handling properties.

What a property management company does?
The property management company manages prospects and tenants, sparing you time and stress over advertising your apartments, gathering rent, dealing with maintenance and fix issues, reacting to inhabitant protests, and in any event, seeking after removals. Besides, a decent administration organization brings its ability and experience to your property, giving you the true peace that accompanies realizing your speculation is unacceptable hands. At last, an administration organization is a self-employed entity, so you maintain a strategic distance from the issues of being a business.

When hiring a property management company?
Hiring a professional company has many advantages, as well as a few, which are expensive. And few are cheaper as well, but it depends upon the rental property organization seems like it is not for everyone. Think about the accompanying variables to decide whether employing a property board organization would be a decent choice for your business.
You ought to consider hiring a property board organization if:
You have lots of businesses or rental system s
The more investment properties you own and the more units they contain, the more you’re probably going to profit by a property management company.
You don’t exist near your rental investments
If you are living miles from your rental properties and could not be able to manage it by visiting on a daily basis, recruiting a property management company can be priceless in handling the numerous issues that you won’t have the option to deal with from a distant place.
You’re uninterested in hands-on supervision

Many landlords expect the test of discovering great tenants and the prizes of keeping up a safe and alluring property all alone. But if you watch your rental property investment daily and strictly and want nothing to do day by day consider hiring a management company.

Your time is short

When you are super busy in your upgoing and upcoming projects you don't have enough time to watch and look after your existing property, regardless of whether you enjoy hands-on the board, you probably won't have a lot of time to perform to your company, mainly if the proprietary isn't your regular employment. Moreover, on the little chance that you want to invest your energy in developing your business, including scanning for new properties, planning to fund for redesigns, or changing your business structure, at that point a property management company may be an excellent method to go through your finances.

You can manage the charge

If you can afford fees for your properties, then hiring a professional team is the best available option for you. When interviewing companies, I hope to hear quotes running somewhere in the range of 5% and 10% of what you gather in rent revenue. In the down market, you're ready to handle all your business yourself (or with the assistance of a renter director or different workers), you should continue doing as such until the market pivots.

You're quickly flooded with supervision tasks

When your business is flourishing days into night and night into days, you seek that you cannot handle everything along with some of your colleagues, then you realize the importance of help and company to handle your investment names rental property.

You don't want to be an business person

if you start hiring manager and people to deal with your investment and property or business then you become an employer, who looks after his employee and their requirements and conditions like payroll and salaries, and you dig yourself into another similar problem by which you are going through. Then straight away, you hire a property management company to be employed not of you. Because it is an independent institute for business and property management, by adopting this method, you need not worry about being an employer.

Your business is part of an affordable residence plans

In the situation that you hire a tenant supervisor or different workers to help with your property, you become a business. You'll need to deal with finance and manage a large group of other legitimate requirements and expectations. In any case, because the property management company isn't your worker (it's a self-employed object), nor are the individuals who work for the company, by utilizing one, you maintain a strategic gap from the problems of being in business.

What is the key role of a property management company?

The property management company do a variety of services which are as follows:

1. Accident rehabilitation and serves up:

If your tenant dishwasher blasts at 3:00 AM, the manager of the property company ought to be available. They’ll have to talk with the resident, assess the issue, call somebody to fix the problem, and ensure the work is done accurately. This the kind of information you need to manage yourself? Or then repeatedly would you rather have your property given to the property management company ?

2. Regular keeping and repairs:

The manager of your property, possibly you or the individual/group you work with, will be responsible for preparing all customary maintenance visits. Standard support includes finishing, clearing out the drains, plumbing examinations, and so forward.

3.Buying & Leasing

The unit of the most important jobs of the property director is to limit opportunities. The primary target is to keep your property all around kept up, so it is alluring and attractive for future tenants. Furthermore, the chief (or somebody on the supervisory crew) will be answerable for publicizing opening, demonstrating units, and at last renting the property to a certified inhabitant.

4.Inhabitant Screening and Record verifications

The director of your property ought to likewise be responsible for screening tenants, running accounts and personal searches, and qualifying/precluding possibilities.

5.Rent collection

Your property supervisor should gather rents owed for every property consistently, store them in an ideal way, and record all installments.

6.Removal

In the case that for objects unknown your tenant neglects to pay or disregards the rent in any capacity, the supervisor of your property will start and administer the removal procedure. In numerous states, this is a genuinely necessary procedure that can be finished in less than 45 days for a few hundred money.

7.Building a Team

To run a property business, it is necessary to have a team in your back up to manage your administrative task and daily routine work like Handymen, groundskeeper, landscaper Electricians, plumbers, mason, etc

In the situation that you decide to enlist an expert property team or company, they will ask for now a group to be set up. The assistance here is that there won't be any dilation getting your new property into lease prepared shape. If you decide to deal with your property, remember that building these kinds of connections won't occur without any planning. It will require some investment, and likely a touch of experimentation. Simply be patient, and you'll say thanks to yourself for it over the long haul.

As you've presumably begun to see, excellent administration requires a lot of work. Contingent upon what number of properties is being overseen, it can even be an all-day work.

Advantages of hiring a great professional Management company

Hiring a professional team for your property is the best option, it is the key for every real estate investor

You can invest in the market & Make the best mone y

Practically, your old community isn't the best market to put resources into this moment. On the moment that you need to purchase money flowing properties that have a high possibility of appreciation, what would you be able to do? Here are two options available below:

1) Cross your finger and hope for the best improvement of the real estate market in your area.

2) Invest outside of your community, and hire the best management company for your local market.

Your investment income will be passive, so you're free to living with to your terms

After you decide on your new investment property, your work is finished. Starting now and into the foreseeable future, your property manager will

deal with everyday tasks and crisis control.
To recap, these services include:
Emergency repairs and followers up,

1) Routine maintenance and repairs,
2) Marketing and leasing,
3) Tenant screening and background checks,
4) Rent collection,
5) Eviction ,

These are only a two of reasons why you ought to consider recruiting a decent nearby property director for every one of your consideration properties. On the off possibility that doing so is something, you are keen on the following unavoidable issue you'll have to answer: How might you locate a decent property supervisor that you can trust?

Benefits of managing your property yourself:
There are many benefits to managing your property yourself. These are as follows:

You care more than anyone else
Perhaps the most compelling motivation individuals decide to self-oversee is because no one thinks about your property as much as you do. By and large, this is valid — no one will invest more energy to pull in and keep extraordinary inhabitants than you will.

You can save money
Extra information you should thoughtfully think over self-overseeing is that you'll likely spare a fair quantity of wealth. Most rental administration organizations charge month to month expenses – ordinarily between 8-10% of the month to month lease. After all, if you lease a property for $1000 every month, you'll wind up paying $100 every month to your property supervisor.

You can avoid fakes :
Shockingly, not all property managers/the official's organizations have the equivalent moral guidelines. For instance, it isn't uncommon for the manager's companies to take a payoff from retailers. Regularly the agents who offer these payoffs, likewise have more significant expenses or produce a lower quality item. Why? To pay for that payoff.

Therefore, and the sky is the limit, numerous philosophers decide to assume control over issues. In any case, before you stick to this same pattern, you should realize that self-overseeing isn’t as simple as it might appear.

Questions to ask before hiring a management agent or agency.

Here are a few questions to ask:

1) Is it true that you are friendly and prepared to deal with your property on a full-time assumption? (Note: You can’t do some full-memories business.)
2) Do local landlord’s laws update you?
3) Are you capable to manage contractors to ensure they are doing high-profile work?
4) Are you able to run background checks and run tenants’ credit?
5) Did you believe that you are the best in the market to handle our property task ?

Finding a good property management company

While valuing a property board organization, it’s essential to audit their name. Your most ideal choice is to chat with another landowner who has worked with the organization and request their fair review. In case that you don’t have anybody to discuss with, go to Google and search [“Company Name” + Opinions], and see what comes up. Inside a couple of moments, you should, in any situation, have a smart understanding of whether tenants are happy with a property manager.

Kathy Fettke: “If a property management company is notable in the region, has a decent reputation among the two proprietaries and tenants, and has a steady base of clients, at that point you can be genuinely positive about selecting that team.”

When you have found a few actively suggested property supervisors, here are a few questions to feign, to ensure they are an ideal choice for you:

1) How long have you been in business?
2) Can they share their portfolio?
3) What kind of properties they generally manage?
4) Are they skilled in residential properties?

5) Do they work seven days a week and for a shift of hours 12?
6) Accomplish they work in identical territories from your properties?
7) What are their fees?
8) Do they charge for the leasing fee?
9) How do they manage the market and tenants?
10) How long will they take to fill a vacant house?
11) What is the turnaround period for sales and lease?
12) How often do they check for properties?
13) What merchant and service providers do they work with?
14) Have they evicted tenants, if so, what is the procedure they have?
15) Do they declare monthly and annual statements?

What factors we should follow for contracting a company

A decent property executive's organization gets probably the best resource for your business besides your properties steward for your benefit. All things thought, your property superintendent will decide on essential choices for your interest, making it critical that you get your work done during the recruiting system.

The contract you sign with a property manager’s party ought not to be seen as an irrelevant custom, but instead the individual determiner of what powers you or won’t get, what costs you will create and what rights you will have in the bond.

Try not to let positive opinions about the company’s conclusive skill and morals make you less careful while investigating the precise terms of the settlement.

The list is an essential task to look for a contract:

1) Duties and Portrayals,
2) Agreement End,
3) Repayment and Standard Things,

Duties and Portrayals

While contracts can run in size from 3-10 pages, 5-6 is normal. Some are thorough, while others are remarkably fundamental. While we can’t mention to you precisely what are the judgments you see that will resemble, there is a common wagered they will contain a portion of the things outlined out under. Recollect that every administration organization must be understood completely when thought about against another. While a few issues are higher precedence than others, making a genuine relationship between the property the board organizations you meet requires recognizing the full extent of their organizational expenses and administrations.

Agreement End

Most property manager’s institutions require a 1-multi-year contract period with not many offering months to month policies. Remember that the agreement will be legitimately official upon its execution, although the beginning date or “flourishing period” may start later. After the underlying or “essential” term is finished, the transaction may consequently restore itself for another term rehashing the procedure each time the lapse date issues. Discover how long of a term the auto-reestablishment will submit you to, it could be longer than the underlying condition was for, which would be necessary to know.

Repayment and Standard Things

In continuation from our last article, here are more things to focus on in the property executive's contracts your audit:

All agreements will have an area that tends to what the administration organization can and can’t be held subject to.

A few agreements are more extensive and more far-reaching than others as far as what the firm requires the proprietor to repay them for.

The agreement ought to contain a clause agreeing that must be adjusted by a composed understanding executed by the two professionals .

Could the government organization move its contract with you to another administration organization without your consent? A few transactions consider this, so ensure there is a necessity that your approval is essential for the administration organization moving or “appointing” your agreement to another firm.

CONCLUSION

Rental property management is a big task in itself, and converting it into a good growing business, requires a lot of time and commitment. It requires the basic knowledge of rental property dealing. It also requires basic experience in the field of rental property management. Having basic expertise in the field can be very helpful, but on the other hand, having no experience at all can be a bit problematic. However, it’s never late to learn something new.

The success and the failure of the rental property business depend on different factors. The retention of tenants is also an important factor. Fixing proper rates for rent is another salient factor. Doing effective and engaging marketing of the rental property can be useful and bring more revenue. For this purpose, the help of different property managing companies can be taken. Rates should not be less than the market price; otherwise, it can have a negative effect on the rental property business. Higher than market rates can also cause trouble. So, it is advised that the prices should match the market rates of the rental properties. A good and long-term relationship should be maintained with the client to build trust. Proper screening of the tenant is necessary for security purposes.

If you want to become a great landlord, focus on certain things. The landlord should show active involvement in the rental property business for a profitable business. This business is not as simple as it seems. But, having accurate knowledge of fundamental aspects can be rewarding. Being a landlord, means you should provide the tenant with the most basic necessity of life. This could be rewarding for you as a landlord. If you go well with the tenant, he will cooperate with you as much as he can. The landlord should use all the resources at hand instead of spending too much. With time technology which has changed a lot, and whatever was peculiar before is a norm nowadays. Landlords should use the digital platform for the rental property business. They should make an online portal for their company or business, organize everything on the portal and do all the documentation online. This will help both the rental property owner and the tenant to save time. Excellent communication adds on to the perks. It will also help you to keep a check on the tenant on and off. A successful rental property owner is a beautiful blend of being compassionate and lenient. Maintaining a positive and honest reputation is also very necessary for the long-term success of the business. This business requires a lot of devotion and dedication. Stuffs are not always as we expect them to be. Sometimes, a rental property owner can also face a downfall. He can come across a rude or a questionable tenant. Dealing with such problems is also an art and can be done following the guidelines mentioned in the book. Learning to compromise where needed is very important.

Buying a profitable rental property is the primary goal of all the rental property businessmen. Everyone wants such a property that continues to serve them for an extended period. Getting a rental property in which price increases over time according to place or area is rare but attainable. Thus, a thorough searching in different places and regions is necessary to find a rental property that is worth increasing over time. If the rental property is in a location with a separate important building in its vicinity, it can generate outstanding and high revenue. Adding more and more features to the business can also cause high revenue, but it seems a daunting task. It is not daunting if appropriately managed. With proper planning and management, this can be done and bring profit to the business. Try to stay away from it as much as you can because once you get into this vicious cycle, it is almost impossible to return to a normal level. Having a good credit record helps the rental property business owner. Always start with less because less is more and slowly increase the price of service.

Doing proper financial management is also a requirement for a successful rental property-owning business. Find ways for fundraising. Private funders can help in this purpose. So many independent leaders are present in the market who have their money available for lending. Such loans are the same as traditional mortgage loans. This kind of loan is best when the property dealers are not new to the business and have past experiences with them. Private funding requires less paperwork and record-keeping. Mortgage funding has become a talk of the town since the last decade. There is a high number of mortgage providers available online. Online mortgage funding is easy and convenient to a great extent. It does not require heavy paperwork as well and requires less record keeping as private funding. Many buyers also prefer All-cash sales. It provides leverage. Buyers who do not like to get into complexities and want a simple way out, prefer this option. As discussed earlier, debt is a big NO. But not all debt is bad. An intelligent investor invests in good debt. This is a smart tactic that can provide profit in the long term.

Good preparation of the rental property is also an essential requirement. It should be perfectly customized according to the present needs. It should also be renovated from time to time. It should be prepared for all the potential risks beforehand. A rental property owner never knows if he will receive his property in the same state or not. However, this is doable with just solid planning. So many things should be kept in mind before giving the rental property to the tenant. This can decrease the risk of damages in the future. Looking for a property management company is always a good idea, but the owner should also know all basics. Rental property preparation is an ongoing process depending on different tenants. Some basics include proper cleaning of the rental property, fixation of all the broken things, checking that all the devices are working, protection sprays, putting a presentable layer of paint time to time so that the property looks new, keeping a close eye on the potential dangers, etc. Keeping a check on the potential risks is the most essential of all, as it can directly affect an increase or decrease in the revenue.

Tenant selection is a skill. Choosing worthy tenants can provide growth to the rental property business. Finding a good client or tenant is not wholly a matter of luck. By close observation and preparation, this task can be performed well. Landlords should do proper research before choosing a tenant. A tenant with a good credit history is best for the purpose. Responsible tenants who pay the bills on time, take care of the property, maintain the contract, follow the instructions given by the rental property owner is hard. Still, by proper research, it's a doable thing. Verify the income source of the tenant for long-term purposes. The debt history of the tenant should be checked. In addition to these, his employment and cash status should also be verified because it is all business.

Most importantly, the criminal background of the tenant should be taken into account. Double-check the tenant's identification because the tenants with any sort of criminal background tend to change their biodata for dodge. Doing a criminal check of the tenants seems a difficult task, but it is crucial for the rental property owner and his business's security purposes and safety.

Getting a good tenant is directly involved with the mental peace of the rental property owner. Experienced and skillful ownership can decrease the worries of the owner to a great extent. This will help him focus more on the business, which, in return, causes the growth of the rental property business. Clear and sound communication about requirements, responsibilities, and duties helps both the tenant and the landlord rest assured that the property is safe. Clear and direct questions should be asked about the things which are necessarily related to the tenant. As a good landlord, the tenant's problems should be appropriately addressed, and on the other hand, the tenant should listen to the owner's instructions and follow them. This is two-way Other features are discussed as Chapters wise thing to establish a healthy relationship.

In short rental property management is something that needs to be focused on to grow the property business. Everything related to the management of the rental property is explained in in-depth detail in this book. It is a complete guide to rental property management and generating revenue through skillful ownership.

How to Build an Empire with Fix and Flip

The Blueprint To Harness The Power Of Real Estate Flipping

Christopher Frankli n

INTRODUCTION

Buying, fixing and then selling a property may be one of the best and profitable investment activities that individuals can participate in. There are plenty of ways to invest in real estate, especially focusing on multiple time frames.

One end of the investment renege is the purchase and maintenance strategy in which investors can purchase and own real estate for many years. The other is the buying and selling strategy, in which investors can only keep the real estate for a few months, weeks, or even days. This is the last of the two strategies I focus on in this book. Although the readers of this book may have a broad background, you have one thing in common: this is your interest in the real estate industry, especially your interest in selling real estate.

I try to be as impeccable as possible, because some of you have little or no experience, while others are experienced professionals who are seeking this benefit. That being the case, people with a lot of experience may find some of the basics. However, it is very important to lay a good foundation for those with less experience. Many of you may have purchased a single-family home at some point and have at least minimal rental experience.

Chapter 1, talked about the definition of property flipping. Next, in Chapter 2, we will explore the best way to evaluate properties. In Chapter 3, we explored various methods on how real estate can make you wealthy, and in Chapter 4, we explored how to determine a good deal. A good understanding of this chapter will greatly help you get good deals easily. In Chapter 5, We talked about 10 different ways to locate properties, Chapter 6, we discuss different valuation methodologies. In Chapter 7, we studied the Art of deal which is negotiation. In chapter 8, we discuss how to manage multiple flips. Finally, Chapter 9 discusses the risk head-On, we also look at planning for major expenses and renovation.

CHAPTER 1
FLIPPING PROPERTIES DEFINED

In the field of real estate, flipping is an investment that gains control of the real estate in a short period of time, with the purpose of selling it to others for profit. Although this definition seems vague, it is because there are many ways to change ownership. You may have noticed that the answer does not say: "Buy and own real estate in a short time..." You can successfully replace the house all day long without ever obtaining real estate ownership, lock, borrow money, quiet partner, Never risk spending money.

Someone said that flipping now illegal is it true?

No, that's not true. You can find articles and blogs that say the same on the Internet. This is just a case of concern about how people describe the problem.

The Federal Housing Administration (FHA) has obtained many mortgage loans. This allows the loan to be sold on the secondary market, so that the lender has money to make more money. FHA is concerned about widespread fraud, in which partners repeatedly exchange properties with each other to artificially increase prices. The actual currency did not change until the last moneylender borrowed a $500,000 loan in a $150,000 home, and the Federal Housing Administration (FHA) had to pay insurance money.

In order to restrict such activities, the Federal Housing Administration has issued rules stating that it will not guarantee the purchase and resale of any mortgages within 90 days. If the property is purchased and resold within six months and the price doubles, the Federal Housing Administration will need it

Perform two assessments before obtaining a loan. In some cases, this makes it more difficult for legal real estate investors to invest in real estate. However, there was no illegal act in the launch.

What kind of people will successfully launch?

Anyone can successfully change ownership because there are many different ways to do it. All you have to do is to merge your personality, strengths and limitations with the right style. The questions answered below will help you choose the right strategy for yourself. The ideal fin has many of the following items:

- credit;
- assistance;
- knowledge;
- organizational skills.
- contacts;
- cash;
- discipline; and
- time;

Even if you believe you have failed for every item on the list, you can still successfully revoke ownership! Read the brief description of the investment strategy in the answers below to find the one that suits you best.

Is there more than one type of flip?

There are numerous ways to flip property. Popular TV series: On-site repair: with a need to only rough drill Movement of paint, carpets, counters, cabinet doors, appliances, beautification and certain walls. Although individual projects and major reward changes do fall into this category, this type of change brings the greatest risk, and for most people, it is the most unrealistic choice. On the other hand, it is really difficult to make an interesting one-hour TV show with someone who makes money by cleaning and selling dirty houses.

These are some of the most popular startup strategies. Some do not require money or credit. Some people have almost no risk except for losing very little money and time.

1. The TV is flip on. Buy a house, repair it to increase its value and sell it.
2. Return of the owner. Buy a house as your private house, repair it to increase its value, and sell it two years later. Singles can make up to $250,000 in profits, and couples can make up to $500,000 in profits, and under current tax laws, they do not have to pay taxes on these profits.
3. The return of domestic workers. Buy a house, clean it up to increase its value and sell it.
4. Rental market. Buy rental houses whose rents are much lower than market prices, increase rents and sell them.
5. Vacancy rate. Buy a vacant rental house, create a tenant and sell it.

6. Tenant rollover. Rent houses with lease options, clean them and reduce maintenance

Perform a moderate evaluation and then sell your options (this investment technique requires very little capital and has no reputation).

7. Scrape off the flip cover. Buy real estate with ugly, unusable buildings, which will destroy the building and level the house. Then sell vacant plots.

8. Flip options. Option to buy property (you have the right to buy property for a small fee, but there is no obligation to buy) and then sell your option.

9. Discussion returns. Sign a contract to buy real estate in a booming market, and expect to be able to sell your contract to others at a profit, and then sit down under the table to buy funds. (This is called a reservation change because it is usually done for a reservation for an apartment under construction.)

10. The owner of the negative fin. Buy real estate at a price below the struggling seller's market and then sell it again. I include this type of hesitant owners, such as a bank that has closed the property. Although banks do not need to spend money to pay for electricity bills, they still face financial difficulties due to selling properties as soon as possible under economic pressure to reduce losses.

11. Investment in the secondary market. Choose to buy our own property they seriously underestimated their property and sold it.

12. Return the packaging. Buy large blocks of real estate, divide them into smaller packages, and sell them at a higher price per hectare or per square foot.

13. Flip the meeting. Choose very small real estate side by side and sell a large amount.

14. Resource manager. Look for properties that others can invest in and get a fixed interest rate or a lower profit percentage.

Even if the market is down, is it possible to flip a property?

Absolutely, even if the market is down, you can still successfully migrate. You need to set a higher profit target before buying in order to get a greater cushion in the case of continued market decline. You may not get the income you originally expected, but if you plan to flip right, you won't be hurt. Remember, in a depressed or declining market, many people are still buying houses. There are buyers there. For sellers, many people cannot afford the repairs they need before buying a house, and they provide many opportunities to buy bargains. Other sellers encountered negative problems or similar problems that prompted them to sell at low prices.

As more and more people experience adverse conditions or sell houses to obtain mortgages, the same person has to move elsewhere. They usually move to houses instead of apartments. You can buy a house, set up tenants and then sell the rental housing to investors. Many people who have lost or sold their homes do this not because they no longer pay their monthly payments, but because they are delayed due to temporary problems and cannot afford it. These people are happy and able to pay relatively high rents, and sometimes they will pay rent for the same house they previously owned.

Can I go home like people in a TV series?

It was fast, exciting, attracted many cheerleaders, and brought considerable profits. But remember, most TV is about entertainment, not education. When people learned that many sub-sectors of the plan were represented, at least one of the publicity plans was widely criticized.

Don’t get me wrong; you can switch the TV, but you won’t find seven attributes, you can do this in your first work session. Most beginners should follow one of the other strategies mentioned above, but if they find a house suitable for TV replacement, they should still be prepared to take action.

The ideal person who spends a lot of time looking for, finding and completing changes on TV is someone who can spend more than 40 hours a week in the business. He is very organized and can take on a large project with the inevitable delay. You will have to search and reject many houses before you find a suitable house. Organizational skills are very important to help you research all this information and manage the thousands of details of a large renovation project. Finally, every big project means a surprise. A delay and delay cost money. You must have a certain period of residence in order to continue to pay two to three months longer than you expected, and to pay for expenses not provided in the original budget.

Can I flip the house?

For most people, ownership changes are the best type of change. You may need some time for repairs and updates. If you live at home, the interest rate on a home mortgage will usually be lower than a commercial loan that does not use the home as a flipper for a private home. You don’t have to be organized. This is a big advantage. According to the tax laws in effect at the time of publication of this book, if you have a marriage, you can sell your

house and earn up to $250,000 in profits, or if you have $500,000 in your marriage and have no income tax at all, don’t pay.
So, how to successfully change the owner? You must absolutely and positively remember that your home is an investment. Even if you don’t have children, you should buy in a good school district, because this is something potential buyers should pay attention to. Before buying things for the house or spending money on renovations, you need to ask two questions: (1) Is the purchase sufficient to repay it? (2) Can personal tastes be unattractive to everyone else? This may be the most challenging side of changing ownership. When I make a conscious decision to move, it is difficult to tell myself that no matter how much I want, I cannot taste the food because the market cannot afford it. I cannot get my money back from this period, so it is not worth spending. If you are a type of person who can focus on the goal and release the children along the way, you will eventually get greater rewards and you will make this change without difficulty.
Will people who are afraid of power tools change?
Even if you are afraid of power tools, you can benefit from the simplest investment of all, and the most overlooked investors can also benefit from it. A surprising number of people called housekeepers tried to sell houses of fifty children that looked like completed houses. These houses will remain on the market forever, because few people are willing to buy new houses and clean up the mess. At some point, the owner may want to leave almost any price. You can usually buy things that are 5% to 10% below the market price for only the price of a dirty and messy house! Sometimes the discount may be greater.
Although you don't get much profit from these types of investments, this is a quick, easy and hassle-free method for small profits. If you can do four to six family moves a year and earn $10,000 in profits each time, you can live a comfortable life on your own income.
Am I allowed to flip the rental house?
You can use the same methods as individual houses to convert rental houses, as well as some other methods you can use. These other strategies are as follows. Purchasing at the purchase price based on the current rent, which is significantly lower than the market rent of similar properties.
2. If the rent is very low, according to other rental prices In this area, only increase the rent or carry out necessary repairs or facelifts to justify the rent

increase.

3. According to the current new rent, sell at a sales price equal to or slightly higher than the market rent of similar properties. If you start looking for rent, you will find that a surprising number of landlords cannot keep up with the competition. Therefore, the rent is significantly lower than the market. These owners congratulate them for always having tenants, but do not realize that this is because they offer bargains. Other landlords know this, but worry that rent increases will lose tenants. These owners do not trust themselves or their property.

I call this the change in market rents and will discuss it in detail in the next chapter. This is a simplified version of how it works. Many homeowners buy and sell leased houses based on multiples of their monthly income. This valuation method is called the total turnover multiplier. These investors will say: "The value of a rental house is 100 times the monthly rent." If the rent is $700 per month, then the value of the house should be $70,000. If you buy a $70,000 home for $70,000 per month and then increase the market rent to $800 per month, you can sell it for $80,000. More complex evaluation methods are discussed below, but the strategy is always the same. People involved in changing market rents should be good at making phone calls and asking direct questions to understand the market rents in the area. It will take some time to visit other leased properties so that people can better understand what people expect to buy at a certain rent. Market rent Fin should also be an excellent network operator and natural seller, who can find tenants and rent houses quickly. You don’t have to be in sales: the chairperson of a large committee must always make sales to attract volunteers. The preachers need to sell to expand their congregation, not go to other churches. Teachers need to sell the importance of what they learn to motivate children to learn. Think about what you do and whether it involves sales. If they do, and you are good at what you do, then you will be able to successfully deal with changes in market revenue.

Is it easy to empty the house?

"Simple" may not be the correct word: various changes require a certain amount of work. Think about it. If the business owner sells a house, it usually lists the house with a real estate agent and then places the property on the local MLS (Multiple Listing Service). All other agents in the city have discovered the property and know that they can charge a commission if they attract buyers. Even FSBO has various marketing tools to advertise.

Usually, the windows or front yard of vacant rental houses have "for rent" signs, which usually disappear in the sun when there are no tenants. Usually, after several months of waiting, if someone only makes an offer, the homeowner is even willing to sell the house at a price lower than the market price. This is a change of vacancy. You can buy a house and sometimes even get 100% financing from the seller. After all, the seller wants a fixed income from the property, not necessarily a fixed amount. It may not be necessary to bring up using your fingers or spend a penny to improve the property. Just look for a tenant, sell it, and then sell it to investors.

The same type of people who are ideal for income changes in the market can also be vacant, but there are other requirements. To change your position, you need to contact many landlords to see if they are willing to sell your property. This is called a cold call. Since the owner tells the owner that he or she is not interested, many rejections are involved. If you can tolerate this rejection and follow your plan, then you will find an owner who wants to sell. Many people hate to make a phone call because they feel uncomfortable with the first contact and then feel rejected. If this is not a problem for you, it would be nice to change the vacancy.

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How does the rollover option work?

An option is the right to purchase property, but there is no obligation to purchase it. If you have a lease with a call option, it means that you are a tenant, but you can choose to buy the property at a predetermined price at the agreed price. However, tenants are not the only ones who can choose. If the homeowner wishes, someone can pay for the contract, which allows him to purchase the property at a fixed price in the future.

For example, suppose you have a $1,000 option for Ollie at home. This option indicates that you have the right to purchase a home for $89,000 for the next six months. It also indicates that you can assign (sell) your options to others. Those with options can exercise the options and purchase a house for $89,000 at any time within six months.

You know that the Brenda buyer is willing to pay $99,000 for Ollie's house on exactly the same terms as now. You can choose to sell it to Brenda for $10,000. Brenda first paid him $10,000 and then $89,000. Brenda paid exactly the $99,000 she was willing to pay for the house. Ollie received exactly the number of houses you want. Your total profit is $9,000 (the option price of $10,000 minus $1,000 was paid to Ollie to purchase the option), and he did not have any transaction fees or maintenance fees, and his name never appeared in real estate records. But if you have a choice, you must remember the $1,000 paid was not a large sum. This is the total price earned by the option contract. Even if he can't find a buyer, Ollie will keep the $1,000. For people who can call and ask if the homeowner is willing to choose their property, changing options can be very successful. You must also be good at finding buyers online, because newspaper ads are not allowed unless you are the owner. Finally, you need to be able to pay for the loss of the option price. In the example above, if you cannot find a buyer within six months, you will lose $ 1,000. You must decide whether you can lose money. If you cannot afford to lose $1,000 (or any agreed price), please do not trade options.

How does it work?

Flip the apartment is a type of reservation change I call. The name comes from housing investment, but it can be used in different situations. When developers plan condom projects, they usually have to sell 50% or more of the units. This is done through a process called booking, through which the buyer pays the deposit. If the current speed is similar the price of the apartment today is US$149,000. According to the contract, you can purchase the apartment for US$149,000 after the construction is completed. Suppose you have a lot of money $5,000. It is hoped that within 18 months after the completion of the project, the price of similar houses will be $249,000. You have a contract authorizing you to buy a house $149,000. You can sell the contract to others $80,000. It refunds you and makes you a profit of 75,000 USD. The buyer does not have to pay the $80,000 paid, plus the $144,000 that must be closed after the credit. The buyer spent a total of US$224,000 and obtained an apartment for US$249,000. Everyone wins, and the market rises sharply. The problem is: the concert stops before sitting down. If the market stagnates or deteriorates, you will have to continue to be closed, and you will be sitting in condoms that cannot be sold again. Worse, you may not be able to borrow enough money to close, and the developer will sue you. Many people went bankrupt due to investment in apartments.

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Changes to bookings are not limited to Condom House. This can be done on any property for which you want to sign a fixed purchase contract, and then hope to sell the contract to another person for profit, and then close it. Remember, this is not the same as an option change. If you have a choice, you don't have to complete the purchase. On the other hand, money paid for option contracts cannot be refunded.

Can I buy negative terms as an investment?

Generally, negative conditions include any form of forced sale during a difficult economic period: divorce, unpaid income or property taxes, attachment of creditors, negative conditions or bankruptcy. In three cases, you can buy negative equity at a price lower than the market price.

1. The owner owns 20% of the house property, but is willing to lose capital and sell the mortgage balance in order to avoid bad credit records and injury.
2. The moneylender will be ignored and willing to release your mortgage guarantee for less than the full repayment amount. Usually only valid in the case of a local financier who owns the mortgage. If the bond is sold on the local market, these new holders usually do not have the contract or legal capacity to reach an agreement with you, even if they are unwilling.

The moneylender has executed a negative transaction and the property has been on the market for 90 to 180 days without accepting the offer. The term depends on internal regulations or is set by the government as the owner of the negative object. But after a while, you can accept almost any offer for the property, just to get it off the books. Remember that lenders will not successfully profit from real estate sales. They even sold at a loss because their business model foresees that they will suffer losses due to large loans and judges their interest rates accordingly.

In order to successfully make negative adjustments, you need to be very good at researching real estate securities to ensure that you are not buying other debt or mortgages. Of course, you can and should purchase title insurance when you are ready to purchase. On the other hand, you don’t want to incur third-party title searches for every attribute you consider. You will have to learn to do some work on your own. Changing to a negative number does not require special skills to understand the market and trading capabilities.

Is it possible to find a bargain, do nothing and make a profit?

Of course it is possible, but these transactions are rare. The second investment in the market depends on unauthorized sellers without real estate agents or unknown agents. The seller should not know the actual market value of the property, and you should contact him in front of 8,000 other bargainers seeking the same type of transaction as you.

In other words, sometimes you will find these opportunities. I recently worked with a client who wanted to build a small retail business in an uneven place. I found a house and three acres of land in a fast-growing environment. The sales agent considered the normal value of the house and suggested buying a 40 historic farmhouse with three bedrooms, one bathroom and three acres of land at a high price of $653,000. In other parts of the city, this is at most 160,000 yuan of property. The starting price is $5 per acre, which is 43,560 square feet of land on one and three acres (the house considers this to be worthless). The seller’s agent thought he wanted the moon, but he could get the price.

What he knew was that the price of this land was $10 per square foot, and it was sold after only 1,000 feet! If I hadn't worked with clients of the size of the property that needed the location, I could have made purchases and investments. Even if you provide the full price and agree to pay all transaction fees, you can still buy the property for $660,000 and sell it for $1.3 million on the same day! A moving company is willing to charge my client's house for free. I feel guilty that my client buys the property at such a low price because the seller and his broker have determined the price. If they are satisfied with the money, it is not my job to educate them, so they can get more.

The fins in the secondary market should closely match the price range of their market and properties. They must be good at working with each other to understand new properties that have just entered the market or are about to be sold. This is because before everyone else finds the offer price in the basement, the weather vane of the second-hand market must be the first person to offer an offer. In the final analysis, such fins should help make quick decisions. In this market, the skeptical will lose business to someone faster.

What is reverse packaging?

The obvious fact is that within a certain range, a large property per acre or square foot sells for a lower price than a small property. In semi-rural areas, you can buy 10 acres of land for US$10,000 per acre, or US$100,000 in total. One acre of land is enough to accommodate medium-sized houses or mobile homes, and the price per acre can reach US$20,000. If you are willing to make a lower profit and charge a fee lower than the current market price, you can buy the property for $100,000 and quickly sell ten plots of land for $15,000 per acre. You simply divide a large area of land into smaller, easier-to-use parts, and you can win $50,000.

It may be necessary to hire a surveyor to divide the property or simply mark the boundaries of the land and ask the buyer to do his own survey. Usually, in any case, the buyer's moneylender needs to conduct a separate search. Please note that many jurisdictions require permission and approval from the local government before dividing the land into smaller areas. Make sure this is not a problem. In addition, you should ensure that the homeowner has fairly easy access to standard appliances, and if a septic tank is required, all the requirements of the health department can be met.

The exchange of software packages does not require the ability to predict market demand, nor does it require special skills. Buying a house is one thing, don't forget to be able to sell a profit. Knowing enough about your market to ensure that you can sell five to ten properties quickly enough to make a profit is completely different.

Unit conversion is a special type of package change. You buy a small building or quadrilateral, convert these units into residences, and then sell these units separately. In addition to the legal costs associated with drafting condom documents, you also need the same skills as dividing large areas of land into smaller parts.

Can I make money by finding opportunities for others?

Before answering this question, I have a warning. In many countries, unless you do so, it is illegal to charge a fee or other compensation to help someone find real estate there is a fixed license. For example, in California, only licensed real estate professionals can find opportunities for shark fin and charge a fee.

For example, in my own state of Alabama, obtaining compensation in exchange for other people's property is a category A crime. The maximum sentence is one year in prison and a fine of US$6,000.

If allowed, it can be a tracker or converter. You probably already know that fin needs to filter a lot of information to find the right property that can bring huge profits. In order to work effectively, swimmers usually pay explorers a small amount of opportunity advice. Usually, the cost is $500 to $1000, and you only need to pay if fin has purchased the property you learned from the explorer. Although this fee is not a large sum, if you are really addicted to the community, you can easily earn six, twelve or even twenty dollars in survey fees per year. If you spend an extra $3,000 to $20,000 per year and have a significant impact on your lifestyle, then you can consider this approach.

In order to be successful, the explorer needs to understand the particular type of business he is interested in almost as much as the swimmer. If you only provide fins with random and potentially useless information, this is equivalent to spam, not a valuable resource. If you lose your credibility, you will be quickly ignored.

By looking at the fins and listening to the sound, many explorers can save costs and gain valuable experience. When their investment in these two areas reaches a critical point, they are ready to make their own changes.

What are the risks associated with investment?

Investment involves two main risks, but both can be controlled. They are: (1) Little knowledge; (2) Greed. Gain knowledge by reading books, talking with mentors, and observing the behavior of successful people. However, you also need knowledge of yourself. In fact, what are your strengths/cons in terms of personality, time, money, access to credit, maturity, sales and energy? What is your goal? Can it be achieved with a conservative plan, or do you have to take a big risk to set a deadline? Are you risk intolerant? If you are not adventurous, you will never find a comfortable TV. Don't waste time on this strategy. Instead, try another flip that suits you best.

Greed is an ugly thing because it does not look like greed at the moment. On the contrary, he is confident that you have an incredible "urge" to do something. Tips for beginners: If you think that your potential project will be dramatic and impress all your friends with generous returns, think twice before participating.

Set a realistic boundary in advance to prevent greed from spreading and stay within one inch of it. In other words, if you are required to buy real estate at a price that is 20% below the market price, do not buy real estate at a price that is 19% below the market price. Of course you will want it. You will say to yourself: "This is a great house. I might be able to sell a house above the market value, but still get the same profit." It's like going to an auction. If you say in advance, you will no longer pay for a leather sofa at $250, you will not fall into war, and you will pay $1,000 for furniture of $800. There are numerous alternative deals, you just need to wait for the right one.

In the end, you should always be ready with a plan B. Your plan A is a plan for you to make a lot of money, because all the stars work together and everything works well. What should I do if there is no effect? What if everything goes wrong? Can you still sell the property and at least tie it up? Can you rent it out to tenants to pay enough money to cover the mortgage, insurance, and taxes, and then sell it? The following are various issues that deal specifically with emergencies. Please read it a few times before starting your career.

How do I start Flipping?

This is the route map to start flipping.

1. Different books on the subject are read by different authors. You need to have multiple perspectives.

2. Evaluate your strengths and weaknesses, assets and liabilities. Set reasonable goals that do not depend on happiness. A reader who writes for me is 60 years old this year. He wants to accumulate 4 million US dollars in five years. He has almost no money and no credibility. He needs to do a full-time job and pay monthly bills regularly. That will not happen! Either you jump into a big problem you can't afford, which may cause you serious harm, or you may dream of this big problem, just around the corner, and you will never do anything in five years.

4. Choose the strategy you think best suits you and your goals. Yes It requires additional training, such as taking home improvement courses, and

then making this investment.
5. Target a specific market area, such as a school district or submarket outside of your community. For example, in Birmingham, Alabama, the submarket can be the oldest and most sophisticated house in Mountain Brook, the new downtown aviation market, or the large suburban market in the Trussville area. Learn all about the value of the real estate, rental prices and growing demand in the target market. If necessary, understand the requirements for building and renovation permits, zoning and other similar topics.
6. Learn more about modern home decoration trends and prices. The most effective way is to buy a weekend pass for the next home and garden show near you. Learn more about planting, decorative finishes, landscaping, technology and financing in one stop. Check out various prices and features, and compare products for yourself. Collect brochures, indicate prices and request samples. Talk to an expert and ask specific questions about installation details in your area, special tools, the time required, and recommended subcontractors. If you are willing to travel, it is best to visit the show in the nearby big city.
7. Develop a business plan. You can buy many books and software for less than $20 to get help. Ensure conservative estimates of the time and money that can be spent participating in your reverse business. All business plans have deadlines. She cannot say: "If I can, I will buy the six-volume housekeeper and sell it as soon as possible." He must say: "I will buy and sell a housekeeper's roof every three months."
8. Follow your plan. Check the plan once a year to make adjustments based on experience. Resist the urge to change your plan every time you hear "Aha!" experience. Some ideas need time to think before they mature.

CHAPTER 2
EVALUATING PROPERTY

Fill out the property profile for each property you want to consider to record your first impression and the details you noticed. After selecting the area and surrounding environment, the attribute can be evaluated. Limit what you think has potential. It takes a lot of time to sprint on the track, open a house and make an appointment to see the house. It's a lot like prospecting, and it's better to record what you see instead of relying on your memory.

In this chapter, you will see the property overview of houses and residences provided in two ways. The short version overview and the most detailed complete overview. Use these configuration files to collect information about each attribute in an orderly manner. Of course, you should look for as many attributes as possible and keep basic information for comparison. This is where the property comparison worksheet can be of great help. There is a comparison table for individual houses and residences. By comparing the specific details of each attribute, you can better understand the advantages and disadvantages of each attribute.

Property information descriptio n

Whether you are a list generator or not, you must develop this skill when assessing your ownership. If you are investigating a possible investment, there may not be much information, and it is better if you keep recording it.

We have designed two types of property profiles, one for the quick version and the other for a complete evaluation. Both discuss very important aspects that you want to consider. The "Comprehensive Attribute Summary" is more than twice the size of the "Attribute Summary Fast"; therefore, please choose the profile that best suits you and the attributes you evaluate.

There is no hesitation that you will have a list on the property, but this is not enough to make a "buy" decision. Use the configuration file to confirm the general information on the list, but you can make your own measurements in the room and evaluate everything you see.

Download the digital version or copy or scan these complete fixed profile profiles and customize them according to the type of housing in your area.

For example, if the house doesn’t have a basement, delete the category. This will make them more effective to use.
Before arriving at the hotel, please spend some time researching the items on your profile page to make a list applicable to you and your observation style. Record the address and date you visited each property. You may find that only a mysterious "OK" is needed. Or, you can discuss projects that are of interest or concern to you. Use this area to write something that looks particularly noticeable or suspicious. Use the "Image Capture Reference" in the right column to accompany the images or videos you recorded with your digital camera or mobile phone. Since most digital cameras will call up the photo when it is taken, you can write the photo ID when walking around the hotel. Then download the image to your computer and place it in a folder for easy reference. If you download an MS Word document or make it yourself, you can import the image into the form and create a complete document with comments and pictures.
A digital voice recorder and voice-to-text software can be used to assess ownership, and the text can be edited on the computer and placed in the configuration file along with the image for further analysis. If they are too long to fit in the "Comment" section, please block them and quote them in the right column. These profile pages can become the central repository for all collected information. It is a good idea to extend the profile to obtain information from brokers and other sources, especially information about the potential to improve the property.

CHAPTER 3
HOW REAL ESTATE CAN MAKE YOU WEALTHY

Investment involves countless options: Which investment vehicle should I invest my money in? How much should I sit there? How long must I leave there? Before studying the details of investing in real estate and explaining how to enrich real estate, we should probably take a quick look at other options.

Our idea is to set aside 10% of monthly income for long-term growth. We believe that in the long run, anyone can build a satisfactory retirement nest based on this strategy. Let us consider that you decide to follow this recommendation and set aside 10% of your income so that you can start building an investment plan yourself. In the long run, maybe you will start to deposit money in a money market account or open an IRA to increase your wealth. Either way, you have to take action, this is a good start. Assuming that for booking purposes, you can save $4,000, which is 10% of the first year’s money

The total income is $40,000. In this case, you may be very satisfied with this, especially when this is the first time you have successfully activated your system's savings plan. Also, suppose you accept another suggestion and then slap yourself in the face. We firmly believe in celebrating this success!

Now, suppose you start thinking about using a new savings plan to earn a little extra money from your money so that you don’t always have to rely on salary alone to support yourself and your family. After a few calculations, you decide that if you can get an additional income of only $10,000 a year from your investment, it will be a good choice. Sounds reasonable, doesn't it?

The problem is: you are continuing to calculate, so a reasonable goal does not seem so acceptable. For example, that your money market fund pays 2% interest every year, and you estimate that you will have to earn $500,000 in interest every year. Thinking of myself, it's frustrating.

And the stock market, do you know? A small study shows that the average annual return on the stock market is about 12%. I am feeling better now.

You now only need a $83,000 egg to generate the desired value.
An additional annual income of 10,000 US dollars. And, if you "marginalize" your funds in the stock market (up to 50%), you can get up to $41,500 in funds. Unfortunately, you also realize that with the current annual rate of $4,000, it would take 10 years of savings to reach the required $41,500, and obviously, you need to achieve an average annual return of 12%. We know from the experience of the past few years that the stock market does not always provide double-digit performance, and a recession can have serious consequences for those who trade on margin.
If your analysis ends here, you will have many reasons to feel frustrated. But let us argue that you should not stop there. You need to continue the analysis and real estate gains. Because the real estate industry has things that other investment tools don't, we call it OPM or the power of others' money.
Compared with all other types of investment, the advantage of real estate is that you can start investing without spending money. You don't need money to use real estate. Somehow, the less money you have, the more money you can make.
Let us return to our example. Assuming you can make 20% of the money, how long does it take to convert a $4,000 investment into a $1 million savings? Answer: 30 years. Now, what if you are not 30 years old? Do you have to give up (like many people) saying to yourself: "I am too old to make money"?
What if you say to yourself: "I am only five years old?" You need to get 200% of the annual income, which is impossible on the money market account, but almost impossible on the stock market. What should you do?
The answer is of course real estate. This is how. Suppose you bought a property for $50,000 and paid it all in cash. (Don't worry about the price; this is just an example.) Suppose the property is 10% in one year, or $5,000. Therefore, a cash investment of $50,000 is 10%, which is a considerable but not surprising return. However, suppose you don't have $50,000. Instead, you only have US$5,000 was used to invest in the property. Then, you invest $5,000 and get a loan as the balance of the purchase price. The value of this house has still increased by 10%, but the original $5,000 investment now returns $5,000; in other words, you can get a 100% return on your money. This is a basic concept; if you did not follow it, try to run it again and then see the example below.

Suppose you can only withdraw half of the advance payment, which is $2500, and then borrow the rest. If the same scheme is developed (10% valuation of the property within one year), you will get a 200% return on capital. Keep moving in this direction: what if you don't invest? Your return is incredible. This is how wealth is generated through “leverage”. Use the power of other people's money to take advantage of the benefits that usually flow to others.

We will soon realize that this is a very simplified example. It does not take into account the loan interest you will pay, nor does it reflect the compensatory rent you might charge for the property. This example does not include capital investment or maintenance costs, nor does it consider the tax benefits of investing in real estate. However, this simplified illustration shows you how to enjoy and use OPM under appropriate circumstances.

Do you need to assume debt to get these returns? If you can. But you are doing this to invest in what has traditionally been an important asset. There are risks involved, but most determined people decide that at some point they must take a certain risk to move forward.

Similarly, if you are just starting out, it is recommended that you start with a single-family where you will live. Risky? Well, yes; writing these big checks at checkout is always a bit stressful. But your risk may be lower (some lower) because you have to pay to live anyway. See how the definition of "risk" changes based on your perspective?

You should also remember that real estate debt is not the same as consumer debt. Most of the goods you buy with a credit card (and other similar consumer debt) are considered "useless assets" because they lose value from the date of purchase. Indeed, the value of some properties has also declined, but the percentage has increased year by year. The decline in property value usually stems from very special circumstances. The intention of this book is to help you avoid these problems.

How to find OPM?

Most of the time, the money to buy real estate is readily available. The money mainly comes from banks, but there are many other potential lenders, including private investors, second mortgage lenders, sellers, real estate brokers, money lenders, sellers, and even other real estate investors. At different times and under different circumstances, everyone can play a very active role as a creditor in the real estate market.

The past ten years have been a good time to borrow money from traditional or less traditional channels, because interest rates are too low by historical standards. Low-interest rates allow you to buy more expensive real estate because your payment depends not only on the loan amount, but also on the loan interest rate. This is important, not for prestige reasons, but for very practical reasons: if a property is valued, then buying a larger property means a higher return on capital accumulation. In the previous example, our $50,000 property grew by 10%, bringing in $5,000 for its $5,000 investment. Despite, if the interest rate is low enough to lend you $100,000 of property, and the property increases by 10%, your capital accumulation will be $10,000, making your deposit amount 200. The percentage return on the original cash investment of $5,000.

At the time of writing, many private investors are tired of the extremely low returns that can be obtained by depositing money in banks. Most of these investors are not stupid. They know that, in many cases, banks invest their funds in real estate, and in this way get handsome returns. Many of these investors are willing to eliminate intermediaries (banks) and lend their own loans, such as equity partners, real estate group members or other types of fixed investors .

One of the reasons that private lenders are more attractive to you than traditional lenders is that you usually do not pay "points" (charges charged) for loans. In addition, settlement costs are much lower, usually as high as 1% of the total loan. Generally, private loans to creditors are less troublesome because it is not regulated by the government and usually does not require credit checks or financial statements.

We do not intend to sell OPM features too much. (We are not actually trying to sell too much in this book.) But, at the same time, we hope these simple examples can inspire you in the real estate industry waiting for the right opportunities for you. Leverage is the key to success in the real estate industry. Apply leverage through the force of OPM.

How to print your own money?

After owning property and accumulating some shares in the property, you can also open the door of your currency. You have the right to print money.

How does it work? just. You need to make a second mortgage on the property to use your accumulated capital. Instead of going to your local office supply store, filling out a blank mortgage form (or trust deed, depending on your situation), and then filling in the blanks to specify the value of the property you think, there is nothing complicated, you can justify it of. (Obviously, the value of this statement must exceed the value of the property’s existing mortgage and the value of the second proposed mortgage) .

After creating a mortgage, you can advertise in newspapers and then sell the mortgaged assets to investors in the form of the face value or a discount on face value to induce investors to sell. loan. (See the discussion on discount mortgages in Chapter 18.) This discount may be required necessary because your connection is new. It is not an "experienced loan", in other words, it is not a loan with payment history.

Depending on the length of time you own the property and the accumulation of the property, the moneylender (your second mortgage investor) may think that the property's capital is insufficient in the event of a default, so the lender must suspend the property (ie your debt). If this develops into a problem, you can provide investors with additional guarantees by signing a promissory note with a personal money-back guarantee. However, in general, your goal should be to grant an "unsecured mortgage", which means that the lender can only view the property itself, but not your other assets (if not paying).

Why would money lenders agree to unsecured mortgage loans? Because the creditor believes in you and believes that he will do everything possible to avoid default. He knows that he is working hard to build or protect his reputation as an investor, and good credit history is almost as important to you as money. Finally, investors believe that the money exists to recover from the property, or that an agreement will not be reached in the first place .

Many novice buyers who heard us talk about setting up mortgages on their properties thought that the plan seemed too good, incredible. It's not. Experienced real estate investors have been doing this all the time, and there is a huge discount market for mortgage loans because it provides good returns and is backed by real estate. The huge challenge you face will be to prove that there are shares in the property. It may be because you deposited a large amount of prepayment. Perhaps it is because such property is valuable in the nearby area. Maybe just because you got a lot. The truth is, this is not routine creditors don’t care where the equity comes from; they just want to know the existence of equity and they need to convince you that you will repay the loan.

How to use capital credit lines?

Today, anyone who owns shares or real estate (including houses) can use capital. The moneylender issues a line of credit, and you receive a checkbook and credit card to access the line. These automatic access accounts are very useful for homebuyers who don't have a lot of personal savings because they allow you to act quickly when it's cheap. Just write a check for patronage. However, like many other mechanisms in the investment arena, credit lines are inherently dangerous. if not they have the ability to return it to them, and they can destroy it.

How could this be so OK, all credit lines have adjustable interest rates instead of fixed interest rates. At the time of writing, interest rates are relatively low. But these rates can be adjusted every month, as the expenses increase, the previous loan cost will also increase. Although this usually does not lead to rapid changes in your monthly payments, the impact of gradual increases in interest rates may be near you.

Eventually, you may find yourself in a negative amortization situation. In short: negative amortization occurs when the loan repayment amount is less than the monthly minimum required to repay the loan. In theory, according to the terms of your loan, the lender has the right to "apply for a loan" and seize and sell your collateral, which is negative in the case of a fixed-guarantee. Since the loan is secured by real estate, the borrower can simply increase the size of the loan, which is possible, assuming that capital grows faster with appreciation. Therefore, although negativity is an extreme example of possible misuse of credit lines, any lender should understand and keep this in mind.

Are the risks associated with credit lines worth it? In fact, we have been using credit lines, but we tend to be active investors. Especially in the current real estate market, the opportunity will not last long. You need to have the ability to take action quickly to take advantage of the large number of transactions that you bring in your own way. At the same time, don't do things beyond your own risk tolerance (or (if things go wrong) put yourself under pressure you don't want to face), you must find your own way to participate in the real estate industry .

Seller loan

Seller financing is very common in real estate. In this case, the seller lends money to the buyer to help complete the transaction. The seller usually obtains a second mortgage on the property (after obtaining the first mortgage from the bank) to help the buyer use less money to finance. Generally, homebuyers can obtain a loan of 90% of the house value (this reaches a ratio of 90%), while buyers of investment properties can expect to obtain a loan of 80%. Hundred. One percent of the purchase price (80% loan-to-value ratio). The remaining 20% or 10% can usually consist of a second mortgage provided by the seller, but sometimes money lenders ask the buyer for more money.

In addition to the traditional form of seller financing that recovers the second mortgage from the seller, the seller can also be subject to a small loan, which finances another mortgagor with the second mortgage. (Subordination right simply means putting the loan into another loan "online". The first mortgage has the first claim on the asset; the second mortgage has the second right to solicit, and it is subordinate to the first mortgage.) Normally: You (the buyer) get a new first mortgage with 80% of the real estate value. At the same time, you will get a second mortgage, equivalent to 10% of the financing of traditional financiers. The contract actually converts the seller’s financing into a third mortgage subordinate to the first mortgage and the second mortgage .

Since the seller trusts the value of the property (after the value is determined by selling it to you), the third mortgage may not be considered high risk. If the seller does not need to sell all the money in the transaction to buy another property, that can also be a good investment.

With this, you as a buyer can get 100% financing, even in the hot market, at today's historically lowest interest rate, this is an excellent way to connect properties. Yes, you might have one property that generates negative cash flow because you are heavily in debt. In this case, you bet that the property valuation will cover your negative cash flow, and you can pay the negative cash flow until you have the money to pay off the debt or find other investors who are willing to share equity with you. In return, you make up for the negative cash flow.

It is always a good idea to meet with the seller of any property you are going to buy and figure out the full benefits you intend to get from the sale and what you intend to do. In most cases, the seller doesn’t need to spend all the money on the next property purchase, because he will finance the new property. Financing gives the seller the money to invest, and most people (surprisingly) don't know how they will use the money. We found long-term investors in other properties sold at certain times. These people have a good initial feeling about you because you bought the property at a price they can accept. If you can find a good investment in the short term, then this is a good way to test the waters with you again. If your next investment is going well, you can continue to build a good relationship as a pure creditor or equity partner for future investments.

Hard borrower

We call it a money lender. Others call them livestock keepers. For us, "money lenders" is a very difficult term, because money lenders play an important role in the real estate field. They fill the financial gap where traditional creditors dared not step up their efforts.

Borrowers with hard money borrow based on "fixed assets" used as guarantees. The main difference between lenders and traditional lenders is that the property value of the former loan is up to 100%. If you have a good relationship with the lender, or make some improvements to the property because the lender believes its valuation has increased its value, the moneylender will even borrow more than 100% of the value.

For example, consider the impairment of an investor's purchase at a discount. The investor obtained the first mortgage on the property from a traditional financier. Cash financing facilitates the lock-in and maintenance of the cash balance required for the property. After the property is restored, a new valuation will be carried out and money lenders can borrow additional funds from the new capital.

Another difference between lenders and banks is that lenders charge higher interest rates. This is how they earn your hated reputation as a creditor (we don't think you deserve it). The truth is that there is a bad factor in the hard cash loan industry, but just find out who these people are and stay away from them. He learned to recommend only with creditors recommended by others in the industry and decided to establish a good working relationship with them.

As mentioned earlier, money lenders play an extremely important role. It fills the financial gap: between traditional creditors and those who have the potential to create wealth in the real estate sector but have not seized all the funds needed to seize the opportunity.

To find a cash financier in your area, we recommend that you attend a local real estate investment conference. Other options are to advertise in the newspaper or call the advertiser in the "borrow money" section. If a possible source is found, thorough research and verification are required.

For example, if you are in a small town, you should visit the reputation of your source in the nearest metropolis. He may have records (good or bad) you need to know there.

Some partners will keep active contact with you in your real estate business, while others will become very passive and just seek higher returns than they get from the bank. You will be required to establish these connections with partners, but after you do and make money from them, others will look at you.

As you will learn more about real estate and partnerships, you will start hearing scary stories about partnerships. One might say that partnership will never work. For some people, this is correct, but for you, it may not be the case. (This is not true for us). It depends a lot on you and how you treat others. In our experience, a partnership that makes everything beyond the sum of its parts is very beneficial financially and psychologically. Keep an open attitude towards cooperation opportunities, and don’t be intimidated by others’ opinions.

CHAPTER 4
HOW TO DETERMINE A GOOD DEAL

One of the hardest things to learn in the investment process is how to figure out what "good business" means. It applies whether you are a buyer or a seller. This problem usually (painfully) shows up when all parties start to question themselves and are unable to make a decision. Result? They are very frustrated with the investment process and start to miss opportunities. Or maybe they are exaggerating, eager to reach an agreement, thinking they should follow up more slowly.

Or, perhaps even more frustrating, they continue to re-examine their actions from the past. Did they pay a lot? Are they selling too early? Did they miss the golden opportunity without grasping the trigger? When this happens, they will fall into a situation of indecision and frustration.

How do we know? Because we are there, unfortunately, this is only part of the learning process. If you are still an investor, it is because you finally (like us) understand that investing is a game. Sometimes you win; sometimes you lose. However, you usually like to participate in games, which gives your skills and luck a chance to prove yourself. Unfortunately, most people never give themselves a chance.

The important thing to remember is that "a lot of transactions" are usually in the eyes of lovers. As a result, both parties can abandon a successful transaction thinking that they have reached a good deal, and both are right! Because a good deal is not necessarily a "win/lose" situation, the loss of one party is the benefit of the other party. In many cases, the goals and objectives of the two parties are different, or their time is different, so they can meet the most important needs of everyone. Even there, we can honestly say that in business situations, nothing feels better.

Around two years go, we saw a 26-acre property for sale. It has two old houses and a facade of about 800 feet on a beautiful small lake. This small piece of land is located in front of two of the unique development projects in the city, with a price tag of US$2,000,000. We can achieve this goal because we drive along this road every day. The more we look at it, the more we like it, but it seems too big for our personal use. In addition, at that

time, we were very involved in the establishment of new financial software packages, and we were not interested in starting new real estate projects until the software was completed and up and running. Since the timing was wrong, and our focus was not elsewhere, we did not take any action on the property. We keep going .
If you now want to buy a property and manage the property you like every day; then it can really reach your hands. This property has influenced us, especially because it has two qualities that are absolutely gold in the real estate sector: a superior location and walking distance. We called the agent and said we were interested, and we wanted to make an offer. However, the real estate agent told us that the homeowner has just started zoning the property on six plots on the coast, and he plans to offer a total price of $4 million when completed.
We were crushed. As we have seen, if we followed our instincts, we could have made a profit of $2 million. Well, it is really bad to lose two million dollars (even if it was never your money). In fact, the damage was so serious that we did something very stupid: we bought the property at full price but did not complete the entire auction. The salesman thought we were crazy. The real estate agent thought we were silly. If we know the truth, we are not sure. What we do know is that the property is one of the most important parts of the area. In the worst case, we think: we can build our own house and live in it, or sell the house after building the house. If someone makes an offer to us, we will not be able to refuse. Please note that we are in love with a property. As we explained in the previous chapter, entering a very dangerous situation. You begin to see opportunities that may not exist, and no longer encounter real problems .
Fortunately, it turns out that our feelings are correct. The location is the best in the area. Although we do not yet know how to market these plots, with the help of real estate agents, we developed an exclusive marketing plan. The real estate agents sold the property to us and became an ally, giving them a high level of enjoyment. The prestige and sense of isolation have created a residential area on the lake. In the end, we did not build a house, but we doubled the price again, and now we have contracts on five of the six plots, which will generate more than $8 million in total in less than 12 months Selling price.
We are not telling this story to celebrate our happiness (for which we are deeply grateful), but to show two things. First, a "good deal" depends on

many factors, including being placed in the right place at the right time. Secondly, if you are not participating in the game, it will provide help in the right place at the right time.
Viewpoints are also important. Today, none of the assets we sell have more value than when we sold them, and most of them are more valuable. So you can say this: We sold these properties very stupidly. Maybe we used to be. But in any case, time and perspective are different. At some point, we have to sell real estate to raise funds for companies outside the real estate sector. At other times, we sell properties to free up funds to buy another property with greater opportunity. The point is, you cannot guess your own decisions because you are always investing based on your own reality. If you do not study this course earlier than the real estate industry, you will feel very unhappy. Therefore, this is a basic rule: don't guess!
Do you think the people who sold us real estate are not satisfied? Well, she is not there. She was fortunate to have received a total bonus of US$4 million and an additional income of US$2 million without doing much of the work she hoped to get. How do we know she is happy? A few months after the closure, she allowed us to make a second mortgage on the property so that we can make another business contract, and she borrowed money from her comfortable property guarantee. This is another useful rule: always remember whom you are buying, because they usually own all of your money. One day, they may be good investors among you and other companies.

How to determine a transaction?

Therefore, the definition of "good deal" varies from one moment to the next and depends on several factors, many of which may not be related to the real estate industry. (Where is your money now? Where is your attention? What time are you fighting for?) However, there are some basic factors that determine whether the proposed transaction is good. In short, there are three ways to determine the value of a property at any time. You need to know and be able to determine these three different types of "value": (1) cost, (2) market, and (3) income.
After discussing these three traditional valuation methods, we will also explain our own method, which we call value-added. This is the value added to a given transaction due to your own knowledge. This is the intangible "secret seasoning": the wisdom that brings you to the table so

that people can add value to their property. We believe that it is this knowledge that has led to real and lasting success in the real estate sector.

Cost method

The cost value method is based on the cost of copying the property if someone starts again. For this example, simply set the total square feet of the attribute first, and then name it home. Then multiply that by the square meter cost of the new house in the area, while considering special improvements that can add value to the property. Then deduct the depreciation: How much is the attribute removed from the attribute compared to the new version of the same attribute? Increase the value of the land under unlimited conditions, and you will get the "cost value" of the property.

At first glance, this method seems easy, but it requires different kinds of expertise. For instance, what is the cost of new property in the area? Yes, there is an average, which is easy to obtain, but the average will cause you trouble. Depreciation is also a subjective theme. Of course, you can do this by age, but certain attributes will wear out faster than others.

The lot size is also a variable. Although the value of the location in some communities may not be much different, the value of the location in other communities may be very different, depending on the relationship between the house and the facilities.

However, they have a certain built-in subjectivity that can be changed, and this fact should not prevent you from learning the process. The best way is to use selectors and learn how to assign values to attributes. Look for an experienced and highly recommended expert and hire him for the first evaluation. The trick here is to let the selector explain how you do your work. You will often go through the whole process to make it look intuitive, but with a little persistence, you can outline how to conduct the assessment. For example, ask him to provide comparable figures for the area and tell him how you determine the cost and valuation. Ask him to tell you how he views depreciation and various improvements. What do you think of the local land value, how fast are they changing, and what should you look for? Even if it is a paid evaluation, you have to analyze these issues carefully in order to inform the field and contact the value of various improvements. After that, you will be able to "cut" costs better than other novice investors who have not experienced this informal learning program .

Market approach

The market method is the most commonly used method for evaluating housing assets. This is also called the "comparable" or "comparison" method, and most brokers use a tool called "multiple listing service" or MLS.

In short, a real estate agent uses the MLS database to generate a list of houses sold in your area in the past six months and compare your proposed purchase with the properties on the list. Similarly, you will use specific data to adjust the value of the target attribute up or down. If the target property has more square feet, its value may be higher than the other houses you are comparing. Other subjective factors can also be added or inferred, such as the location relative to the convenience or conditions of the property. Although the method of comparison is subjectively determined by you, it is easy to learn when you start to look at the attributes.

Income method

The income method is the most fact-based valuation method because it is only based on numbers. Start with total income; deduct job vacancies, debt service, and expenses; then, you get net income from the property. After you find the net profit, compare it to the profit you want to accept, and then "return" the purchase price you can afford. Suppose you are an investor and want a 10% return on investment, you can multiply your net profit by 10, which will provide you with the most property payment capabilities while still achieving the desired rate of return.

Although "numbers are numbers" is correct and numbers are not lies, numbers can still be misused in ways that cause problems. Investors often mistakenly think that letting numbers know their meaning is usually in the direction of buying their beloved property. For example, instead of assuming a vacancy rate (which is very realistic!), they tell themselves that they can keep 100% of their property, so they don't have to include a vacancy rate discount in the calculation. Do not. They waived management fees and told themselves that they would handle property management tasks. Why is it not realistic? Because he estimated that his driving time was zero, this is not true at all. In short, the income method and the real number method must be realistic. If you double the number to justify your purchase, you may be dissatisfied with the result.

Although the leasing method is very useful for large real estate, it is difficult to use many residential properties because prices are rising faster than rent. After removing all expenses and debt service, you may find that the cash flow is negative. No matter which multiplier you use, this attribute is of no value to the revenue method. Unfortunately, there are not many sellers who are interested in selling your property at a negative price .

If the cash flow of your purchase is negative, please use cost or market methods to justify your price. You need to add value to the real estate appraisal. Of course, this sometimes becomes unpredictable and speculative.

Based on experience, we can say that negative cash flow payments gradually decrease when checking checks elsewhere every month. This is not fun; it is one of the two most important things that people do not like to invest in real estate (the other is property management). The result is that you learn the reality of actually issuing these checks every month, or you structure transactions to avoid negative cash flow. In the next chapters, we will discuss ways to do this, but the easiest way is to add more money in advance and reduce debt service. If you do not have money, you need to find investors who can help you solve your problems.

Therefore, this is the method of determining the value of a property with cost, market, and income. In many cases, a qualified appraiser will use the results of these three methods and combine them to put more emphasis on the method he believes is the most accurate for the property. The solution requires years of training and experience, but there is no reason to make you feel uncomfortable and start using these three assessment tools.

Improved value metho d

"Increase value" is our fourth method of evaluation. You will not see it in any book, because it is our focus. This is the amount you spend the most money or earn the most money.

What is value-added?

This is the right opportunity. A clear view can take you (and only you) into the transaction, can see a normal view of normal values , and make it almost irrelevant.

Donald Trump has. This is Trump's 13th hole at the Trump National Golf Club in Westchester County, New York, and spent $7 million to create an artificial waterfall in it to increase the value, making it well-known all over the world The extraordinary charm of golfers. This hole has unlimited water features and is one of the most frequently photographed places in golf. It makes people want to play in the club and buy memberships.

Value-added is what you will imagine and create in your real estate business. Maybe your vision cannot cover a $7 million waterfall. May be limited to the ability to imagine what the cabin will look like after the job changes. Your field of vision and scope are irrelevant; what is important is that over time, you can continuously improve your ability to observe the development trend after the completion of specific real estate value. The longer you participate in the real estate business, the better it will be, and the more exciting and financially rewarding the business it will bring to you.

CHAPTER 5
TEN WAYS TO LOCATE A PROPERTY

Finding the exact properties can sometimes be challenging. Applying a comprehensive approach can provide you with the greatest chance of success. You must be willing to study patiently and diligently. This will enable you to minimize risk and maximize the return on hard-won investment capital. The more options you have, the better your chances of finding the type of property that best suits your goals. In my experience, brokers, advertising, real estate, websites, real estate investment clubs and lenders have proven to be useful. Advertisements sold by owners, vacant houses and canopies can also provide good clues.

Real estate agency

Finding multiple brokers for you is one of the most effective ways to quickly and efficiently determine the potential assets that can be invested. I must emphasize that ensuring the level of competence of your brokerage team is essential to your success. I have worked with many intermediary and agents, and their experience and experience vary greatly .

Most residential corridors are focused on selling more traditional single-family homes. They have trustworthiness and can represent buyers and sellers with a wide range of needs. The sales process is usually as follows:

Sales agent: Mr. Buyer, what kind of house are you looking for?

Buyer: We are looking for a farm with three bedrooms and two bathrooms.

Sales Agent: Great! Have you passed the prequalification?

Copper: Yes, ma'am. The agent and our loan officer previously approved our $150,000 loan.

Sales Agent: Great, Mr. Buyer! Which area of the city do you like more?

Buyer: I work in the north of town, so work within 15 minutes is ideal.

Sales Agent: Great! MLS shows that there are 12 houses in your selected area, 8 of which are within your price range! The sales agent will make appointments with the buyer and seller to visit as many houses as possible. If the buyer notices something he likes, the agent writes the offer to the seller. There is usually one or two counter-offers before the transaction is completed. The broker asked it to close the commission, and the buyer was willing to accept it. . . Maybe will.

Although this is a simplified example of how the sales process works, the process of finding variable attributes has some similarities to the more traditional role of a sales agent. The sales agent will find the type of property you are looking for and provide it to them, if the opportunity makes financial sense, provide an agent to provide it to the seller. The important information that traditional sales agents are not used to providing is data specific to the market you want to buy. If needed, they may contain known comparisons or comparisons, but you will need a lot of hard data to support your investment decisions. The prices could be different from city to city and from area to area. The price is relative. For example, the same house sold for $85,000 in one community may be worth $110,000 in another community. The price difference between the two identical houses is US$25,000. You need market information to make the right investment decision.

In addition to traditional real estate brokers, there are also some brokers who specialize in real estate investment. Distributors play an important role in providing opportunities for investors. They usually act as wholesalers for retailers and other investors, and they want to buy real estate at a price below the market. Distributors usually have licensed brokers and make money from commissions they generate. These agencies are mostly experts in their industries. For some reason, they usually move out of single-family houses out of a common interest in investment properties. Your expertise can save you a lot of time, energy and money. Although traditional sales agents are not used to providing data to customers, distributors know exactly their needs. They understand the nature of the real estate investment business and realize that you need important market information for proper financial analysis.

Distributors understand the situation every day and communicate directly with buyers and sellers. They know which parts of the city are hot and which are not. They also know when the new property will be sold. Therefore, if they know what you are looking for, they will be able to notify you as soon as a property that meets your criteria enters the market. Because distributors are connected to a network of relationships (people who provide information and inventory), they will know for the first time when there are new opportunities. Another advantage that distributors can

provide is that they usually have extensive databases that can be contacted with other investors, buyers and sellers. Even if the home is not officially sold, the real estate agent knows in previous conversations that if the right buyer offers the right price, the homeowner will consider the offer.
In addition, resellers usually know how to use MLS in ways that traditional real estate agents might not consider. For example, in the description field, they can search for houses for sale for keywords such as "special maintenance personnel" or "TLC required." Other keywords include "job needs", "as is" and "seller motivation". Another term that your traders can look up is "VLB", which means "safe". This usually indicates that the seller has moved to another house for various reasons (transfer, new house, etc.) and is now in an enviable position to pay in both houses. The house may be in good condition and requires minimal repairs, but a seller who pays for the house in two installments may be willing to pay the price far below the actual market value. I was in the same position just a few years ago. Me and my fiancé, we bought a new house in Michigan, and we were forced to close it even though we had not yet sold the house in Texas. After buying these two houses in about six months, a buyer gave me a price much lower than similar houses sold nearby. He is not excited about what he has received less than the value of the house he thought, but he thanked him for the opportunity to forgive another house's mortgage debt. At the same time, the buyer has achieved good results, and I am sure that he can sell the house today at a much higher price than he paid.

Classified Ads

Almost all newspapers of all sizes have a section dedicated to real estate sales in their advertisements. Many of these ads are placed by brokers and are intended to ask you to call their office. Most houses sold by agents in newspapers are active listings and usually have full retail prices. However, you may notice some ads that use keywords such as "active seller" or "must sell, transfer by owner". It is worth paying attention to these types of advertisements. Even if the house is no longer available or does not meet your investment goals, it may also give you the opportunity to contact a sales agent who can find investment properties that meet your needs. The agent may even indicate you to someone in your investment property office (for example, a dealer).

Most of the listings in the advertising section are sold by the owner (FSBO). Similarly, you may want to look for keywords that indicate that the owner is eager to sell or that the property can be offered at a price lower than the sale price. Some of these keywords include "special maintenance personnel", "work required" or "as is". You need to spend time calling as many owners as possible. In the selection and analysis process, you must also have the self-discipline to exercise restraint. It's easy to be excited about the opportunity and invest emotion in the buying process. To be successful, you need to be fair and objective in your analysis. One day, your patience will be repaid, and you will find this diamond among the rough diamonds.

Another way to use the "Ads" section is to put your own ads in the "Property Search" area. You don’t need to spend a high budget on these ads. Small, well-crafted ads are just as effective as large, expensive ads. Your end goal is to motivate people who want to sell your home to call him. Your ad should be designed to appeal only to callers who sell the type of property you are looking for .

Almost all regions regularly publish books or magazines specifically designed for the sale of residential properties. Few of them are local, while others are regional. Magazines can be found in bookshelves or newsstands outside real estate offices, convenience stores and supermarkets. These real estate publications can be a good resource for finding potential companies. You will also find many useful real estate advertisers in these positions: real estate agents, mortgage companies, appraisers, surveyors, mortgage companies, real estate law firms and insurance companies.

Most of the adverts in these magazines are placed by real estate agents, who tend to put all the listings on one page. The advertisement usually contains a photo of the agent and some compelling reason why you should contact the person to meet your real estate requirements. Although most advertisements are placed in regular magazines by brokers and brokers, some advertisements provide FSBO parts. Although most of the sales agents listed in these positions focus on the traditional retail sector, there are usually many agents specializing in different areas of the real estate market. For example, some companies only focus on commercial real estate, while others specialize in vacant premises. There are others (such as distributors) who specialize in the wholesale market. As mentioned in Chapter 2, distributors can be a great resource. A good distributor can fax a list of 20 to 30 wholesalers to the office within a few minutes after receiving your call. Don't ignore these easy-to-find attribute lists, because this may lead you to get a lot of clues and a lot of information, which is vital to your success!

Local and national sites

There are several websites that provide various information about houses for sale. You can do a local search, for example, enter phrases like "Homes for Sale in Dallas, Texas." Such searches usually return 20 to 30 results, or even more results, which have a complete list of information in your area. The National Association of Realtors hosts the most comprehensive and well-known single family property sale website. You can find it on www.realtor.com. Realtor.com has a list of more than 2 million different types of houses, including single-family homes, townhouses, townhouses, multiple apartments, mobile homes, vacant lots, farms and rents. The data obtained from these lists come from multiple listing services and does not include any property for sale provided by the owner. The website is open to the public, so you don't have to be a real estate agent to access your listing. This is much like a real estate public MLS that the public can use, or at least someone has a computer and can access the Internet. You can also search by property type, city or state, zip code, price ranges min and max, square footage, house age, number of floors, and various other criteria. Most listings provide a descriptive description of the property, photos, and provide information.

Good Internet resources include local newspapers. Almost all major newspapers now list entire advertising sections on the website. This usually depends on how often the article is published. For example, the diary may be updated every day. The weekly magazine will be updated weekly. One advantage that newspaper sites provide on sites like Realtor.com is that, in addition to advertisements issued by brokers, many advertisements are also placed by individuals or owners. In fact, apart from placing signs in the front yard, this is actually the only way for individuals to promote their property. Newspaper advertisements are not as comprehensive as a website like Realtor.com, but offer many combinations of properties for sale to real estate agents and individual owners. These are just two of the many sites that can help you find investment opportunities. The best way to find real estate in your area is to use a search engine like Yahoo, Google or MSN for a specific search.

Property Investment Club

Most cities have different associations and clubs related to real estate. These clubs provide great opportunities to communicate with other like-minded people. Members usually include investors like you, real estate agents, real estate and tax lawyers, construction engineers, appraisers, and other real estate professionals. Clubs and associations usually meet regularly (e.g. monthly) to discuss current affairs and share information. In addition, most of them have guest speakers who provide information about expertise in a particular field. You can find real estate associations in your area by searching the yellow pages or searching the Internet. I use a website called Real Estate Promo.com, located at www.realestatepromo.com. Click the "Investment Club" link to find a club in your area. The clubs listed cover almost 50 states, so you can find something near you. A company called Creative Real Estate Online has a similar website www.real-estate-online.com. Go to the homepage and click "Real Estate Club" to find investment funds in your area.

REO Bank

Smaller local or regional banks can also be a good resource for finding properties. Creditors do not engage in real estate and do not want to do real estate. However, their business nature requires them to bear the risks of all loans granted to borrowers. Unfortunately for banks, these lenders sometimes fail to pay. If this is done, the moneylender closes the property and transfers the property to the money lender's fixed investment portfolio (REO).

Most people don't know that REO exists. Banks certainly do not advocate the fact that real estate must be closed, and real estate is now listed as a default loan in the account books. After all, your customers are looking to you for banking services, not real estate services. Although almost all banks have REOs, this information is rarely released. Small local banks usually have individuals responsible for real estate investment portfolios, while local banks may have different personnel or even entire departments responsible for REO. Banks sell these properties through a network of private investors interested in assets and brokers (such as wholesalers). The private investor network can include anyone. If you are interested in buying a property in this way, you must be prepared to make preparations to establish the right contact with you. There is no limit on how many banks you can contact. I suggest you establish relationships with 8 to 10 banks in your area to purchase a large number of houses.

Lenders are usually willing to provide flexible terms, which can give you a chance to reach an agreement that is acceptable to both parties. The basis of the creditor's initial selling price is likely to depend on the bank's high cost or book value due to it. Although banks do everything they can to reduce losses, if you want to have your own books, you are likely to negotiate on your behalf and promise to write off part of the loan. Take. You should take the time to physically inspect the house, determine the cost of repairs, maintenance costs and transaction costs, and make a quote to the bank based on your analysis. In other words, determine the maximum amount you can invest in the business and still make money based on an acceptable rate of return. If you think this transaction is meaningless to you, it is best to keep the bank. After all, there are more banks with the same REO attributes that can meet your investment criteria.

Marketing

If you are considering buying and selling a part-time property to a full-time business, you should seriously consider promoting your business and the services it provides. Just as other business owners use a portion of their expected income budget for marketing purposes, you also want to allocate a portion of resources to promote the real estate investment business. The more people who know you are going to buy and sell a house, the more opportunities they will provide.

There are many ways to market your business, and there are many books to do so. Since this book does not involve marketing, I will introduce many ways to promote your business. Some of these include advertising in newspapers and magazines, launching direct mail campaigns, using signs and sending faxes.

As mentioned earlier, you can place small ads in the classified section of the newspaper, which can be very effective. As your business grows, you need to place larger advertisements in newspapers and real estate publications. You can advertise in newspapers and magazines used to purchase properties. It should be easy to make your ad stand out from the crowd because you are buying houses in bulk, and most other advertisers are buying and selling houses in retail.

Another effective way to promote business development is to implement direct mailing activities. Since printing and delivery costs will rise rapidly, it should be sent directly to the person who can best help you-the broker. You can buy a list of names and addresses of agents in your area from well-known companies, or if you have time, you can create your own list using the local phone book. Many of the content used in newspapers and image advertisements can also be mailed directly. The literature you send may contain a letter in which you and the services you provide include a brochure containing the same information, a sales brochure, or any combination of the three. I recommend that you include at least two to three business cards. Although the consignee may discard the attached letter or brochure, it may save your business card, and if you include more than one business card, it is likely to pass it on to a business partner.

Logos are a profitable way to market your business. Smaller signs, perhaps 18 by 24 inches, made of corrugated iron, are very cheap to purchase. You can buy products with wireframe brackets so that they can be easily placed in places with heavy traffic. I recommend that you don’t put too much information on your character. Just follow the basic knowledge of "I buy a house", your name and phone number .

I have seen that there is so much information on some real estate signs that it is difficult to distinguish anything, especially when people pass by, the sign may only take a few seconds. Use capital letters and keep the character simple. I also recommend that you use colors that can be used normally in winter and summer. For example, white characters with blue letters in summer look good; however, in winter, the whiteboard will be mixed with snow, making it almost invisible. Similarly, green boards with white letters look beautiful in winter because their colors are very vivid. However, in summer, the green light again matches the grass path and surrounding foliage. I recommend that you use a color that can be used all year round, such as a red or blue board with white letters.

As your business grows and your advertising budget increases, you may also want to consider using billboards. These signs can be very effective, especially in urban areas with known traffic. It is also useful if the published speed limit is 40 km/h or less. In this way, passers-by have more time to read the information on the road signs. As with smaller traffic signs,

don’t put too much information on the billboard. The driver usually only has a few seconds to read your message. Keep it simple again.
Finally, you want to fax the message to as many recipients as possible. Your main target market should be real estate offices. Several good fax programs allow you to generate broadcast faxes directly from your computer. These programs are easy to use and set up. With broadcast fax (also called fast fax), you can fax a document to multiple recipients. Using the fax application, you can set up a phone book. For example, you can create a directory called Genesee County Real Estate and enter the fax numbers of 100 real estate agents. If you are going to send letters, brochures or other documents from your computer, you can use the fax program to select the complete catalog. All you have to do is to click it, click "Submit", and the program will complete the rest. For the next two to three hours, you will dial every number in the directory and send a fax. If you live in an area where all telephone calls are local, you only need to spend very little time faxing. I want to add that many people do not want to receive faxes that they are considering advertising. Normally, the real estate will respond to your message; however, please respect those who do not want to receive faxes and remove them from your list immediately.

Owner for sale (FSBO)
People who are willing to sell their homes are usually sold by the owner or FSBO. This group of owners is an important part of the potential property you can use, so you need to pay attention to the property they deserve. It can be found by looking for the FSBO sign in the advertising section of the local newspaper or by driving a car nearby. FSBO usually maintains an attitude that they can sell their homes on their own without professional help from the real estate community, saving thousands of dollars in commissions. What they don't realize is that while saving commissions, they may suffer more losses in the total transaction than the losses cited by the agent. This is due to a lack of experience and ignorance of local market prices.
All FSBOs have an idea about how much they think their houses are worth, but in fact, their prices are often very high or very low. For example, some homeowners have lived in their houses for 20 years or more, but don’t know what their valuations were at the time. Another owner may have

heard that a neighbor sold a house to X; therefore, your house must be worth Y.
Actually there is no salesman who knows the correct market value of your home. Guess what? This is good news for you. Since you are fully familiar with the market value of the community to be planned, if the house price meets your investment criteria, you will immediately understand the first phone conversation with a potential seller. If you find a seller who is willing to sell a house at a price of 10% or 15% below the market price, then it can definitely bring you benefits. For those who think it can exploit the seller, I disagree. You have no moral obligation to tell the seller that the value of their house exceeds their requirements. FSBO sets the asking price to what they think is reasonable for various reasons. As a buyer willing to meet your conditions, you have become an important relationship that benefits both parties. Finally, the owner's sales are usually stable, which can provide a more profitable and creative business structure, thereby minimizing property expenditure.

Vacant Property

If you are looking for investment opportunities nearby, please pay special attention to those vacant houses. Holiday homes are more responsible as the owner’s assets, so they are usually available at a low price. The seller moved for various reasons and no longer took care of the house at home. He or she may have just divorced, built a new house or moved to another area. If the homeowner must prevent the house from being blocked, he or she must not only pay for the new house, but also in the old house. After only a few months of double payment time, sellers of vacant homes are very motivated. In some cases, they are lucky to find someone who can free them from it. No matter how much equity they have accumulated in the house.
The obvious signs of an empty house include weeds and shrubs, newspapers on the porch, and general signs of decay. Sometimes these houses have been evacuated recently; other times they sit empty for months. They may have the FSBO logo or the front yard real estate company logo. In this case, the task of finding the owner becomes easier. If there is no signal upfront, you may need to do some research. Usually, a phone call to your local tax office can provide the necessary information. Employees who work in the tax bureau and are responsible for maintaining tax functions can

quickly and easily provide the name and address of the current owner (invoices are sent to that owner). Using the name and address, you can call to get the owner's phone number. If the phone number is not listed, you can post your interest in the property by mail, because you have at least the owner’s address. Give your phone number to the owner so that they can effortlessly contact you when it is sold.

Although vacant properties can be an excellent source for finding investment opportunities, properties that have been vacant for a long time are excluded from properties. It can also be another excellent source for finding possible transactions. Buying and selling futures contracts require individuals to have a certain understanding of the market. Although several good books have been written on the subject, many investors have no knowledge or time to discover the underestimated negative information. In addition, they are not familiar with the auction and/or bidding process and may not have the resources to purchase properties in this way. Investors who understand the process of buying foreclosure properties may make substantial profits .

However, negative buying is not as easy as you think. In many markets, the bidding process is highly competitive, making it difficult to purchase properties at attractive prices. Investors participating in this market must have professional knowledge, patience and sufficient investment capital to succeed.

Use as many tools as possible to determine the attributes that best suit your specific needs. The most important thing to remember is to be patient. You can get the right property at the right price and under the right conditions. As an employer of capital, your job is to make employees (your capital) do their best for you. This means that your investment must provide an acceptable rate of return. Only you can determine acceptable conditions. It’s best to set an acceptable rate of return early in the process to avoid making the mistake of lowering the standard because you think you have found the right property. Determine your investment criteria and goals, use it as an initial filtering tool, and prepare to execute your acquisition strategy.

CHAPTER 6
VALUATION METHODOLOGIES

Now that you understand the concept of real estate investment, how to create value, and what type of real estate to look for, the next step is to learn how to analyze potential value opportunities to determine whether they meet your investment criteria. This chapter may be the most critical chapter in the entire book. The key to your successful single-family home purchase and sale is to have a comprehensive understanding of value. Appropriate valuation is the basis of all investment decisions, whether it is investing in various company stocks, commodities, or real estate. You need to understand how to get value to make reasonable and balanced investment decisions. Without these basic skills, you will face major disadvantages.

Before even making an offer for a potential investment property, you want to know in advance what potential value can be created from it. The value creation of a family can be accomplished in different ways. Your analysis of potential investment opportunities will include examining the variable parts of the real estate that affect its value; in other words, certain information about the property can be changed to add value. For example, for investment or restoration of property, it includes the physical condition of the property, but not its location. Although the location of the property is absolutely important, it is not a variable that can be changed to add value.

How to know too much

In this chapter, you will learn how to determine whether a $50,000 home is worth the price the seller wants. As you know? In fact, it can only be worth $40,000, or it can be very cheap, worth $65,000. The key is that you need to understand and understand the differences, not just rely on the words of sales agents and/or salespersons. From my experience, I have seen many brokers believe that their clients' property is more valuable than the actual value. I have also seen inexperienced investors trying to justify the agent's asking price. Somehow they believe that if they can buy the property, they can unlock all the extra value that doesn't actually exist. But the truth is that they paid too much for the property. I spent too much money buying a rehabilitation room; this is the fastest way to make you stand out.

Assessment method

Three traditional methods are used to determine the value of a property: sales comparison method, cost method, and income ladder method. Each method has its place and has a unique role in determining value. Depending on the type of attribute being evaluated, most of the weights can be attributed to a particular method, as the other two methods may not be related.

Replacement cost method

The evaluation report from Butler Burgher, Inc., a well-known evaluation company in Houston, Texas, defines the replacement cost method as follows: Costing is based on the assumption that the value of the property can be represented by the current cost of constructing the replica or replacing the building, minus the amount of depreciation visible in all structures in the structure plus attributes. Land and commercial value. This value method is particularly useful for evaluating new or near-new improvements.

The replacement cost method is generally not used to evaluate investment attributes, such as single-family houses. It is best used to estimate the actual costs associated with replacing all physical assets. For example, if a house is partially or completely destroyed by a fire, the value determined under the cost method will determine exactly how much the insurance company will pay for the losses caused thereby. Depending on the type of policy you have, the insurance company can only pay for the remaining damaged items. For example, if the roof of a house has been used for 20 years and is damaged by strong winds, the insurance company will not be able to pay 100% of the cost of the new roof. If the estimated life of the tile is 25 years, the insurance can only cover your remaining life, in this case, 20%. When purchasing investment property insurance, make sure to determine what is covered by your policy and what is not.

Income capitalization method

The income capitalization method is based on the anticipation principle, which recognizes the present value of future income benefits derived from property ownership. The income method is more suitable for properties considered for investment purposes. If there is sufficient income/expense data, it is considered very reliable. As investors who purchase real estate

gain more income, this method is effective and is generally considered the most appropriate.
The income capitalization method is a process of estimating the value of real estate based on the following principles: the value is directly related to the present value of all future net income attributable to the real estate. Therefore, through direct capitalization or through the analysis of discounted cash flow, the value of the property is obtained through the capitalization of net profits. Regardless of the capitalization method used, an attempt should be made to estimate reasonable net operating income based on the best available market data. A selector is required to deliver this estimat e

1) On the basis of analyzing the income of the object and comparing the object with competing assets, predict the potential total income (IGP);
2) The loss of project income due to job vacancies and costs depends on the historical record of the target and the supply and demand relationship in the target market. . . ,
3) Obtain effective gross income (EGI) by deducting vacancies and income losses from IGP collection,
4) Operating expenses related to generating revenue streams, analyzing the industry history of the subject and comparing the subject with similar competitive attributes, and
5) Net operating income (NOI) is obtained by deducting operating expenses from EGI.

Butler Burgher's previous technical description (which defines revenue methods) may initially seem complicated to those who are not familiar with the methods used to analyze financial statements. By examining simple financial instruments (such as deposit certificates), income methods can be divided into the most basic and basic levels. For example, if you use a market interest rate of 5%, how much are you going to pay for an annuity with an annual income of $10,000? The answer can be easily solved by assuming a simple relationship between the two values:
Present value: $ 200,000;
Turnover: $10,000; Rate: 5% .
In other words, if you buy a security deposit of US$200,000, with an annual rate of return of 5%, you will get an income of US$10,000. It doesn't matter how long the income lasts. The current value remains the same, as long as you hold a margin of $200,000, you will continue to generate $10,000 in

income. If you decide to invest in income-generating real estate at some point in your real estate's career, such as apartments, shopping malls, or office buildings, then I will familiarize you with income capitalization methods and master your business.

Comparison method

I believe again; Butler Burgher defined a third method of evaluation, the sales equation:

The sales comparison method is based on the substitution principle, according to which the cost of obtaining the same ideal substitution attributes without undue delay usually determines the upper limit of value. At any given time, many people will interpret the price of comparable real estate to reflect the value of the property valued. The validity of the indication of the value obtained by this method depends to a large extent on the availability of the latest sales data of attributes similar to attributes, location, size, and availability.

The sales comparison method is based on the principle of substitution, that is, the principle of valuation, which states that the cost of real estate paid by prudent buyers will not be higher than the cost of buying the same ideal replacement product on the open market. The substitution principle assumes that the buyer is considering available alternatives, and they are taking reasonable or prudent actions based on information about the alternatives, and time is not an important factor. Alternative forms can be the purchase of an existing property with the same utility or an investment that will generate an income stream of the same scale and risk as the property involved. The method of comparison reflects the behavior of typical buyers and sellers.

Essentially, the sales comparison method examines similar characteristics and adjusts value based on similarities and differences. This method is mainly used to evaluate single-family houses. For example, suppose you decide to sell your house. To help you determine the price of the list, your sales agent will get all current quotations and recent sales near you, and calculate the price range based on the average selling price per square meter. The agent will consider various factors, such as the general condition of the house and various comforts. Do you have a fireplace or a swimming pool? Is it a garage that can accommodate two or three cars? Therefore, the process continues, adding and subtracting until the final value is determined. When determining the value of a family property, the most important factor in a comprehensive analysis is the use of a sales mix. It's like buying a new car. Consider all the alternative products offered by each manufacturer and compare each feature to adapt it to your specific needs. As an investor in gambling opportunities, you need to rely heavily on sales incentives in specific markets. This is the basis that every buyer who sees his house will use to make a purchase decision.

All in all, each traditional valuation method plays a unique role when using one of three different methods for valuation. In some cases, all three methods can be used, each with different weights. Butler Burgher said: "The evaluation process ends with a reconciliation of the methods. This aspect of the process takes into account the type and reliability of the market data used, and the applicability of each method to the type of real estate being evaluated Sex and the type of value sought."

CHAPTER 7
THE ART OF THE DEAL: NEGOTIATIONS

President Donald Trump called the deal "the art of trading" and used this sentence as the title of his first book.
Country legend Kenny Rogers sang: "You need to know when to hold them and when to fold them."
Both are right. Negotiation is an art that needs to be learned. And one of the most important elements is knowing when to maintain your position and when to expect better deals. Between these two extremes, a lot of money is lost.
Indeed, negotiators are born to a certain extent and are not appointed. At least to some extent, the ability to negotiate goodwill is a God-given talent. Some people are blessed while others are not, just as some of us get 153 miles an hour. Fastball and most of us are not.
But this does not mean that no matter what level you are at, you cannot improve everything you have. Even the best pitchers have a pitching coach, and Donald Trump found a real estate on his father's lap. Therefore, education and training can help you improve everything you do, including negotiations .
This chapter focuses on the skills taught by our own instructors. We will also discuss what some competent people who are more capable of "lunching" than we are learning from school. Sometimes, when the other party is very good at your job, you don't even know what's going on. Sometimes, even if you learn some new knowledge yourself, you are lucky.

Strategy 01: Understand that "no" does not always mean "no"
If you want to take a great negotiation class, spend a day with your five-year-old son. They are very good. First, they are not afraid because they are too young to burn often. Secondly, this is very profound, because neither your parents nor teachers have developed the habit of being the way you want or getting what you want.
If a five-year-old child wants a piece of candy, he will not ask it once, but will use his first "no" as the final answer. not really! He will ask until you

say "yes" or at least make a counteroffer that seems acceptable.
This is the first line of negotiations. "No" is just the beginning. "No" is the first step to accurately understand the meaning of the other party and how to view this position positively.
You can also face it from the beginning: negotiation is a process of rejection. In fact, it is the process of rejection itself (although sometimes bad) that has the opportunity to find out the true meaning of the other party. If you hate rejection, overcome it or find someone who can handle it better and become your negotiator.
It is not an admission of failure. We often use third parties to manage transactions for us, because third parties will say and do things you cannot say or do. If you use someone other than the intermediary, they can always give up when something goes wrong, and you can ride a white horse to save time for both parties. The key is that you need to understand the process, recognize your skills or lack of skills, and create a negotiation environment that suits you, no matter whom you are working with.

Strategy 02: Fair Competition
In football, as in most sports, there is something called "local court advantage". In fact, most of the football season is designed to keep your team at home in the playoffs.
The field of action in the real estate sector is equally important. You want to control the context and process as much as possible. One of the most qualified negotiators we know is a lawyer who has dealt with us many times. Sometimes he represents us, and (unfortunately) sometimes represents one of his companies or us. When negotiating, always try to control the competitive environment because you are signing the first contract that will be used in the transaction.
He is not too aggressive about it. On the contrary, it is very useful; it always provides management of the contract document creation process. Few people reject your offer. because? How expensive it is to hire a lawyer, because writing a contract is also time-consuming, and it is difficult to execute the contract creatively and legally in some complex transactions you are involved in the way. Therefore, most people easily give up responsibility.
If they do, they will give up a lot. Although the contract is not the only control element in a real estate transaction, it is important. Generally, you

define the terms of the contract. If you are the person who originally defined the meaning of things, the contract has a great advantage. In the previous chapter, we learned that if a contract claims to be a "standard contract", then the first question is: what kind of "standard"? Is it a standard sales contract, a standard sales contract or all? You learned a big difference in the last chapter. This is an example of a contract that benefits the seller:

The buyer has 15 days to inspect the property.
However, suppose the inspection clause is stated as follows:
The buyer will have 60 days to inspect the property by an inspector of his choice. If the buyer determines that the property has not passed the inspection, the buyer and seller will at their discretion decide to correct any defects within 90 days.
Well, that still looks fair. After all, it seems unlikely that it will take 60 days to schedule inspections, especially in a busy market. But the buyer actually has 150 days (that is, more than 60 days)
90) Only for the inspection process. In fact, the contract writer has created a five-month property purchase option for the buyer, allowing him to control the property without damaging money. In the current real estate environment, five months are eternal. You can control this property and finally hold, flip or zoom out. Just place the table where you like to achieve this flexibility.
Some of you might think, ‘Well, I will never sign such a contract! "Maybe you don't. But the reality is that it happens all the time. First, in most cases, the topic "60 + 90" (or equivalent) is never marked in the discussion. Most people, including lawyers, read Contracts are fast. Such simple and boring clauses are often lost in multi-page legal documents. Second, the investigation clause does not seem to be unilateral, because the language says: "This time the buyer and seller have a chance." Hey, this is very Fair, isn't it? Not true, but it seems fair.
Even if the party opposes "60 days", it may only be reduced from 60 days to 30 days. If our lawyer friend agrees to the agreement and there is a problem, he will quickly and voluntarily make the change after 30 days and add the following: This is just the inspection we are talking about here. "In the process, even if it is to solve the problem, he will make you (the seller) feel a little stupid. From now on, if he solves other problems, he will

become more uncomfortable in the contract, including more important issues.

Here are some other ways to control the competitive environment in real estate transactions:

Find your colleague in the office. In your office, you can control the environment and manage the team. However, as with all rules, you will find that sometimes there are exceptions. Sometimes you may want to meet at the other party's office for a more comfortable feeling. It builds upon the situation.

2. Control the generation of any documents in the transaction. This includes contracts and leases. As we said, controlling workflow is what the document says from the beginning. Obviously, this may change as the negotiation progresses, but at least start the contract and other documents in the way you want. If you follow this rule, it will cost you a lot of money, because in most cases, this means your lawyer will make a withdrawal and you will have to pay the bill. However, focusing only on these relatively small amounts is a big mistake, especially if it means you have to control the contract process.

3. Check the cover. All of these are equal, you want to hire a liquidation agent and name the location. This does not mean that neither you nor the closing agent will do anything hidden. What you are trying to do is to control the environment, which makes trading easier. If people are under pressure due to the environment, then they are even more likely to argue, even in a small area.

This kind of closure is contradictory. As always, the parties are meeting in the same room, everyone listens to each other’s financial situation, and anything that the parties do not like needs to be exchanged from one side of the table to the other. We don't like this kind of closure. We will regularly try to arrange separate agendas for buyers and sellers to sign documents, or at least organize separate rooms. Yes, when the other party encounters a problem that needs our consideration, it sometimes causes delays. In order to solve this problem, we told the closing agent of the necessity of contacting us.

4. Check who is checking the property. If you hire an inspector, you will know that he is taking care of your interests. When possible, we always try to be present during inspections so that we can hear informal comments

about inspections. Sometimes the inspector knows the property, or at least the area, and if you talk about it, that is very valuable information.
5. Check who is doing real estate research. Investigation revealed that the property was invaded. If you wrote the check and talked directly to the inspector, you will find more information if you did not talk to the inspector. Invasions, even small intrusions, can be a tricky problem because intrusions usually involve your immediate neighbors. Common sense says that if you don't need it, you don't want to start doing bad things with your neighbors. If an accident occurs, ask the seller to clean it before closing, because it will come out. Make her a bad person.
6. Research who wrote the ownership policy, especially the exceptions in the policy. We have solved this challenge. Headline business means that headline business is not included. If you have not read these exceptions and the company removes them from the insurance policy, then you have not purchased too much insurance. Securities companies have existed for a long time, and their data centers know what to exclude. Don't let them do that.
7. Check which money lender is used and acceptable financing conditions. The buyer obviously chose the moneylender, but the seller can influence the terms by removing the contract from the contract. For example, if the contract stipulates "subject to the buyer's financing at the current exchange rate", then as a buyer, you are much more bound by the contract than the contract stipulates: "subject to him is acceptable." Feel free. "
8. Check the type of script to be issued. The "general warranty" action transfers most of the rights; therefore, as a buyer, this is what you always want the seller to provide you. A "waiver of rights" action will transfer the least rights; for example, there is no guarantee that the seller is the owner of the property. Make sure to get the type of writing you need .

Strategy 03: Take steps to avoid stress reactions

Suppose you are sitting at a table in front of the other party in a real estate transaction, a serious problem arises. What's next? If you are the decision-maker, you may be forced to make a decision there. If you have industry experience and negotiation experience, you can do well under this pressure. However, the less experience, the higher the cost, because you are not familiar with all the moving parts of the transaction. If you face an experienced player, he will know exactly how to make his own decision at the most unlikely moment.

Successful real estate companies such as Donald Trump are leading their own negotiations. because? Because they have been in the market for a long time, they know where a particular transaction can be made and think about it on the spot. (They also admit that only their presence can have a positive impact on negotiations.) If you do not have such experience and status, then the best course of action is to say: "Let me go with my partner."

It doesn’t matter which type of partner you are referring to. It may be a business partner, your spouse, or a partner you admire. The point is that you need to spend time, have more time to think about what you just proposed or rejected, and possibly get suggestions from this partner.

You can also use this strategy to make the form meet your requirements. For example, you might say: "Sounds reasonable, but I do need to discuss it with my partner. So let us write it down and I will take him to discuss."

Do you see any changes in the sports field? You ask the other party to state your position in writing and give yourself some time to consider the new position, while the other party cannot easily change its mind. If you are a buyer, this is almost always in your favor, because you can effectively withdraw ownership at least during this period.

Strategy 04: Use the power of silence

The legendary Yogi Berra must say: "By listening, you can hear a lot of sounds."

This sentence reminds us that listening is one of the most important aspects of negotiation. The more you talk, the more you will generally lose, because on the other hand, it will provide more and more information about where you are actually negotiating and will rarely help you get the best price.

There are some very smart people in our team. We never negotiate with them because you don't know what they will say. Their revelations are innocent and out of goodwill, but they often damage our negotiating position. Think about it. Suppose you buy a property. When one of the members said: "Oh, we have prepared the perfect furniture for this room!", what signal does your team send? He said that the other party said clearly and loudly that he had bought the property mentally and moved out. That being said, you can forget to negotiate because the seller knows he will come back.

Sales staff also regularly give gifts in the store, and if they can let go, they will hardly understand their lives. Once we discuss buying a house, when she talked to the wife of the host couple, she mentioned that she had left on the weekend. When asked where she went, she said that she was flying to see her husband, who had already changed jobs. At that time we knew that supplier transactions could be very flexible because we knew that the couple now lives separately. The point is always to be careful about what you say and pay attention to the information you can provide to the other party.

When negotiating, try to think of yourself as a consultant. It is your job to be open and friendly. It's like you want to help the other person solve the problem, because it's you. Listen to the opinions of the other party and ask friendly follow-up questions. The more you learn, the more likely it is to develop an offer that suits you and them. Negotiations in this direction will be more enjoyable, more successful and personally rewarding. Moreover, if you perform the same duties in another transaction, the contract will be more successful.

Strategy 05: Takeaway options

The most successful strategy we use in almost all types of negotiations is to "take away food." In fact, we are debating whether it should be included in this book, because it works very well, and some of our opponents may read these pages. We have decided that we cannot abandon such a powerful strategy.

Use "take away" when the negotiation is interrupted or the other party is unreasonable. If the other person says "I don't even want to consider this proposal," your first response should be: "I fully understand how you feel." (This is a gentle statement indicating what you need to do next.) Continue to say something like "We appreciate your time and look forward to working together at some point." Note that at this time, you can wait for the other party to respond, or start packing and leaving. Whatever you do, keep quiet. because? Because the next person who said... lost!

After silence, what you usually hear is that the person just said partly or completely undone. If you do not hear the exit, you will know that the speaker has taken his (unacceptable) position seriously and can continue. Either way, you have the information you need: resume negotiations or move on to the next contract. You can't beat everyone, time is money. The sooner you realize that you are in danger, the better.

Strategy 06: Use "Columbus Locks"

You may remember the Columbus TV series in which Peter Falk played the clumsy detective. Clumsy is actually a tactic. When interviewing the suspect, he asked many questions. After finishing, he got up and left. But when he was about to go out, he would turn around and say, "Oh, there is another question." This question is always the tip of the iceberg. The suspect thinks that the grid is over, he will be surprised. The table turned over.

In negotiations, the "Columbus case closed" can be used in a similar way. Imagine you are in the final stage of negotiation. Everything seems to be ready. Therefore, in Peter Falk's best voice, you just ask: "You know, I'm thinking...".

You must complete the rest of the sentence. It might be like this: "You know, I think, if we don't care, can we change the 90-day inspection cycle from 30 days to 30 days? If I agree with you, I will really be more comfortable."

Or maybe: "You know that if we increase the price I pay for the property, but agree to pay all transaction fees, we can save me money and get the same net income from the sale. Work for you, right? "You will be surprised at how often it works for them.

Strategy 07: Use dialogue

Finally, everyone develops their own negotiation style. Some people are introverted, some are noisy, and others are somewhere in between. It doesn’t matter which style you use; you just need to determine which method is best for you. A style that applies to many people is a dialogue method, which focuses on the problem of determining the seller's target for price, conditions and time (the three factors that determine the agreement). We conclude that questions that begin with "can" or "can" are most effective because they convey thoughtfulness and thoughtfulness.

For example, if the seller says that he wants to get a 20% discount, and the amount does not work for you, the answer may be:’ Well, can you consider sharing the 10% discount for me, and the rest should be paid attention to? 8% in two years? Or: "Can you share it for me, take 10% now, and the balance is 8%?" If you ask the question in a non-threatening way, the other person will most likely say "no", but if you accept, it will usually tell you why, and the answer will provide you with more information to give you the goal you want to achieve.

The more you understand the other party’s needs, the better you can construct contracts to achieve these goals, instead of simply entering the non-production cycle of supply and counter supply. In the end, you may find that there are not many deals available. Well, the faster you notice, the faster you can do other work.

Strategy 08: Use your star dealer

Many real estate book authors generally believe that you need to negotiate your own. We do not agree that the person who must negotiate your agreement is the person most likely to succeed. Sometimes it's you; sometimes it's not.

In the past, we noticed that great negotiators (such as great athletes) are talented. You want the best person on the team, the lead negotiator, to defend your case. Otherwise, please find the best candidate for you in your professional network.

After years of experience in many different situations, we consider ourselves to be excellent negotiators. But we know that in many cases there are better people to work. Sometimes we use people who are related to the other party in the transaction. Sometimes, the development agreement we reach requires reliable experts in environmental issues, for example, to explain our position on this issue from another aspect. The point is: if for some reason you think someone can negotiate better than you, you need to be humble and wise to recognize and attract that person. Your goal is to get a successful transaction, which means you can do it. It is nothing more than finding an offer and giving it to a skilled person to represent the rest of the transaction. Don't concentrate on the purpose of doing business.

Strategy 09: Never trade with yourself

A serious mistake in negotiations is to make decisions on behalf of the other party. For example, suppose you make an offer that you think is realistic. But then you think, "The seller will not accept it!" Then increase the offer before the seller hears the offer. Before you say that you will never do this stupid thing, say that everyone does it, and usually for a glorious reason: we tend to put ourselves in another person’s shoes. If you are not conducive to your own trading, please try not to do so. Let the seller make a decision based on your job arrangement offer. You may be pleasantly surprised.

If you make an offer and the seller does nothing, and then make the offer again, it will happen again. Don't be against yourself! Even at full price, you must launch a counterattack against the opponent. At the very least, if you have a complete price counter, you can only link the contract to your subscription. Remember, time is money. If the other party does not respond and you offer another offer, you are wasting a lot of time.

Strategy 10: Don’t Fall in Love with Business

If you fall in love with the company, it will cost you. The motto of the negotiation is and will always be the person who cares the least. There are many reasons to fall in love with the agreement. Sometimes we will fall in love with the property. (We warn you!) Sometimes we will join agreements because our employees say we do. Sometimes, we fall in love with a deal because we spent all the profits, at least in our opinion.

Don't fight the victims of these types of mistakes. The best deals he provides are carefully analyzed and constructed by him, which can meet your needs. If you deviate from the script because you "want to make a deal," you will almost certainly make a mistake. We do it alone, which is very expensive.

Negotiation is knowledge. It requires you to have a comprehensive understanding of the product and its goals, and have the ability to think on foot. Some of you will be very good at it. You can all improve; it just requires practice. If you can enjoy the process while learning, then it will help.

CHAPTER 8
MANAGING MULTIPLE FLIPS

You can have a small amount of overlap between two rounds, or you can perform five rounds simultaneously. Either way, you need to develop effective strategies to keep everything in order and keep pace with each project. Even if there are five projects in progress, you can only make money after selling the house. Therefore, please concentrate on completing and selling the house as soon as possible.

Consider location

If you want to manage multiple changes, you need to travel frequently between properties and between properties, houses, and inventory stores. You can choose between two basic strategies. You can intentionally search for houses that are close to each other or simply search for houses that meet your criteria, regardless of location. Although none of these strategies are particularly wrong, it is important to always maintain a selective state. Therefore, even if you want to find a house nearby, don't deviate from the ideal property in the next city .

Benefits of group activities

The biggest advantage of group features is that they are close to each other. You can easily move between houses to monitor progress. If there is a problem with one house, you can get there quickly from another house. You can also save time and even delivery costs. Notifying the delivery company that the residences are indeed close to each other can be used as a basis for negotiating delivery charges or delivery time. Using the same contractor on multiple properties will also make it easier for the contractor to stay in touch with the two projects and transfer workers between projects if necessary. Obviously, it is good to keep attributes close to each other.

Disadvantages of grouping properties

There are two main disadvantages to following this strategy. The first disadvantage is that it will remove many potentially great features. As mentioned earlier, you want to try to keep your choices open when looking for a house. Its fundamental goal is to maximize and protect your profits.

This partly means that you will find large businesses and houses that require minimal renovation. You may not find different attributes that are close to each other.
Second, if the renovation is completed in a short time, you will have several properties on the market at the same time. This may create unnecessary competition among potential buyers between houses. One way to reduce this shortcoming is to arrange the purchase time so that the renovation can be completed at a different time. You can also use it to your advantage so that potential buyers can see the different houses you are selling. You might sell one of them.

Negotiate different contracts
For each house you invest in, you have to negotiate a purchase and sale contract. Moving multiple houses generates a lot of paperwork and a lot of mental work. The project must be organized. Mixing in different houses can cause serious errors in the negotiation process. In addition to staying organized and keeping documents organized, having a broker will help you immensely. Hiring a manager or office assistant can also help. Although you can start on your own, managing multiple circles is a difficult task, and you are unlikely to handle it yourself. Before jumping to the different attributes, you can consider your options. Even if you don't have an office, you can still hire a virtual assistant to keep your documents and documents up to date.

Bulk Quotation
If you want to buy multiple properties at once, consider buying multiple properties from the same bank or seller. It provides you with a trading point. You can share multiple attributes together as part of the offer. The quotation you prepare can include a "bulk fee" discount to purchase all items at once. Although this may seem unconventional, it is not uncommon.

Organize paperwork
Even if you reach a volume contract for multiple properties, each property will have its own contract and sales documents. It is important to organize it separately so that all income and expenses are allocated to the correct property. It is necessary to determine the profit of each property as well as the time for taxation.

Organize multiple timetables

For each property you change, you must follow the renovation schedule. According to the starting distance of each house and the renovation required, he will supervise multiple teams and projects at the same time. The important thing is to write out each timeline in detail. Once the supplier, repair or delivery is planned, it needs to be written down.

How to maintain and locate multiple packages

You can do something to maintain and track multiple timelines. The first thing you can do is keep everything on the calendar. Although you might want to keep a calendar for each attribute, it can be even more confusing. Use a planner that allows you to view monthly and weekly views. Then, you can choose the highlight color to coordinate each attribute. Write everything down on the calendar and highlight it in a color that matches the theme to be used for each appointment.

To keep multiple due dates, another thing you can do is to set reminders daily using the online calendar app. If you need to have a meeting at home, it will remind you of the day's meeting or appointment.

Finally, one thing you want to do is join the hotel every day.

Contact the contractor to understand the development of the day and achievements. If you have multiple houses working at the same time, it is best if people work directly for you on each property. Not only can they stay in touch 24 hours a day, but they can also provide daily progress reports, as well as the latest information on renewal, delivery, etc.

Coordinate contractors to work in multiple homes

Discuss with your contractor what needs to be done for each property. If you plan to have the same contractor work on multiple properties, please make a schedule with him immediately after you have the keys to each property. If your contractor sends out as many notices as possible, they will likely work with you.

Keep up to date with different projects

The easiest way to track multiple items is to not aggregate content. If you must perform a function, do so. If you want to buy materials, please go and buy it. Submit your paperwork every night. Go to all the property every day. Call back as soon as possible and register with the contractor every day. You cannot stop procrastinating.

Monitor multiple budgets

In addition to coordinating and tracking multiple timelines, you also need to coordinate and track multiple budgets. Each family has its own budget, and expenditure must be monitored separately to correctly determine profit and expenditure. When to submit taxes, your accountant wants to know which house each type of expense can be allocated to. When registering for tax, keeping an eye on costs can save a lot of time and money. You can save money by reducing the time that must be paid to the accountant. The longer the accountant spends, the more it spends.

Maintain and track multiple budgets

It is important to keep a project folder for each household you are dealing with to keep everything organized. As part of this folder, you can put a large envelope in the front pocket to collect receipts during the day. This will prevent the receipt from being lost. The disadvantage of this method is that you can purchase items for several houses on one receipt. At the end of each day, check the envelope and letter costs in the corresponding budget. Check the receipt and highlight the items to be sent to different homes.

How to save money on multiple projects

Saving a lot of money is a fairly simple way to save money. You can order directly from the supplier and order a large number of items that can be used in each household. For example, light switch covers, new switches, lights, lights, and screws are examples of items that will be used in most households and can be purchased in bulk.

Tax registration and payment

Fortunately, relocation will increase your annual income, but even if it is not necessary, you still need to register for a house purchase. Even if you do not make any profit, all factors must be considered. In addition to recording everything, you also need to group everything. For example, you can't just ask for a fee and add a number. You must be able to divide the total based on the actual expenditures incurred.

Document interview

All expenses on all receipts must be kept. Unless you can prove where and when you spent the money, you cannot claim deductions, etc. If you lose

income, you will lose deductions, which will cost you money. The deduction will be deducted from the total amount applied to you .
If there is no deduction, you will pay more taxes. It is important to record all receipts and expenses.

Hire an accountant

As you start to act, your tax filing obligations will increase dramatically. You need to have a thorough understanding of tax laws and expectations; otherwise, you may end up spending a lot of money. You may have paid too much tax, but you may also pay a fine for late order, wrong paperwork, or any other mistake. The best way is to hire an accountant. Look for an accountant who works with regular investors and understands the business. If you can find an accountant with real estate investment experience, so much the better.

Know when you need extra help

When you reach the point where you can have multiple transmissions at the same time, you will be attracted to different directions, and it will soon be difficult for you to handle everything yourself. Although you have increased your expenses, you can help you increase efficiency and productivity by hiring people. The first thing you need to know is what kind of people you need to hire. A good starting point is to find out exactly where you want to spend time on exercise.
Ask yourself the following questions:
1. What are your business advantages ?
2. Which tasks do you like best?
3. What task will make you feel best?
4. Even if it takes a long time, what tasks do you want to perform?

If you answer these questions honestly, you will determine your true strengths. Although most people think that your strengths are just what you are good at, in fact, it is a combination of what you are good at and what you like best. If you don't like a task, you will often delay time and work inefficiently.
After listing the tasks to be responsible, list all the tasks that must be performed. Divide these tasks into categories that can be performed by one person. For example, if you have a long list of tasks, they belong to the categories of the clergy, accounting, messaging, etc. In the fall, you can hire an assistant to handle all these tasks. If you really don't want to monitor the

team all the time, you can hire a team leader to supervise the daily overhaul and make sure everything goes according to plan. If you only carry out small house repairs but want to free up time to focus on the business, you can hire a house-to-house maintenance team to complete smaller renovation tasks.

Hiring employee

Once the type of job to be filled is determined, the job description needs to be compiled for each task. To do this, you need to compile a list of tasks that the person will be responsible for and the past experience of the person he thinks is best suited to try to perform the task. The list of tasks and qualifications is your job description, which you will use to describe vacancies and make recruitment decisions.

Once you have a job description, you can start renting. Good places to place email advertisements are local newspapers, Craigslist, and job sites such as fact.com. Be prepared to get a lot of programs. Collect all applications or resumes for each post. The first thing you need to do is to quickly review and delete everything that is obviously not the right choice. This may include candidates who did not provide the required information, did not submit a professional application, did not have the required experience, and did not read the job advertisement. This will provide you with a shortlist of candidates for them to read carefully and decide whom to interview.

Although you would like to hire a friend or family member to fill your position, the decision is still complicated. You must ask yourself: if they don't work, can you let them go?

Management team

Once you have an employee working for you, you need to add team management to the to-do list. You need to understand what is expected of them every day, how to monitor their performance, etc. Managing others is a skill in itself. If you have questions about this, it is best to seek guidance from other employees in the business. However, the best way is to be clear and honest about your expectations and hold people accountable for your work.

Promote a team environment

Generally, people perform better when they are valued. Maintaining your position as the boss and leader of the business is always important, but you can encourage a team environment to be very helpful in increasing productivity. You can help create a team atmosphere by holding team meetings. Use these meetings as an opportunity to see where everyone is doing their homework and what their goals are for the week. The weekly meeting is also a great opportunity to highlight the excellent work people are doing and what the entire company is doing together.

Work with freelancers

Hiring employees can be stressful and costly. Your tax burden is higher, more paperwork, or even more. Having strong employees can make your business run better, but it is also a promise. Another option is to work with freelancers. Freelancers work as independent contractors, which means they can only work if you have a job for them. If business slows down, you don't have to provide jobs for freelancers .

You can also outsource work virtually. Although it does not apply to your maintenance team, if you need an assistant or can help with tasks such as online marketing or bookkeeping, you can hire a virtual assistant. Many people work from home as virtual assistants. Many of them also work as freelancers. Therefore, you only pay for the amount of work that must be done.

Establish a brand

When you publish multiple versions, I wish I could create a brand. Your brand name includes your name, logo, website, marketing materials, business cards, etc. You want to work as a well-known real estate investor. If people know who you are, you have a greater chance of getting discounts. The bank will be interested in working with you to download its REO. Other investors and potential buyers will look for properties. There are two ways to achieve this: marketing and reputation.

Promote your business

You need to market your business with the same enthusiasm and vigor as the single house you are going to sell. You need to understand that the long-term viability of a business depends on your ability to learn to sell yourself and your brand. You can use some great strategies to create your own garden board. Distribute business cards when opportunities arise. Make sure you have a tough online presence. Use a lot of images and videos to promote your house and business. Marketing itself can be a full-time job. If this is not one of your strengths, it is best to delegate it to qualified employees.

Build a good reputation

The second way to create and market a brand is to build a good reputation. If your house is constantly renovated, cheap, green, or a combination of these characteristics, you will have a reputation for it. Interested buyers will expect you because they know that you are selling a quality home and will not try to force them. Although it takes a long time to build a good reputation, it is also very effective and lasting.

Management Office

If you are going to do larger work and replace several houses, then dedicated office space is essential. You need a dedicated workspace to process documents, make calls, prepare quotes, etc. You also need enough file, fax, and scanner space. In addition to the office, you also need space to store items: additional unused materials and supplies, as well as tools, equipment, etc. Running a home improvement business requires working space.

More than 10% of Americans work in home offices. In the past ten years, this number has increased dramatically. The advancement of teleconferencing enables people to complete their work at home .

Ministry of the Interior

Many housing fins started to work in home offices, which is certainly not wrong. The home office provides the convenience of being able to work from home and having a separate working area. The home office also provides functions that can be used flexibly when needed.

Despite the advantages, the home office has its disadvantages. You will experience a lot of distractions while working from home. If you have children, it may be difficult to keep them outside the office, especially when you are working. Most importantly, people in the home office often feel that they will never be able to truly leave their jobs. In order for the home office to work properly, you need to set some restrictions.

Family members need to understand the importance of not breaking into the home office or touching or moving things. They also need to understand that you need to concentrate on work. One way to strengthen this is to establish working hours. Determine the time you will be working in the office during which you will not be disturbed. However, if your working hours are over, you will participate in family activities.

When leaving the home office

Even if you succeed in a home office, you can reach the point where you need more space. Finding a company will make it easier for you to hire employees who will work with you in your office. It will be easier to plan meetings in the office. Creating storage space will also be easier. You can find a place with a large back room or a small warehouse. You can use the storage space for tools, equipment, supplies, and materials. This will also make it easier for your contractor or operator to find the job they need. Eventually, it will establish a clear separation between professional life and family life.

CHAPTER 9
FACING RISKS HEAD-ON

There are many risks in moving. However, if you are prepared to deal with these risks, you may face them. Being prepared is the best way to deal with unpleasant situations. It is also important to keep your ultimate goal in mind. Even if things do not go according to plan, the ultimate goal is to make money, so it is important to retain potential income.

Plan main expenses or renovation

If you know it right, then the high cost of relocation and renovation may not be a big risk. If you can thoroughly inspect the interior and exterior of the house before buying a house, you will understand the main issues and can make calculations based on renovation costs and possible income. If you cannot check inside and outside, you may not be fully prepared.

Cost plan in the renovation plan

Even if you can only conduct an external inspection of your property, you can identify some potentially significant expenses. For example, you can see from the outside that the house needs a new roof or new windows. If problems are found during the inspection, please plan in the overall update estimate.

To account for unexpected expenses, please add 10% to the estimated amount. If you calculate the cost accurately and there are no surprises, then this amount is unnecessary. You can then use this possible cost to purchase a house in negotiation. You can decide whether there is enough space for the necessary renovations and still benefit from the house sale. Before buying a house, it is important to get a renovation quotation. It is also important not to estimate the cost of refurbishment conservatively. Plan for more cost than you originally thought it needed. This will provide protection if the actual cost exceeds your estimate.

Minimize costs

It is not always possible to plan the cost of renovations in advance. Sometimes the problem is more serious than you think, or you need renovations that you didn't know before buying the house. In these cases, it

is important to spend as little money as possible to stay within the planned budget.
The reduction of maintenance costs only includes performing the necessary maintenance and performing the necessary maintenance in the most economical way. For example, you plan to install a new kitchen cabinet, but later discover that the house needs a new oven. In order to reduce costs, you can choose to just replace the cabinet door to make it look new. The money kept in the cabinet can be used in the oven.

Accident repair

Not all renovations and repairs should be important. In some cases, this is a series of smaller repairs that are beyond your budget. When converting a house, there are millions of small details that don't seem important, but when selling a house to potential buyers, these details are important.
Again, the best way to plan unexpected repairs is as few as possible. Before buying a house, the more you know about the house, the more prepared you will be for the project. However, it will handle unexpected repairs like everything else-keeping the ultimate goal in mind.

Determine the source of the problem

When it comes to unexpected recovery, the first thing you should do is to determine the source of the problem. This can mean several things. First, repairs may indicate a major problem. For example, a collapsed roof may be a sign of water damage. Identifying the biggest problem is critical to reducing costs. Solving small problems will lead to more problems in the future because big problems are ignored. Another thing to consider is whether you should be responsible for an unexpected recovery .
For example, suppose you paint a house inside a contractor, and one of your employees uses a brush to damage the ceiling too hard. The painting contractor is responsible for repairs. Although you may be a "cute guy" but say "no big deal", the recovery will affect your potential income. This is the same for all contractors you bring into the project.

What if the contractor makes a mistake but refuses to correct it?

Unfortunately, this can happen. You can solve this problem in two ways. The first is to find and hire replacements so that you can complete the project on time.

The second is to try to recover the unfinished project payment you paid to the contractor.

Make recovery decisions

When making a recovery decision, you need to consider your ultimate goal. You are willing to make money, so the first thing to ask is whether you need to make necessary repairs and will help you make money immediately. For example, you can change the kitchen counter yourself. However, if the kitchen counter is in good condition and not out of date, there is actually no reason to replace it. The overhaul may be the same. If there is a shed on the property that requires a lot of work to make it usable or safe, then destroying it and selling the house without the shed may be more profitable than repairing the house.

Extra cost

Unforeseen costs may not only be repairs. The unplanned expenditure must be carefully considered to protect its potential benefits. It is also important to remain calm and face all unforeseen expenses. Simply reacting to bad situations or making emotional decisions will be expensive and may not help. You must check the situation and expenses before you manage the expenses.

Types of unexpected expenses

Unforeseen costs may mean that you have purchased tools or supplies that you do not intend to purchase. Exceeding your tenure will involve costs. For example, if you plan to take a three-day shower and cleaning the house takes six days, then you will have to pay for three more days, which you do not intend to pay.

Unforeseen costs may include city fines due to regulatory issues. For example, if you don’t have the correct work permit, you may pay too much for garbage or fines. Some cities have conducted special inspections on house renovation projects and spent money. Some cities also require the purchase of real estate or unsolicited vehicles on the property. Another possible unforeseen expenditure is damage to the rented tools or equipment or the loss of a deposit that is not refunded on time. Most of these costs can be avoided through careful planning.

How to deal with unexpected expenses

The first thing you need to do is to stay calm. Assess the problem and its cause. See if you can reduce expenses by simply talking about your power. In some cases, if only an overview, fines and fees can be reduced or eliminated. If you cannot reduce or eliminate additional costs, you can make a payment plan or sign a future contract.
If you still need a few days of samples of the garbage bin, please contact the container representative and cooperate. If they are willing to work with you, please explain the need for trash cans and the possibility of signing a contract in the future.

Contractor failed and made mistakes
Even if you work with a contractor many times, the contractor may fail, and in addition to precious time and money, mistakes may occur. The first thing to do is to build relationships with contractors you can trust and like to work with. Establishing a relationship with contractors will reduce the risk of mistakes and mistakes, but it will also put contractors under pressure to correct mistakes. Any successful contractor wants to maintain a positive relationship to ensure future work.

Responding to contractors' mistakes and mistakes
The first thing to remember is that you cannot react emotionally.
It is natural to be angry when someone makes a mistake, but you should calm down and calm down before discussing the matter with the contractor. You also need to stop and think about the problem. Was this an honest mistake, or did the contractor fails to follow the instructions, pushing or trying to cut costs? The reason for the failure or error will affect how you respond to the problem.
Contractors don’t show up on days when they have to do this. This is a very common mistake or mistakes you encounter. This is usually caused by the contractor doing multiple jobs at the same time. This also means that the work was not completed on time. If you have multiple contractors renovating the house in a short period of time and they do not show up on the day you indicated that you want to go there, you can delay your full schedule and delay other contractors.
One way to simplify the renewal process is to use as few contractors as possible. If the contractor can perform multiple tasks at once, try to solve it together with him. The fewer contractors you have, the less time you need

to coordinate, and the fewer people you have to keep in touch. Just make sure you have the manpower to complete the work on time.

Correct errors and mistakes
The first thing you need to do is sit down and discuss the error or mistake with your contractor. Make sure he knows the problem. For multi-crew or crew contractors, you may not even realize that there is a problem. If the contractor knows the problem, they should be asked how they will solve the problem. How the contractor answers this question will determine your next step.

If the contractor has a reasonable solution, including admitting that he made a mistake, then it would be reasonable to give him the opportunity to correct his mistake. However, if the contractor denies that he made a mistake or did not have a reasonable solution to the problem, it may be in your best interest to find a new contractor and stop working with the current contractor. Current management is the best indicator of future behavior.

Vandalism and theft
When decorating the house, building materials and tools will be used in the house. This can make you a target of theft. The house will also be empty, which may make it a target for vandalism. Usually, if theft occurs, the thieves can execute these tools or equipment. These items can be easily resold or exploited, making them ideal for thieves. Vandalism can be a completely separate issue. Vandalism is usually the job of young people, including going out indoors and outdoors.

How to deal with vandalism and theft
If you experience theft or vandalism, it is important that the police intervene so that the incident can be recorded correctly. It is also important to obtain an accurate list of losses from the insurance company and the value of the stolen items. If you go home and suspect someone is in the house, it is best not to investigate the situation. Stay in the car and call the police.

Depending on the area where the house is located, you may not be able to get homeowners insurance for the property. Many insurance companies do not provide insurance for vacant homes. However, your tools and equipment must be included in your commercial insurance.

Ways to prevent vandalism and theft

One way to avoid these problems is to ask your neighbors to look after your house when you are away. Give them your personal number and let them know they can call you if they have questions. Another thing you can do is to protect the house as soon as possible. It can be difficult at first due to repair or replacement of doors and windows; work needs to be done at home to ensure the safety of the house. However, if you can protect the house, it will prevent or at least delay vandals and thieves.

You should also avoid throwing things outside the house. If something of value is found outside the house, the person who finds it may be more motivated to enter the house in order to protect all the tools and materials in the house at the end of the day. Finally, you can buy a relatively cheap camera for the property. This allows you to monitor the attributes remotely, and if there is a problem, you can capture it with the camera to capture the author.

Other potential risks

Although there are other potential risks, it is important to be prepared and ready to prioritize these risks. There is always a solution. You just need to stay calm and think clearly. Other possible risks include the discovery of property liabilities, neighbor issues, and access to public services. These situations can cause a variety of potential problems.

Easement

Convenience is the right to enter the property. The most common type of sail is to relax on utilities, which means they can use the property for the purpose of constructing or maintaining pipelines. Public service relief will not disappear or disappear. In fact, there is nothing you can do about it, but it is important to be conscious of this .

Judgment

The litigation uses the property as collateral to repay outstanding debts owed to creditors or services provided. The court made a decision. This sentence can include outstanding debts, court fees, legal fees, etc. When selling a property, the owner must first pay for the decision right before the ownership can be transferred. If the house is locked, the warranty can be canceled, but it is important to check first.

Although the debt does not belong to you, if you do not identify the mortgage right before purchasing the property, you can be liable regardless of the debt. This is especially true for tax guarantees.

Mortgage

In many cases, homeowners need to mortgage a second or even third mortgage in the house. These additional mortgages are considered a lien on the property and must be paid before the transfer of ownership.

Property tax

Unpaid property taxes become mortgages on the property.

Although the homeowner should pay before selling the house, if not, the warranty will remain in the house. In addition, local governments can abolish property to pay unpaid taxes. This means that if you purchase a property with a fixed property tax guarantee, you can pay all unpaid taxes, or the property is seized after the purchase. To investigate possible real estate tax guarantees, please consult your local tax authority and real estate, consultant.

Unpaid federal and state taxes

When the owner fails to pay income tax, the government can file a claim. Like the property tax, it must be paid before the transfer of ownership, but the guarantee can remain in the property, and the buyer is liable.

Neighbor's problem

There are many potential problems with neighbors. When dealing with neighbors, be aware that they are not your neighbors. If you have an unpleasant encounter with your neighbor, you need to control your emotions. Some of the issues you may encounter may include property disputes, complaints about noise or disturbance during renovations, or even disputes caused by disagreements between neighbors and former owners.

However, she hopes that neighbors can provide support for her house renovation work. If the neighbor thinks you are cleaning the area and helping you increase the value of your property, it may help if necessary. This may be helpful, especially if you are experiencing theft or vandalism. Since you do not intend to live in a house, the house may become a target for thieves to find tools or building materials, which they can shoot, claw, or sell quickly. If you are not there, your neighbor can help you monitor the problem.

For example, since graduating from university in 2004, Matt Harkins has been a real estate investor in Lorraine, Ohio. He learned about the frustrating community issues at the beginning of his career. His first change was in a house with a separate garage. The garage is in bad condition. There is a large enough hole in the wall to enter. Without any aids in the building, he leaned dangerously. If one looks at the garage, one will think that the wind will drop everything.
He bought this property only to demolish the garage. However, after buying the house, he found that the garage fell directly on the yard line, which was actually a structure shared by neighbors. He still thought the problem could be solved, so he went to discuss the garage with his neighbors. The neighbor refused to accept it. Huggins even offered to pay the neighbor half of the garage, but the neighbor refused to let him down. Huggins even went to town to see if he could declare the garage unsafe and doomed to failure. It's okay. It took him a few months to sell the house and then sold the house at a lower price than planned to get rid of it.

Problems in the city or public service
Sometimes, the utility program has some problems, which need to be solved by the utility program. If these problems occur, please contact the utility company as soon as possible. In many cases, if the problem is not life-threatening, you will be at the mercy of the utility program. In some cases, it may take days or even weeks to resolve the issue. You don't want it to delay the renovation or sale of properties.

If your home is not selling fast
No matter how many houses you have to hand over, another risk you take is the risk of not selling the house quickly. The key to making money is to deliver houses quickly. However, this requires you to sell the house after the renovation work is completed. If the house is now completely refurbished, the price is reasonable, and in a growing community, selling is not a problem. The risk is that you will never know the changes that may occur after the purchase. If the property is not sold, you will not make money from the business, and you will lose the money you invested in the project. If people are considering moving, not selling may be the biggest risk they worry about.

Selling To Fixed Investors

If you cannot sell the house to a buyer, consider selling the house to another investor or owner. However, this is a specialized market. The best strategy is to contact owners who are already working in the area. The local homeowners association is a good place to start the search. Second, you need to revalue the selling price.

In the long run, owners will make money, so they have the incentive to buy cheap things in order to get them back soon. However, houses that have been completely renovated in an evolving community will also generate higher rents, so of course, you don't have to donate the house.

If you plan to sell to investors, you can also start by renting a house. In this way, you can not only obtain income while looking for a buyer, but you can also sell the rented real estate, which may be an ideal choice for potential investors. Whether you are selling to owners or investors, your goal is still to make money. Consider your results, and real estate investors can negotiate differently with home buyers.

Rental property management can also be a profitable business. However, it has its own challenges, time investment, and learning curve. If you decide to rent out the property when it cannot be sold, consider hiring a management company to take care of the property.

Reserved property for rent

Another option is to keep the house as a rental property. You will not receive your investment immediately, but you will receive money every month. The pros and cons of the homeowner's department are wide and demanding; therefore, you should fully consider this possibility before making a decision. Although to some people, land leasing may seem like "easy money", leasing land involves a lot of work, and they have an extensive list of finances, finances, and other aspects.

CONCLUSION

I remember the first house I bought. I learnt something from my mistakes, and so will you. The point is that I use my mistakes to guide you in the right direction so that you will not make the same mistakes. This is a huge investment, so it is important to know what you are doing. If you use the shares in your house to fund your first house, it is likely that you are using the same moneylender; if so, you can negotiate favorable terms of the loan. I managed it in the first two houses, and it was very useful.

I received huge discounts on all construction materials and informed the dealer that I intend to do business. They want their own business, and the profit they use in sales gives them a small advantage. If they think you will become a repeat customer, they will discount your purchases.

There are many catalogs on tiles, work tables, sanitary ware, showers and floors, and kitchens. These are your most important inventory. If you know how much inventory is available, you can switch suppliers when more new production lines appear, and profits are higher.

Tearing up the house may be something you have always wanted and can do. You only need to identify the house you must escape from. If you find an unexplainable crack in the house and cannot find the cause, please walk away. If the electrical equipment is faulty, and the wiring is obviously not in compliance with the specifications, you should check it before buying. You need to know that all costs are always under your control, and if you put them into practice from the beginning, you can really save money and buy wisely.

If there are changes outside the house, you should know that the local planning department will accept your request. If you think the house is protected by history, please be careful. It may be necessary to renovate these houses using specific techniques to maintain their authenticity. If you are considering moving, this may not be the best type of property.

By following the recommendations in this book and inspecting the house from top to bottom before buying, you can avoid many problems in the future. The condition of the roof is very important. The straightness of the wall is very important, and the stability of the foundation is also very important. You should also consider climatic conditions and the possibility of damage due to flooding or weather, especially in areas involving floods and tornadoes. Discover all the properties you might know about and move on without being surprised.

First, please read this book again. The information is there; you need to list all the things you need to do before execution and presentation. This includes conducting background checks on the target market, preparing for the market, knowing that the market is still alive, and giving you the opportunity to provide potential buyers with what you need. People in this business do not give up. They are getting better and better at doing what they are good at.

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