

**Real
Estate**

**Investing
Strategy**

For

Rehabs

About Us

Renee Stein is a Registered HUD Home Real Estate Agent for Vestlet Realty, LLC in Georgia. She is truly passionate about educating the public on the many investment opportunities to be had with HUD Homes whether you are a First Time Home Buyer or a seasoned investor, Renee can make buying a HUD home very easy for you. The key is to have the right Registered HUD Home Estate Agent on your team. Furthermore, Renee realizes that the HUD Home Buying Process can be quite confusing so she has made the process very simple and transparent to the buyer. Due to her vast knowledge and experience in the Metro Atlanta Real Estate Market, she can easily navigate you through the process of selecting and buying the right home that you are searching for. It is important to Renee to build a relationship and learn the customer's preferences first. You will never become just another name on her Blackberry. The end result is great customer service for YOU and your family which includes helping you with sound decisions on the Home of YOUR Dreams!! Once she gets to know you and understands exactly what type of homes you are interested in, she gets right to work. She loves what she does and it shows!!! You will find out when you meet her that she is truly passionate about the real estate business, whether it is selling a HUD Home or doing a renovation. This includes working with contractors, which has resulted in giving her the needed experience and she is more than willing to share. In conclusion, nothing is more important to Renee than creating an environment of satisfaction for her customers based on her expert knowledge and passion for her HUD & Renovation business.

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Introduction

Welcome to Real Estate Investing!! I am very pleased to share relevant information for rehabbing houses and tactics for real estate investment strategies for the long term. I too am a rehabber along with being a landlord and have a true passion for real estate. There is nothing better than knowing that I am creating a future for my family through a tried and true investment strategy such as real estate. Furthermore, there are so many avenues of real estate that I find exciting and fascinating not to mention lucrative but what I specialize in is rehabbing houses and doing quick turns although I have done lease options for my properties and have been successful at it. My reason for sharing this book is that I noticed that many would be rehabbers have gotten themselves in over their heads because they failed to do their homework and hence the reason why I have written this real estate investing e-book to help out my fellow rehabbers and possibly save them time and money. I only wish that I had this information when I first started out, it would have saved me many a heartache.

In my humble opinion, understanding the bottom line in real estate investment takes experience and education which took me an inordinate amount of time to truly understand the long term ramifications involved in actually being successful. I believe in the power of sharing and the joy of learning and I want to assure you that I will continue posting invaluable information on my blog (<http://www.hudhomeslawrenceville.com>) to include video to keep YOU (the real estate investor) informed on any and all educational events that I attend and will gladly share my hard earned knowledge with folks that would like to keep updated on the latest real estate strategies. Happy investing and get to Rehabbing!!

Regards,

Renee Stein

<http://www.hudhomeslawrenceville.com/>

Part I: Laying the Foundation for Successful Rehabbing.

Chapter 1

Benefits of Rehabbing Real Estate

The obvious benefit and sought after benefit of rehabbing real estate is the profit. This is one incredibly tangible benefit, particularly when the profits are large and quick to come your way. Of course there are multiple risks. Most ventures that offer high profit also come with a high degree of risk. Money, however, is not the only benefit that can be associated with rehabbing real estate though it is certainly the one on most investors' minds when they get into this line of work.

Let's talk profit first. Profit is the one reason that most people get into this business. The days are long and the work is hard. This is definitely not the type of work one would ordinarily undertake for the simple love of getting one's hands dirty. This is real work that leaves you bone weary at the end of the day. However, when all the work is done and you get around to making the sale, you will find that the profit involved in a successful rehab is well worth the effort you've put into the process.

The good news is that the savvy investor can still manage to make money even when the situation may not work out quite as planned. This is yet another benefit to rehabbing real estate. If the rehab doesn't work out, there is always the option of leasing to own the property or renting the property out. The profits in these situations are considerably less than a straight out rehab but it can prevent financial ruin that is often the risk of a rehab gone wrong. The fact that there are options and that you aren't necessarily left ruined at the end of a bad rehab is definitely a benefit. There aren't many types of investments that allow you the option to save yourself the way real estate does.

One of the intangible benefits of rehabbing homes is that you are in essence working for yourself. In other words you do not have to punch a time clock or worry about overtime (at least not on your part). This can be a bad thing too if you lack the discipline required to get the job done. However, most of us will view this as a huge check in the pros column when deciding whether or not to take the plunge into the wonderful and frightening world of real estate investing.

Even though this is a business that requires a lot of work in order to turn an attractive profit there is some satisfaction at the end of the day involved in knowing that you are working for yourself and not to make someone else wealthy or in order to punch a time clock. That feeling of satisfaction is one that you should hang onto when the brand new toilet you've just installed becomes a geyser. Of course there are mistakes along the way, what other job keeps you on your toes quite like this one?

Real estate investing, home rehabbing in particular, can be one of the most frustrating types of investments a soul can pursue. At the same time it can also be one of the most rewarding mentally, spiritually, and financially. This is something you should keep in mind when deciding whether or not this is the right path for you.

Chapter 2

Do You Have What It Takes for Rehabbing Houses?

There are many questions that should be asked before embarking upon a career of real estate investment. The first and foremost question however should be whether or not you are truly committed to making real estate work for you. This is not a business for the faint of heart or the weak of mind. In order to truly turn a profit you must be at times quite stern when dealing with

buyers and sellers but ethical to a fault when it comes to the work that must often be done in order to get a property in sellable condition.

The reason a serious commitment is needed in order to make real estate work for you is simple. There will be ups and downs along the way. The stock market experiences rises and falls on a regular basis, just as you cannot dump all of your stock over one bad day, the same holds true even more so in the real estate investing arena. Property values in general rise gradually over time. This means that even if the values in a community falter, chances are that they will eventually recover over time. This is what usually causes investors to fail, the unknowns and the financial risk which are never truly thought out because most folks do not understand all the details that are needed to be successful in rehabbing houses and understanding the markets and the value that it brings be it high or low.

Those who bank on the slow and steady growth in the value are referred to as buy and hold investors. These investors are truly committed to their investment. Some of them elect to hold the property as a vacation property while others opt to earn an income on the property by renting it out to other families or vacationers, whatever their choice may be.

This is a great way for many people to enjoy the luxury of a vacation property without absorbing all of the expenses involved in owning a vacation property as the rentals will help compensate some of the costs when the owners (investors) are not in residence. This is a fairly common practice in high demand tourist areas in which people often enjoy vacationing. These types of investors are what some people refer to as serious real estate investors though all real estate investors need to take their purchases seriously.

Those who own rental properties must also be committed to making their investments work for them. Rental properties are not a 'hands off' type of investment, as they will need to be maintained in order to remain in demand by tenants. You must also make constant efforts to keep these properties managed and filled along with remaining certain that you are collecting your rent each month and that the properties aren't falling into a state of disrepair or abuse by tenants.

Many investors retain the services of property management agencies in order to handle the minutia of month-to-month details and collections. This is a great idea whether you have one lone rental property or a vast portfolio of rental properties. Even better however, is the fact that if you keep your rental properties in reasonable repair throughout the years they can become liquid assets. In other words, they may actually pay for themselves a few times over if you invest for the long-term rather than focusing on the moment.

No matter what type of real estate investment you intend to have it is important that you are prepared to make the commitment to profit or profitability that is necessary in order for your venture to be deemed a success. In conclusion, a serious mindset and unfailing determination to make a profit and weather the highs and lows of real investing is what ultimately will make you success.

Chapter 3

Things to Avoid When Rehabbing Real Estate

Rehabbing property is rising in popularity thanks to TV shows such as "Flip This House" as a form of real estate investing. The truth of the matter is that this is one of the more entertaining methods for many investors that are simply 'itching' to get their

hands a little dirty. The sweat equity involved in these transactions, while attractive, can also be daunting when skills are inadequate and out and out dangerous in some situations to the point where financial calamity is right around the corner about to cause chaos in your once mundane existence.

If you are one of the many around the world who consider the appeal of rehabbing property with huge dollar signs in your eyes, you should take care to avoid the following things in order to minimize your risks while maximizing your potential for success.

1) Do not fail to have a qualified inspection of the property before any money changes hands. If you do not have any idea of the type of work that needs to be done than you cannot possibly make an educated estimate of the costs involved in rehabbing the property.

2) Do not underestimate the budget for repairs on the rehab. This is one of the most common mistakes that even seasoned professionals make and it can mean the difference between a profit and a loss on the property if you aren't careful and do not stick to the planned budget.

3) Do not overestimate your abilities. This is another common mistake. The fact that you've seen something done on television doesn't mean that it is something you can do on your own. It costs more money and time to have someone come in and repair your mistakes than to have had a professional do the work from the beginning. This doesn't mean that you can't learn how to do some of the work or that doing so would be cost effective. The trick lies in determining where your skills and abilities can really take you rather than where you hope they will take you. Plumbing, electrical, and structural work are generally best left to the professionals unless you have specific experience or training in these fields.

4) Do not fail to hold yourself accountable to your timetable and your budget. Real estate investing puts you in the boss's seat and while that is often simple when it comes to driving others, we often have a bit of difficulty when it comes to holding ourselves accountable for time and money along the way. Unfortunately, failing to do so can be a very costly blunder and eventual demise of your real estate empire.

5) Do not forget to keep up with receipts, bills, etc. and reconcile the facts and figures daily. It is far too simple to allow a couple of trips to the local home improvement center escape careful scrutiny. Add a couple of these trips per day and you could easily find thousands of dollars missing from your budget with no paper trail to explain the transactions. You could also find that some tools will not work or be needed for the project. Those items cannot typically be returned without the original receipts.

6) Avoid having too many chiefs on the project. If this is your ball game then you need to run with it rather than having 10 people giving contradictory orders. You should schedule meetings regularly to discuss progress and any adjustments or changes that may need to be made along with timelines that need to be followed or else start looking for a replacement.

7) Avoid poor planning. This is one step that is the difference for many would-be house rehabbers between success and failure. You should plan out every step of the project in an order that makes sense. You do not want to paint the ceilings or walls after you've installed new floors. Nor do you want to rip out walls in order to replace plumbing after you've painted them. Plan things out in the proper order and allow a day or two between subsequent projects in case extra time is needed. The last thing you want to do is pay a group of contractors to stand around waiting for the paint to dry so they can begin the next step in the process.

There are risks involved in any type of investment. While real estate is one of the greatest things in the world in which people can invest, there are still risks involved. Following the advice above however can significantly lower those risks and give investors the opportunity to have great expectations when all is said and done. Whether this will be your first rehab or your fortieth rehab there is much that can be reviewed in the steps above that will reaffirm many of the things you've learned along the way.

Chapter 4

Why People Invest In Real Estate

Many people know that real estate investing is very lucrative. For that reason alone, it will make people want to get their fair share of the pie. They know that this is a great way to build wealth, not only for them, but they can also pass it down to future generations.

In addition to having monthly rental income, there are other factors that contribute as to why people invest in real estate. Below are details that should be taken into consideration for the many reasons that one invests in real estate.

- With appreciation of rental properties, there will be increased value. In turn, this could help with the selling and reinvesting in properties that already have a higher value. Appreciation of rental properties can also make way for an equity line of credit for future use.
- Speaking of equity, you as an investor can invest in sweat equity, which involves making improvements to your real estate property. It doesn't have to be so far out where you end up spending a lot of money.

This can help the value of your property go up faster than it would have if you had not made improvements. So, if you spend \$3,000 on cosmetics and miscellaneous items, then the value of the property could be double or more of the amount you spent on improvements.

- Being a real estate investor during inflation times is not necessarily a bad thing. Even though rental payments increase during this time, your mortgage loan payments should remain the same. Because of this, you can have an increase in cash flow.

Another thing about inflation is that you can also gain more renters (if you have vacancies) because some people may not be able to secure mortgages during that time. Since you will have a greater demand for renters, the rent will also increase. This is part of the agenda of supply and demand.

- Using “Other People’s Money”, or “OPM”, is a good reason for people to invest in real estate. You can find a bank that will secure a loan for you for your real estate investment(s). The better your credit is the better chance you have of securing a good fixed rate loan with low interest rates.

You can also look at zero-down loans, but that can be more risky. You would have to pay more in your mortgage payments because you didn’t include a down payment. So when the property appreciates, it will benefit you along with the monthly cash flow.

- Real estate investing is considered a business. You can use the expenses from it and deduct them from your taxes (see your local tax advisor.) Anything that you purchased had repaired, any fees and anything else related to the investment

in question is tax deductible but you must check with your tax accountant and be absolutely sure you are following your tax accountant's advice to the letter.

Even if you have properties that are out of the regional area where you have to travel, those expenses can also be deducted from your taxes. If nothing else, being able to deduct expenses from your taxes is like a marriage made in heaven.

- Have you heard of getting cash that is tax free? Say you have an increase in rentals and you end up having a positive cash flow. The surplus can be used for other things. If it's the right time, you may think about wanting to refinance the rental properties.

If you do that, you could secure a higher mortgage about \$20 - \$50,000 more than the original. You would pay off the initial mortgage, and have a nice surplus afterwards. The surplus would be considered tax-free money.

- The 1031 Exchange is named after Section 1031 in the Internal Revenue Code. It discusses how real estate investors can hold off on capital gains taxes when selling one of their properties. There are three conditions that have to be met before the 1031 Exchange can go into effect:
 1. It is a real estate property investment and not a main residence for the investor.
 2. The real estate property can be swapped for a property of the same or similar kind.
 3. In regard to replacement, there must be certain time frames in place and adhered to.

When an investor uses profits from another property sale and invests them in another property, they can hold off on capital gains for future real estate transactions. More than likely, the investor will work on getting additional equity and more income and profits from additional property rentals.

Part II: Fiddling with the Financials of Property Rehabbing.

Chapter 5

Managing Money during a Rehab

Money management during any real estate investment venture is an essential skill. If this is your first time rehabbing a property it is probably more important on the first rehab than any other as you need to fully realize how much things cost and how quickly those expenses can up. It is so simple for the budget on a house rehab to get completely out of control. For this reason you need to take control of the financial situation from the very beginning. You have to understand the importance of labor, materials, holding costs and overruns can have on your rehab either in a positive way (if you are truly organized) or in a negative fashion if you are not organized.

Begin by establishing a realistic budget for the entire project. If you find yourself spending more money in one area than you had originally planned you need to either revisit the initial budget and plan for adding more money to the bottom line or you need to make cost lowering adjustments elsewhere along the way to recover the excess. You will need to have a firm idea of the projects you are going to tackle, big and small, as well as the costs involved in each project. Take a walk through a hardware store and

get a firm grasp of today's prices on the hardware, equipment, and supplies you will need to complete the job.

Use contractors when necessary but sparingly. There are times when it will cost much less to use a contractor on a project than to muddle through on your own. There are also times when local laws require a contractor. You need to use contractors for these times but you need to avoid paying the princely labor costs contractors charge for things that you could easily do yourself. You never want to spend a penny on a rehab that you don't need to spend and labor costs are a huge budget buster. Of course, you can talk to entrepreneurial contractors and state your vision and explain that you will be a repeat customer and with repeat business, lower labor costs are expected from them. It will take some time to find the ones that will believe in your "vision" of creating a production line of rehabs but once you find them, communicate effectively and you will become highly efficient at your chosen craft.

Get permits first and up front. Time is money when you are rehabbing a house and once you start the work that time is precious. Make sure you have all the permits you need and that they are paid for before you begin the project in order to save time and money after the project has commenced. Never has the bottom line become so important as when you have begun to rehab a house.

Furthermore, create a habit of accounting for every penny spent throughout the day at the end of each and every day. This becomes a good habit to have for your first and all subsequent rehabs. By doing this you will have a solid grasp of how much money you are spending as well as how quickly you are spending it. You will need money to spend on little things throughout the course of the project so if you are spending money too fast up front you may not have the money needed to take care of the small details that mean a lot when all is said and done.

One huge way to better manage your money during a house rehab is to make a conscious decision and consistent effort to work according to your tastes. Chances are quite good, especially for a first rehab that you will be working on a house for those who have less financial means than you may have. For this reason you need to keep your project within the budget of your buyers. This will save tons of money. In other words a lower income community cannot absorb the costs of granite, marble, and hardwoods in most situations so don't go to that expense.

In order to turn a solid profit when rehabbing a house or doing any type of real estate investment you absolutely must have a firm grip on your money, where it is going, and what your plans are for the money. The less money you spend the more money, in many cases you stand to bring home in profit. Spend the money you need to spend in order to improve the value of the home but avoid luxury expenditures that aren't necessary for the neighborhood or the home in question in order to maximize the potential profits you can bring home.

In conclusion, the bottom line is the key to successful house rehabbing and by understanding the fundamentals of labor, materials, holding costs and overruns which should give you a firm grasp on the final outcome which is a nice profit for each and every rehab. Happy rehabbing!!

Chapter 6

Funding Your Rehab

Real estate investments are quite expensive. Not only do you need the money to purchase the property you will be rehabbing but you will also need money for the improvements, repairs, and renovations that need to be made along the way. Unfortunately, the real estate business is a tricky business and there aren't very many traditional lenders that are willing to go full out in support of your real estate investment business venture.

This means you are going to have to either fund a good percentage of the expenses yourself or you are going to have to find some other means of financing your house rehab. First things first, the less you pay in interest the more money you bring home. You do not want to max out your credit cards in search of profits from a house rehab if it can be avoided. Merchant accounts aren't much better but they can help you keep better track of exactly how much money you are spending on the rehab and some will even give you 90 days same as cash (this is great if you can complete the process within 90 days).

It should be said that these aren't methods that are endorsed by the writer but they are definitely possibilities when it comes to funding your house rehab. The best-case scenario is that you would have the money to play with and assume no real risk in the house rehabbing process but very few people trying to get started in real estate investing have that luxury.

That being said, one way that is extremely risky (especially if you are nearing retirement age) is to cash out your retirement funds. This is not attractive for many reasons not the least of which is the facts that there are hefty penalties for doing this and you are risking your retirement security. It is an option however if you are

in a bind for your rehab. Furthermore, if your rehab is successful than its water under the bridge and the money can be returned or reinvested and the profit from your rehab can then help fund subsequent rehabs or other types of real estate investments.

If you discuss things carefully with your family and decide that you are all willing to take the risk you can also risk your home by taking out a second mortgage for the funds. Again this is not the preferred method because the assumed risk is great for the security of your family. It is very important that everyone involved be aware that rehabbing houses is a risky investment. Not only is it risky because you aren't experienced but the real estate market is fickle. Your house could sit for several months requiring costly carrying costs before it sells.

Forming a partnership is another way to share the risks and help lighten the burden when it comes to rehabbing houses. Keep in mind that this is a stressful business venture and should be treated as such. For this reason a volatile or fledgling friendship may not be the best risk for a venture such as this. If you do choose a partnership you need to carefully discuss the type of financial and labor investment that is expected of each partner and the share of profit that each partner expects to receive as well. You should also consider carefully whether you are willing to risk the friendship for the sake of profits or would you rather go with a partnership that isn't a close friend (most real estate investment groups have people willing to help with the financial side and assume the risk for the lion's share of the profits).

Banks will typically fund a portion of the property costs if you can come up with an adequate down payment and show them a well thought out business plan. Do not rely on banks however if you have poor credit, lack a business plan, or do not have a sizable chunk of your own money to invest in the venture.

Chapter 7

Stressing Facts about the Financial Criteria involved in Real Estate Investing

It can't be stressed enough that when you're starting out, don't rush to get the first piece of property that you see. It's important that you conduct your due diligence with everything regarding real estate investing.

Even though it is a lucrative and profitable business, you can also lose money if you don't work it properly. Don't listen to all of those stories that you hear about people making lots of money "overnight" with real estate investing. It takes more than a day to start seeing a profit. It can take more than a week to actually get a property that you want and can afford to get.

If you take your time and look around, you may be surprised as to how much is available to you in terms of real estate properties especially in today's market. There seems to never be a shortage of places where you can find a place to use for a profitable investment.

Once you get into real estate investing, it's important to stay in it for the long haul. That's the way you will create wealth. Regardless of whether the market is up or down, you must be willing to weather any storms that come about. There will be times when there are down markets, but you can't give up and throw in the towel otherwise you will never achieve your objective.

It seems like those that are getting their feet wet want to get in when the iron is hot, but when it gets cold, they want to bail out. Gaining lucrative wealth from real estate investing comes with staying the course. Even in downturns, you can still profit. There

will always be people that are looking for a place to live especially with the ever important credit scores that dictate getting a good place to live and with the credit markets being so tight, it has become difficult for the potential home owner in today's real estate market.

As far as rentals are concerned, you will be able to increase rent as time goes on. This will help you produce a surplus while you are still paying the same amount on your mortgage loan. This of course, can happen if you have a structured loan payment that doesn't fluctuate during any given period such as the notorious adjustable rate mortgages (ARM.)

Getting into real estate investing can be a good experience for you. You would be learning one of the best ways to build up wealth and it has been stated many times over, that most millionaires in the United States are created through real estate. How wonderful of an opportunity is that?

Furthermore, since you are not Superman or Superwoman, don't expect to do all of the repairs yourself. There may be some minor cosmetic issues you can take care of. Other than that, leave it up to the professionals. You don't want to get burned out before you get your feet wet and put your real estate dreams on hold. The idea is to never give up and keep trudging forward and not listen to the naysayer who will be more than happy to squash your financial dreams.

As far as rentals as a potential investment are concerned, it takes a lot to maintain and manage real estate properties. When you get to the point where you have a nice cash flow every month, you can hire a property management company to do the work for you. This will free you from the tasks that you would get used to doing yourself. That would include getting rental payments and dealing with various tenant issues.

When you do decide to purchase property for investing purposes, seek counsel from those who have come before you. It's important that you have adequate information before you jump into something like this. Real estate investing involves time and money. You need both in order to make this business work for you and you not working for it. Look to your local real estate association and initially take classes to familiarize yourself with the beauty of real estate investing and the potential pitfalls because the more knowledge you have, the more lucrative your investments will become if you have a solid business plan in place.

In addition to attend taking classes at your local real estate association, also find experienced investors that are willing to spend some time with you showing you some of the ins and outs of real estate investing. They can share some of their experiences with you and advise you on what to look out for. In addition to repairs, you will need to keep enough funds on hand in order to honor your mortgage loan obligations on time.

Having adequate knowledge prior to making that leap into a venture like this can help you avoid the pitfalls that can befall some new real estate investors. Getting into real estate investing can be exciting and lucrative, but you have to be willing to deal with the negatives as well as the positives.

Have realistic goals and remember that real estate investing is a process. Those who claimed to have gotten their wealth quickly through real estate investing probably don't have it now.

Most of all try to keep an open mind and don't get yourself worked up when things go wrong, as they will when you have tenants. If you do your homework, you can avoid some of the issues that can happen to investors.

Getting the right tenant for your properties can sometimes be a hassle. However, it's better to take your time and get the right people so you can avoid a major headache later. You can get a sense of the kinds of people that would make good tenants.

They will have stability with their place of employment and have not hopped around like a rabbit, living in different places. Getting someone that has a good stability record is one of the main keys that can help you to get them as a tenant.

Another thing you need to think about is not trying to hoard a bunch of properties at once. Start out with one and then work your way up. Working at a slower pace will help you to properly maintain and manage what you have.

You will be successful once you employ strategies that take you from one step to the next. It's better to have properties that will provide you with a steady income than waiting on the next blockbuster that may take a while, meaning years to come. That's a negative cash flow scenario waiting to happen.

After you feel comfortable with the first one, then you may want to look for the next one, and so on. This will help you to appreciate your investments better as opposed to being in a hurry to make money and acquire wealth. They say patience is a virtue and in real estate investing, it is an important trait that one must have in order to achieve the level of success that one needs.

Part III: House Hunting with an Eye for Rehabbing.

Chapter 8

Looking for a Rehab

Rehabbing houses is becoming increasingly popular. Unfortunately, the popularity of the idea is creating a bit of competition among those who would love to try it out for the first time. The increased competition often serves to drive up the costs involved in purchasing the profit, which only manages to lower the profit potential. However if you find a good deal and feel that the property is a good candidate for a rehab you can ask yourself the following questions to help you determine whether or not the property really is a good candidate for rehabbing.

- 1) Have you had a qualified inspection and determined that there are only minor repairs that need to be made to the property and the landscaping? This is important because every repair that needs to be made will eat into your budget. You want to complete the project with as little extra money invested as possible in order to get the greatest return on your real estate investment possible.
- 2) Is the property suitable for the neighborhood? By this I mean is the property a three-bedroom house with at least two baths built for families in the middle of a retirement community or is it a one bedroom, cottage-style home in the midst of family houses? These aren't exactly a good match and can cause problems when it comes time to sell.
- 3) Can the neighborhood bear the price you need to bring in from the rehab? If you are creating an upscale home in a marginal neighborhood you are almost guaranteeing a loss on your investment. You want to find a house in need of repairs

selling cheap in a neighborhood of much better houses so that it can bring in the profit you are hoping to get when all is said and done.

- 4) Can you make the changes you envision for the house on your budget and without significantly changing the structure of the house? This is a major concern and one that often gets overlooked. You do not want to start knocking out walls or creating additions when rehabbing a house. That is something you should leave for the new owners. You want to make as few waves as possible and only make changes that will improve the value of the home. In other words, since there is a glut of houses on the market, pick a pretty house that needs only carpet and paint versus an ugly house that needs tons of repairs and will ultimately destroy your budget.
- 5) Can you improve the value of the home enough to make it worth your while in a short amount of time? This is another big deal when it comes to a house rehab. It takes time and money to make the changes that most “rehabbers” have in mind for their investment, especially first time rehabbers. Do you have the time to stick with it and the money to cover the carrying costs while you are in the process of making the changes?
- 6) Is the property in a high demand neighborhood, city, etc. for selling properties? Another common mistake is buying in areas that are hard sells for buyers. It is often quite simple to find lower priced properties that are attractive at first glance however; if you can't sell the property you purchase to rehab it really defeats the purpose of putting all that time, effort, and money into making the improvements.

7) Can you do the work or will you need professionals and if so, will it still be cost effective? Be careful that you do not overestimate your abilities in this if possible. It is great to think you can put down a hardwood floor but the reality of doing it is quite another matter. Be sure you have a realistic understanding of the potential costs involved in the rehab and whether or not the property will still be profitable in the worst-case scenario.

Answer these questions when checking out potential real estate investment and house rehabbing properties and you should be well on your way to a successful rehab, at least as far as the selection of the property goes. You should also find a house to rehab that you like as you will likely be spending a great deal of time there.

Chapter 9

Hunting for Houses in Your Target Area

According to the old real estate saying, *“The only three things that matter in real estate are location, location and location.”* The fact is that a ten bedroom, eight bath home with cathedral ceilings and a swimming pool that is sitting next to a garbage dump is nearly worthless.

On the other hand a little one bedroom, one bath shack sitting in the middle of downtown Dallas would be worth a small fortune. So you can see that the location is of the utmost importance when you are considering a piece of real estate to invest in.

What is it that makes the location of a piece of real estate valuable? The answer is all too simple because the value is based on nothing

more than the desirability factor. Desirability is a fluctuating intangible that is really hard to nail down.

Property that is totally undesirable to one person might be just the next person's dream-come-true. And this phenomenon is true for real estate investors and for home buyers and for renters. It is true for all aspects of the real estate market.

The main point for any real estate investor to consider first is what their strategy will be for making a profit on a property. Buying is only half of the equation and whether the location of the property is good or bad depends upon that profit strategy.

For example: If an investor is going to invest in a property with the intention of just waiting for the market to go up, prime real estate is probably the very best choice. Locations that are near entertainment centers or developing areas would be best because the likely neighborhood that the property will increase in value simply by waiting is a pretty good bet.

On the other hand, if an investor is going to invest in a property with the intention of renting it and making a monthly income from it, he might be better off to look into urban properties. Urban properties wouldn't be considered 'prime' real estate but they are 'prime' rental properties.

Then there are real estate investors who are handy with their hands. They can make repairs and renovations to rundown properties themselves, sell it for a great deal more than their purchase price and make a very nice profit. The location that these kinds of real estate investors often find the best is in neighborhoods that are made up of mid priced homes in working neighborhoods.

There are many factors that real estate investors consider when they are deciding which property to invest in. One factor can be what I call the 'snob' factor.

It's strange but people will pay a lot more money for a small property in the 'right' neighborhood than they will for a larger property in a less desirable neighborhood. However...one person's definition of a 'good' neighborhood will not be anywhere close to another person's definition of a 'good neighborhood'.

Then there is the 'visibility' factor. If a neighborhood or an area has become famous or even infamous, property values rise regardless of the location. Convenience is another factor when considering the desirability of the location of a piece of property. People do like to live close to where they work and where their children attend school. Rising gas prices just might work wonders for real estate prices in inner cities.

The desirability of the location of any piece of real estate can be determined by a great many different factors for real estate investors and for home buyers and renters. If the location is desirable for the investor's purposes he will invest.

If the location is desirable for a home buyer's purposes then he will buy. If the location is desirable for a renter's purposes then he will rent. So basically, you can roll all of the various factors for determining whether a location is good or bad into one simple work; desirability.

We are a nation of individuals and we all see things from a different point of view. Look around. There are people living everywhere. They live in big cities, small towns and in urban and rural areas. Who can determine what a 'good' location really is?

There is a proverb that says, “*Beauty is in the eye of the beholder*”. The modern version would be ‘whatever floats your boat is good’. In real estate it would translate to ‘if the location serves your purpose then it’s a good location as long as it is profitable for the real estate investor.’”

Chapter 10

Inspecting the Property with an Eye for Rehab

In order for your real estate investment to be profitable, it’s a good idea to hire an experienced and qualified inspector for the property you are looking to purchase. They will be able to advise you whether or not the property is worth buying for real estate investing.

An inspector can find things that usually other people miss. They can find things that can turn into a potential larger issue if not taken care of. Some of the things that they are likely to check for are as follows:

- Electricity
- Plumbing
- Heating
- Air Conditioning
- Vents
- Water

- General upkeep of the home, including the interior and exterior structure

They are trained to spot problems that you wouldn't think of. When they tell you what's wrong in the home, you can either have repairs done or change your mind about getting the property. Inspectors can help you save a lot of money when they find things that other people don't find when going through a property.

You can consult with a real estate agent about hiring an inspector. They may know several of them that can be recommended to you. Or, if you wish, do your own detective work and find one on your own. However, since agents are in this business, it may be better if you get a recommendation from them. It would also be quicker.

The inspector should thoroughly check the property inside and out. They should also think about what results you would want from the inspection. They may ask you questions to see what you're missing about the process.

Having an inspector checking your potential property is very important. They will be able to advise you of the condition of the home and whether or not it is worth purchasing, in their opinion. They are an independent party, so their recommendations are usually worth their weight in gold.

However, before you sign on the dotted line, go over everything with the inspector. They will explain in detail all of their findings from the property inspection. Then you will have to decide if this is something worth investing in. Remember that a small investment up front for the inspection process will prevent the typical real estate nightmare from happening.

Chapter 11

Benefits of Rehabbing Houses

Aside from the obvious financial rewards that go along with real estate investing and rehabbing houses there are a few more abstract benefits that can be gained when you embark on a house rehabbing adventure if you are looking for a little more incentive to get going in the direction of your dreams of real estate riches through rehabbing houses.

Most things in life have more than one pro or con to them and the same can be said when it comes to rehabbing houses. Whether you are doing this for a living or this is a one-time deal you will find that there are all kinds of little lessons you learn along the way. Knowledge is rarely a bad thing and the lessons you learn while rehabbing houses are lessons that can be applied in many aspects of your life.

- 1) Budgeting. There are few things that can give you a crash course in budgeting quicker than rehabbing a house. In order to successfully rehab the house you are working on you will need to learn to budget quickly or you will wind up literally hemorrhaging money. Learning to set a budget and stick with it are both necessary skills for rehabbing houses but when they carry over into other real life applications you will find that this is a very useful skill that has you looking at everyday purchases with new eyes.
- 2) Muscle Definition. Who knew that rehabbing houses would be such an excellent workout? This is especially true for those who traditionally hold jobs that aren't necessarily dependent upon physical labor and those that do much of the work themselves (which is highly recommended when you can in order to save expensive and profit eating labor costs).

From heavy lifting to hammering and several other physical jobs in between you should discover that your labors are rewarded in more ways than simply watching your project come together.

- 3) Attention to Detail. This is a huge benefit that comes from rehabbing houses and you will get better at this with every subsequent rehab. The money, when rehabbing houses is often made in the small details that others will overlook such as new electric faceplates, proper staging, and a good eye for color throughout the property. These things make potential buyers see a home that is loved and cared for rather than just another house on their list of places to see. If you take this attention to detail into your 9 to 5 job after rehabbing houses or into your tax preparation, event planning, and home organizing you will find that the lessons you've learned while rehabbing houses are well worth the time, effort, and labor that went into learning them.
- 4) Positive Thinking. You will hear many times in life that positive thinking is a powerful tool. There are very few places that this holds true more than when it comes to rehabbing houses. You definitely want to season your positive thinking with a nice hefty dose of reality but you should be aware that thinking positively has many benefits when rehabbing houses and in almost every other aspect of your life. You do not want to spend the time you could be improving your rehab searching for problems or excuses.
- 5) "Just Do It." The old Nike commercials had a point and if rehabbing houses doesn't teach you anything else it should teach you this lesson. Procrastination wastes money. Every day that you carry the rehab, you carry the expenses of the rehab (electric, mortgage, interest, etc.) get in there, get it done, and move on to the next project. Putting off the

distasteful tasks won't make them go away so you may as well go ahead and get them over with.

Rehabbing houses isn't rocket science but it does take a unique combination of luck, skills, and stubbornness to turn a profit in this particular business. Learning the lessons above will help you not only succeed when it comes to rehabbing houses but in other aspects of your life as well. Now get to Rehabbing!!!

Chapter 12

Closing In on Foreclosure Properties as Potential Rehabs

When looking for a home for you and your family you will come across all kinds of deals, bargains, and so-called values along the way. If price is a very tangible object for you and your real estate investment then you might seriously want to consider the value of foreclosures. If you are hoping to invest in real estate in order to turn a profit then you may also wish to consider these properties that are often sold well below the ordinary value of the property because they are in varying degrees of disrepair.

Foreclosures are properties that have been taken back by the lenders because the previous owners were unable to continue making payments on the property. Being that these homes were often owned by those in financial distress and may have been empty for some time before being sold, chances are that the foreclosure homes being sold at any given time are in some degree of disrepair. The shabbiness of many of these properties is one of the factors that will keep the prices down which are great news for the potential real estate investor. Another is the fact that the lenders are essentially attempting to recoup their investment in the property. For this reason they are often willing to take less than the

value of the property if that is what is owed on the property which creates a coup for the real estate investor.

Why are these properties often in a state of disrepair? Truthfully, there are many reasons but the primary culprit in this situation is money. Obviously the owners of the home were struggling to make the payments or the home would not be in the state of foreclosure. If the notes on the property were difficult to begin with it makes perfect sense that other issues such as leaking roofs, shabby carpeting, or plumbing maintenance would take a distant second in priority to making the house payment.

At the same time, there are those who are bitter about losing their homes especially in today's market (2010) where it is all too common. As sad as the situation may be some add insult to injury by damaging these properties intentionally. These homeowners feel they have nothing left to lose and if they cannot have their property whole then the lenders should not as well. While this is by no means the way to go, there are many who choose this path over other options. This should be considered unacceptable behavior but does happens more than you would imagine.

The fact is that their loss in these situations is actually your gain. The damage they do to the property is often not terribly expensive to repair though it can be quite bothersome. Your willingness to do the work in order to create a beautiful home for you and your family or as an investment can often translate to big savings at the closing table or when negotiating the price of the property. Foreclosures can allow families to buy larger homes in better neighborhoods than they would ordinarily be able to afford. They can also provide a fabulous kick-start to a property investment portfolio.

Despite common claims and Internet advertisements, you do not need to buy a list in order to find foreclosed real estate in your

area. You simply need to procure the services of a competent realtor and let him or her know that your intentions are to purchase a foreclosed property or some other property that is selling well below market value. You might be amazed at the wealth of information and assistance your realtor can provide not only in finding excellent foreclosures but also when it comes to procuring financing for some of the more creatively damaged foreclosures you may run across at insane bargain prices especially in today's (2010) market.

Part IV: Fixing Up Your Fixer-Upper.

Chapter 13

Prioritizing and Planning Your Renovations

5 House Rehabbing Things to Do

While many people have very specific dreams of enjoying the bountiful profits that can be made from rehabbing houses. Unfortunately, there are very few folks who put little thought into the process or any formulas that might be pertinent to success when it comes to rehabbing houses as a real estate investment venture or for the sake of building a nice comfortable lifestyle or retirement. You will hear a lot about the things not to do when it comes to rehabbing houses but very few people take the time to mention the things you absolutely must do in order to successfully rehab a house and begin your ride on the road to real estate investment riches or at least a nice nest egg towards your retirement.

- 1) Do put everything to pen and paper and plan it out carefully before you begin. If you are going to enter into this to make money you need to treat it like a business. This means you need to have a plan of action and make every effort to work towards carrying out that plan.

- 2) Do establish a budget for the entire project. You need to have a plan for how much money you are willing to invest in the property itself, how much for renovations, and how much money you need to make in order for this to be considered a worthwhile investment of your time and labor. A house rehab is a lot of work and in order to pull it off successfully, you want to have a good idea of the true value or comparable homes in the neighborhood that you are going to be investing in are worth, the value of your property as is and the estimated after repair value of the property once improvements are made. In addition you should also have a very firm grasp of the costs involved in making the repairs in order to create a realistic budget for the entire project. There is nothing better than to do a cost benefit analysis of the initial cost of the house, improvements, potential holding costs and after repair values (ARV) to include the property taxes and if you can get them reduced which will equal your potential profit margins.

- 3) Do have an inspection. This is the single most important detail that can save you a great deal of time, money, and heartache when everything is said and done. Be prepared to walk away if the inspection determines that there is more work needing to be done than simple cosmetic repairs. You want to make changes that people can see because those are generally the changes that drive up the cost of the house. You want to avoid needing to make changes and improvements that aren't visible but are very necessary. If you need to invest a lot of money and labor into the house you need to

seriously consider the realistic profit potential the property offers. If it isn't significant than you need to walk away before the property becomes a real estate investment money pit. Hiring someone that understands residential structure is well worth the investment.

- 4) Do know the neighborhood and plan your rehab according to the needs of the area rather than your personal tastes in a home. This is another thing that many first time rehabbers forget. This is not a personal project as it is a business project and you need to treat it as such. Keep costs down and feelings out. Remember when it comes to the do's of rehabbing houses, you need to remember the most important rule, logic versus emotion will always increase your profit margins.
- 5) Do remember that you are in the market to make money not waste money when it comes to establishing an asking price for the property. You've poured blood, sweat, and probably more than a few tears into your rehab but you cannot set the value of the property by the effort you've placed into it. Have realistic expectations of how much you stand to earn from your efforts and how much you are willing to go down on the price in order to walk away with some profit in your pocket.

You should also take a moment to reflect upon the fact that many first time rehabbers actually lose money on their first rehab. If you turn a profit at all, even a small profit you have learned many valuable lessons that you can carry with you into future rehabs and possibly the potential to make more money. More importantly the lessons you learned from your first rehab are lessons that money really cannot buy so it is worth a lower profit or even taking a slight hit if your experience makes you even more money in the future as you continue along your real estate investment path.

5 House Rehabbing Don'ts

When it comes to making money in the business of rehabbing houses and other real estate investments you will find all kinds of do's and don'ts along the way. The truth of the matter is that these are extremely useful whether this is your first house rehab or you have been rehabbing houses for years. In fact you might just find that you can learn something new on occasion by reading lists such as this even if you've been rehabbing houses for years and have many successful rehabs under your belt.

- 1) Don't forget to check out the neighborhood before you buy. You will want to make sure that the property you are considering is a good fit for the neighborhood. You should also take the time to make sure that the plan you have in mind for the property will match well with the other neighborhood residents in order to guarantee a quicker sale.
- 2) Don't blow your budget without just cause. Your budget is what you used to determine whether or not the house would be a profitable venture. If you blow your budget and cannot recover the extra money you've spent in the selling price on the house you will have seriously cut into your profits if not eliminated them all together. The goal in property rehabbing is to get in and out quickly and spend as little money as possible in order to make as much money as you can in as short a time as possible.
- 3) Don't forget to set daily goals and hold yourself accountable to those goals. If you don't reach your goals for the day it can set the entire project back by as much as a month depending on the goals and what has to be rearranged as a result. Stick to your timeline and your daily schedule in order to avoid potentially costly delays in time and money.

- 4) Don't neglect the exterior. Curb appeal is what brings buyers into the property. If you spend all your money, time, and effort making improvements to the interior of the home you will have little left to make the outside appealing to potential buyers. A homebuyer is in the market for the entire package. A home that looks run down on the outside leaves the impression of being neglected on the inside and many potential buyers will never walk inside if the outside looks incredibly shabby.

- 5) Don't spend money you don't need to spend. While it would be great to put in granite countertops and gourmet kitchens into every home it isn't always practical and this is often money that will not be recovered, particularly in homes that are in marginal neighborhoods. If you want to get the most for your money avoid costly expenses that aren't exactly necessary for the successful completion of the rehab. Resurface bathroom fixtures rather than replacing them if possible and use new cabinet doors or hardware rather than adding new cabinets all together to cut down on expenses. In other words, salvage what you can, fix what needs to be fixed, and add a few cosmetic touches before moving on.

The market for real estate is a very fickle market. Avoid risking too much time and money on a property that isn't going to recover those added touches and expenses. Instead hold onto those ideas for higher end rehabs once you have a few successful rehabs under your belt. Remember that time is money and it is magnified ten fold when it comes to rehabbing houses. Now get to Rehabbing!!

Chapter 14

Giving Your Property a Quick Makeover

How can a buyer become interested in purchasing your house? First impression is the keyword. You just need to get your house ready to sell by doing some preparation. Get inspected by a professional if you want to pay a little effort for maximum results, or if you don't want to spend much money by paying professional help, you can actually do the prep work yourself and save money.

Now that become the question, how to get your house in an impressionable fashion so that you actually draw in buyers? Below are the steps for getting your house ready to sell to a buyer.

Beautify your exterior

What you do is just beautify it. The goal is to make your exterior look pretty and fresh to impress your buyer. Just to inform you that the exterior becomes the first impression when overlooking a house. There are two sensory organs of a buyer you must impress. Those are eyes and nose. By bringing the garden to a homelike condition to your house exterior, making it look pretty and freshening it up are key elements to selling your house. The steps you can do are:

- Get the grass, trees, flowers, and plants tidy and fresh by mowing and watering it
- Clean up the curb and entrance path and put the potted flower on the sides.
- Freshen up the smells by putting scented potpourri.
- Clean all windows and exterior doors leading to the home.
- Get rid of any and all equipment so it is not an eyesore.
- A fresh coat of paint will do wonders for potential buyers.

Make the interior as cozy as possible.

After the buyer gets a positive impression from your homes exterior, do some simple work to get the coziness of the interior of the home in tip top condition. It aims to make a buyer feel incredibly comfortable upon entering your house. These are the steps:

- Clean up the tile floors; scrub it if there are some bad spots.
- Get rid of spider net from your ceilings.
- Wash the carpets with a fragrant soap.
- Get your furniture placed tidily for a very appealing look.
- Clean the closets and leave them in pristine condition
- Clean the garage, basement, and attic and also leave them nice and tidy.
- Clean the windows and ultimately open them, it will bring freshness to your house inside and give it a more appealing look.
- If you have pets, bathe them in order for the unwanted pet smell to go away.
- Put some fresh fragrance in the air conditioner and liven up the buyers senses which will enlightened their visit to your house and possibly motivate them to buy your house.

Repairing and Replacing

Some repairing and replacement is necessary to do, if there is some broken furniture, equipment, or appliances. Just inspect it and do something about it. The following is a list that needs to be addressed:

- Broken or missing door
- Cabinet handles
- Ceilings
- Ventilation filters
- Broken tiles in bathroom and kitchen
- Faucet

- Wallpaper
- Furniture

Get your friends' opinion

Have your friends act like buyers and offer advice and suggestions to make your house that much more attractive where it not only looks like a shiny new penny but has a very comfortable and pleasant feel that makes potential buyers want to take it off your hands for a nice profit.

Chapter 15

Perking Up the Curb Appeal

First impressions matter most. This is one concept that many homeowners trying to sell their homes and first time property investors trying to sell or rent property fail to understand. Curb appeal is the first impression when it comes to a house. This is the place that you as an investor or seller want those driving by to think of as home. For this reason you should pay careful attention and spend some degree of time and effort making the outside of the home inviting and appealing to potential buyers or renters.

One of the first things that people will notice is crumbling paint and bland or tired and faded colors on the exterior. Vinyl siding is often inviting because it is easily cleaned and reinvigorated. It also happens to be fairly low maintenance, which often appeals to buyers and renters alike. There are those however who will argue that siding detracts from the potential personality of a home. To each his or her own in this as it is a personal decision on behalf of the buyer and the seller. Regardless a clean and crisp paint job or siding makes a much better impression than an apparent state of disrepair.

Remember those first impressions are important. If the outside of the home is rather unimpressive then potential buyers are quite likely to discover the diamond that is the inside of your home. Another thing you can do to add curb appeal is to plant low maintenance flowers and plants around the exterior of your home. You do not want to invest in plants that require constant care nor do you want to seriously invest in plants that are going to grow out of control and look unwieldy. At least you do not want to plant these around the exterior of your home that is facing the road. Bushes and climbing vines do well in many cases along fences that surround the property however or as a dividing privacy line between your property and neighboring properties.

If you live in an area that isn't conducive to green grass you may want to consider some sort of hybrid that can thrive with less water or choose some form of landscaping that doesn't rely on large open patches of grass in order to be beautiful such as xeriscaping and xerogardening (xeriscaping and xerogardening refers to landscaping and gardening in ways that reduce or eliminate the need for supplemental water from irrigation) then that is quite probably a wise idea. The point is to make the house as attractive on the outside as you hope those viewing the property will find the inside.

Another thing to keep in mind when making the upgrades is to clean the sidewalks and driveway if it is concrete. It is amazing what a high power pressure washer can do to your sidewalks, driveway, and/or front porch. Don't stop there however; take the time to make sure your doors and windows are clean as well. These little things often make the biggest impression. If you care properly for the exterior of your home and keep it nice and shiny chances are (in the buyer's mind) that you will have taken the same care of the inside of the home that they are quite possibly now considering.

Taking the extra time to insure that the outside of your home is attractive to buyers can translate into higher and quicker offers than neglecting the essential real estate between the front door and the curb. Do not overlook this powerful piece of advice and you should enjoy a little more success in your efforts to sell your home or investment property.

Chapter 16

Dazzling the Crowds with Updated Kitchens and Baths

So, you're about to rehab your first house and wonder if your old tired kitchen and bathrooms will hinder the sale. Here are some quick makeover suggestions that should help with getting it sold and fast.

Updating the kitchen and updating the bathrooms will give you the biggest bang for your hard earned dollar when it comes time to sell your home. Today's buyers are looking for modern kitchens and baths, in other words, they are looking for turn key solution that is the epitome of modern living. Just like in the magazines and that is what you have to keep in mind.

Advice #1 - Update the floors. If your current floor is old linoleum or the tile is completely outdated, consider installing one of those fancy laminate floors over it. For just a few bucks per square foot you can have a brand spanking new laminate floor that looks just like hardwood, tile, or stone. This will positively captivate the imagination of the potential buyer and if the stars are aligned correctly that day, you will have a quick sale for your rehab

Obviously, if you have carpet in the kitchen or baths you immediately tear them out and replace them with the appropriate flooring. Don't you dare chuckle, as a real estate investor I have seen kitchens with seriously questionable indoor outdoor carpet laid over concrete in the kitchen and baths. Furthermore, the questionable design tastes of outdated kitchens and baths really do add more money to the investors pockets because most folks do not want to deal with this.

Advice #2 - Update the cabinets. You may not have the needed funds in the kitty to allow you to completely replace the old cabinets but you having them painted and also have the hardware replaced and if this does not do the trick, have them refaced. It sure beats spending an awful amount of cash versus just having them refaced. You will get a bigger bang for your dollar.

Advice #3 - Update the lighting. There is nothing more important then to have a kitchen that is well lit. You obviously need to add shiny new light fixtures by replacing the old lighting fixtures in place. If you have an eat-in-kitchen, seriously consider hanging new light fixtures that will hang over the table which will have a positive impact on your potential buyers. If you spend a few hundred dollars, this will really impact the return on investment upon selling your rehab.

Advice #4 – Replace the appliances. Please be sure to replace all the appliances since potential buyers want that modern look with shiny new gadgets in the kitchen since this is where families spend lots of time. Once again, this is well worth the investment on your ROI.

Advice #5 - Update the countertops. Nothing sells a kitchen better than brand new cabinets and countertops. Even if you only paint or reface the cabinets you should seriously consider replacing the

countertops if they are completely outdated or so damaged that it will become a detriment to the sale of your rehab.

Don't waste your hard earned money on granite countertops if all the homes in the neighborhood have countertops like Formica. Think about doing a serious cost benefit analysis so that in the end, you will make a profit that was worth every hour you spent rehabbing your rehab. This will bring in the most money for your investment. Now get to Rehabbing!!

Part V: Sold! Selling Your Rehabbed Home.

Chapter 17

Marketing Your Home

This is it, the proverbial icing to your much anticipated cake. The moment you've been waiting for ever since you decided to sell your investment home. The price is right, the marketing is going well, and you watch with enthusiasm as the response started coming: the home buyers are coming! It's now time to take your marketing to the next level: house showings. How are you preparing for it? You've inspected, checked and cleaned your house thoroughly. You made sure everything's in place, or if they're not, in the most ideal place to be shown. Showings are, after all, the chance to impress the home buyers by flaunting everything your house has.

Now relax. Showing your house to home buyers is especially easy when you're trying to sell your own house by yourself. This is a good opportunity to get personal – homebuyers would want to see more than just the house they saw in the advertisement picture. As you move throughout the house, pay special attention to objects that created some memories during your stay. Things like “My

father does this beautiful carving when he was 18 years old” will add some personal note to your home. And while you’re on the business of using your family, don’t hesitate to let your family members take part. Assign jobs for them in advance for emergencies or short-notice showings.

You want the home buyer’s full attention on your house. But at the same time you want some elements on your house to be insignificant enough to provide a comfortable environment. Make sure the house is well aired and lighted by opening windows (during possible weathers) and positioning all the coverings to show maximum sunlight. A dark house, especially when it’s a big house, will create the effect of gloom and depression; not exactly the kind of house you’d buy.

During those times when you’re forced to keep all your windows shut, make sure the air inside your house is in good, clean condition. Some homeowners will bake cookies to keep that “fresh” air hanging, but if you’re not keen on taking it that far, just be sure to wipe out any pet / bathroom odors or smoke. In house showings, the air should do what it needs to do – allows human to breathe – and do nothing more.

Having a pet around is highly discouraged. No matter how well behaved they are, or how much the homebuyers may love them, it’s not a good idea to bring out your animal. God knows what kind of behavior they can suddenly break into in front of your guests!

Last but not least, if an agent is showing your house to home buyers, try as hard as you can not to be at home. Homebuyers tend to feel like intruders when they’re checking details of a house with its owners watching.

Chapter 18

Staging a Successful Showing

There is something to be said about a neat and tidy house when you are sorting through house after house looking for the perfect home for you and your family. This is something that should be kept in mind when selling either a personal home or an investment property known in some circles as a rehab. There are a few other things you should keep in mind when it comes to selling real estate. One of those things is that staging sells homes!!

Seriously, there is something cold about an empty house. It could be painted impeccably and meet every possible standard a family has and yet feel cold and anything but homey when walking through the home for a real estate tour or inspection. This can be easily overcome by contacting a local furniture rental store and picking out furniture that will match at least the primary rooms of the home in order to make the home appear lived in with that wonderful feeling know as “cozy as can be.”

The primary rooms that you will want to appear 'lived in' are the living room, dining room, master bedroom, and all bathrooms. These are the rooms that essentially sell homes and it is important to make them appear neat, orderly, and well cared for. If you have the funds for every room in the home then by all means do so. It is a huge selling point, particularly for those who are trying to sell homes quickly. If the home doesn't sell after the first two weeks or month (you decide the time limit) then you may want to remove the 'staging' furniture in order to eliminate the expense. I would strongly encourage you to keep this furniture as long as the home is being shown fairly regularly though.

You will want to do so much more than simply putting furniture in the property you are trying to sell. You want to create an

atmosphere or warmth and comfort. This means you want to have prints on the walls, mirrors, plants, and pillows. You do not have to purchase items particularly for this process. You can use things from your own home in order to establish this atmosphere of a homelike comfort. Be sure not to use sentimental favorites or very valuable pieces, as not all people who will view the property being sold are honest. It's a sad reality but something to consider all the same.

Other things that may help an empty home sell are scents. There is nothing quite like the smell of cookies in the oven or flowers in bloom to make a home feel 'homey'. These scents can be easily accomplished with well placed scented candles, potpourri warmers, dry potpourri, fresh-cut flowers, and electric room air fresheners. There are few things that will turn off potential buyers more quickly than an overpowering fragrance (awful smell in the home) however so keep this in mind when selecting the type of fragrance for your rehab. Having some fragrance in the home also eliminates the problem of an empty house taking on the 'empty house' scent that so many do over time. In other words, this is yet another part of the staging process that works well for many trying to sell homes.

The short answer to the question of whether or not staging sells real estate is "yes" and how can you go wrong with that answer? Staging a home can absolutely lead to a higher offer and a quicker sell, even in today's sluggish market. Please remember that the more things you do after having establishing a checklist which can be found in the chapters in this e-book can help you sell your rehab that much faster. After all, we as investors are in the business of having thought out the process for a residential home and how to get it to the market as quickly as possible so that very little money invested is wasted otherwise, why bother? Now get to Rehabbing!!

Chapter 19

Negotiating the Sale to Maximize Your Profit

So you've decided to do some home selling. Congratulations, this is an exciting business you're getting yourself into. Whether it's selling your parents' house, your aunts', your close friend's, or even your own home, there are some things to consider before you can start marketing the house. One of which is how to set the price. It's really important to take time before you finalize your home selling prices. If the price is too high, the home will stay in the market far too long, waiting for someone who can afford it which basically meant that the return on your investment can take a beating. Even if you chose to reduce the price later on, it would show the potential buyers that even the seller realized that the home selling price was too high (and probably still is). But if the price is too low, this would easily sell but eventually brings damages to the sellers' net expectation!

If you're selling your own home, the chances are you're going to want to set the price as high as possible. This might seem like an obviously silly thing to do, but it happens to a lot of people who either cherish their house too much, or are simply not aware of the real value.

The first case is a lot easier to handle. Remember that apart from the location, your home selling price is a major consideration in purchasing. So no matter how much you love your house, try to set a realistic price. Some things that might decrease (or increase) your home selling price is as follows:

- a. Location. Sorry, this one's a definite. A home in a more desirable area will cost more than less desirable ones.
- b. The condition of the house and the maintenance shows that this home has been well kept and worth buying.
- c. Surroundings. Check out schools around the house and their quality. See how the weather would take effect. Watch those pesky

neighbors. These things, though seemingly miscellaneous, applies to buyers and can affect the overall home selling price.

d. Extra features. Does the house own something the market is demanding? Does your home have a pool or a beautiful patio? Don't hesitate in taking them into account of setting the price. Be realistic, though – a dusty, never-used fireplace, no matter how classy, will do nothing to your home value.

The second case – where you're not sure of your house's value – is a bit more difficult. You might want to read some home selling advertisements to see the price of the houses similar to the one you're selling.

To help you finish off with an ideal home selling price, some standardized methods of price setting have been established. A Comparable Market Analysis (CMA) is “a comparison of similar properties in the same general area that compares actual sold prices”, in other words, comparing your house to similar ones to get a rough value. Nowadays Real Estate Agents can do CMA for you, and you can even do it yourself with the help of some websites such as Zillow, Trulia and so, all you need to do is Google it and they should pop right up. Happy Selling!!

Part VI: House Rehabbing Stories

Chapter 20

House Rehab Successes

Everyone who decides to rehab a house has dreams of being the one to bring home a goldmine of money. You know that really huge success story about how you made more money in three months of working on a house than you and your wife combined made last year. The sad truth is that very few rehabbers ever have a

rehab that good and those that do often do not manage to do so on their very first rehab. If you don't have those dreams it's glad to see that you have your feet firmly planted.

Rehabbing houses is one form of real estate investing that has received a lot of media attention in the last few years and is currently the source of many interesting television shows that play on do it yourself channels on television. If you haven't managed to watch any of these shows you may be in a much better position to tackle your first rehab than many who see these shows and get a false sense of confidence when it comes to bringing in a substantial profit by rehabbing houses. While the profits exist and are much better than most people would envision, the average first timer doesn't fare on the higher end of the profit scales all too often.

In fact, most first time rehabbers make rather slim profits when the tremendous amount of work that goes into rehabbing a property is considered. One thing you will want to do when rehabbing your own property is take care not to get too greedy in the asking price. If you can make ten thousand or more on your rehab after all expenses are paid (including taxes, realtors, and any fees) then you are doing exceptionally well and should be congratulated. It is those who decide to go for fifty thousand rather than being content with ten thousand dollars that find themselves alienating a good portion of the population that may have been interested in purchasing the property from the very beginning. It is best to have realistic expectations when rehabbing properties then to have a financial disaster on your very first rehab.

In order to make your rehab a success you need to be flexible on the price when all is said and done. This is where many people lose potential buyers and find themselves sitting on the market month after month until they find themselves in a situation where they must sell or risk losing the house and in this situation they are

often in a position that they actually lose money rather than profiting.

Success stories, when it comes to rehabbing houses are widely available though many of them are just as widely exaggerated. Be cautious in your optimism when it comes to rehabbing houses but plan for profits and you will find that you are much more likely to get them than if you enter into the house rehabbing and real estate investing process without a proper plan at your disposal.

Turn your house rehab into a success story by spending as much time in the planning process and or stages as you spend in the entire labor process that is involved and necessary when it comes to rehabbing houses. If you do this and budget carefully while sticking to your financial plan religiously you will find that you are in a much better position to have the success you are hoping to have. Remember, understanding how to buy and sell is just one aspect of a rehab, the most important things to understand is the cost of labor, materials, holding costs, property taxes and comparable sales in the chosen neighborhood where you will be trying to sell and will equal your profit margin. Now get to Rehabbing!!

Chapter 21

House Rehab Sob Stories

What you don't see on many of the television shows about rehabbing houses are the many sad tales of promising rehabs gone wrong. These epic tales of woe are often the precursors to financial hardships for quite some time as those who fail at their property rehabs work on recovering from their heavy losses and moving on with their lives. Some are hit harder than others but the snowball

effect of a bad rehab are often not even hinted out on the prime time television shows that are so proud of the many success stories that arise because of serious and studious efforts in the house rehabbing arena.

If you are planning to rehab a house for a real estate investment you really need to take a step back and decide that you are absolutely not going to be one of the house rehab sob stories that are rumored about in Internet chat rooms. In fact, you want to be listed among the success stories. Unfortunately that takes a great deal of proper planning that is almost never shown on these television shows. In fact, to put forth your best effort you need to devote as much time to studying and planning properties, prices, and home values in your area before you even begin to search for your first property to rehab as you need to invest in the entire process of actually working on your first rehab. In other words, months worth of planning need to go into your first property pick in order to lower the risk of failure and to greatly improve the odds of success.

The second thing you need to do when planning your first rehab and avoiding a sad tale and a sob story is to be realistic and avoid great expectations. With your first rehab you are darned lucky to turn a profit at all. If you are expecting to make more money on your first rehab than you made last year as a full time employee you might need to make other plans. The first rehab rarely goes as expected.

Third, you need to set aside at least twice as much money (preferably three times as much) as you think you will need for the work on the property in order to cover the actual costs that will be needed. There are inevitably tools, permits, supplies, and labor that were not counted on in the initial budget figures as well as the tendency to seriously underestimate the cost of the materials that will be needed in order to get the job done. If you don't have that

much or can't spend that much and walk away without a loss then the property you are considering might not be the best property for your first rehab.

Finally you need to plan everything. Every day needs to be fully planned before you show up to work on the property and you need to have all the materials you will need on hand from lunch to drinks, to tools and supplies. Trips to the hardware store, lunch breaks, and coffee runs quickly kill a day and any productivity that may have been made during that day. Avoid these costly delays by proper planning and you will discover that you have a real estate investing success story worth writing home about and be the tale on the Internet that will make you proud. Now get to Rehabbing!!

Chapter 22

ABCs of Rehabbing Houses

All new things can be a little frightening or intimidating at first glance. The same is definitely true when it comes to rehabbing houses. Many people feel several times during their first rehab that they have gotten in over their heads. The truth is that it will take more than a few rehabs to feel comfortable with the process. Most people make very little, if any real profit on their first rehab and write it off as a learning experience only to enter into the rehab with newly learned lessons and a positive attitude. Learning the ABCs of rehabbing houses is a great place to begin and can help you avoid costly mistakes made by many first time rehabbers.

- 1) Appraise. You need to have a proper appraisal performed on the house you intend to rehab and compare it to other houses in better condition and of similar size and style within the neighborhood. You do not want to buy the best house in the neighborhood, in fact it is best if you can find the

neighborhood eyesore and turn it into a competitive house for the neighborhood in order to get the most for your money. More importantly you want the appraisal to reveal the actual value of the home now as compared to the price you are paying and talk to the appraiser about what the home would be worth with improvements you are planning to make.

- 2) **Bold Moves.** Sometimes it takes bold moves to make the impression you want to make. The decision to rehab houses is a bold move in and of itself and while you do not want to necessarily enter into risky waters you do not want to play it too safe either. Be cautious with your financing and guard your expenses and your budget well but make the changes that will catch the eye of the next owner for the property.
- 3) **Can do Attitude.** You absolutely must believe you can do this in order to get it done. A house rehab is not an undertaking for the timid or those that lack self-confidence. You will need to stand up to your contractors, inspectors, and even some vendors in order to get the best price and the biggest bang for your buck. In other words you need to believe in yourself and what you are doing in order to get it done. This doesn't mean you shouldn't listen to the advice of those with more experience and expertise, especially when it comes to structural issues within the home and bringing the property to code but you also need to stand up for yourself to insure that you aren't paying for things you aren't getting.
- 4) **Determination.** You must also be determined to see your project through to completion. It takes a certain sort of pigheadedness to get through the first few rehabs. It should be stated here that rehabbing houses is certainly not an easy way to make a living. It does have the potential however, to be a highly profitable way to make a living and that is what most potential rehabbers are looking for. If you want those profits you are going to need to push yourself out of bed even

on those mornings when you feel as though looking at the property in question is going to make you wail and moan and pull out your hair.

- 5) Excitement. This may be the most necessary of all ingredients. You will find that excitement is in short supply many days but if you can recapture that initial excitement over your decision to rehab houses then it will sustain you on those days when the plumber brings bad news or you just learned that a solid week of rain is forecasted for the week the roof was to go on.

This is a small start on the ABCs of house rehabbing and real estate investing but I think you get the picture. Now get to Rehabbing!!!

Chapter 23

Lease to Own Property Investment: Strategy for Surviving a Slow Market

If you've dreamed of real estate riches along with dreaming of being in the position to help out those who have hit a few bumps in the road along the way but are generally good people fallen on hard times then you may want to consider a type of real estate investing in which you purchase properties and then work out a lease to own agreement with people who, for one reason or another, cannot get the financing to purchase their own properties right now.

This type of real estate investing is a great way to make money while helping out your fellow man and there are many other benefits to this type of arrangement as well. First of all, renters

have no stake in a property. For this reason you will often find that renters have little regard for damage done to the property beyond how it affects their security deposit. Those who have hopes of someday owning the property however are much more inclined to take great care of the interior and exterior of the home they are renting. This means that chances are good that the value of the property will actually improve during their tenure whether they ultimately decide to purchase or not.

This also benefits you because these properties are often in high demand and will fill up more quickly than the average rental property should the sale of the house fall through for whatever reason. Common reasons for sales falling through are work related transfers, divorces, and an inability to get financing even with the money escrowed to go towards a down payment. The good news is that even if the sale falls through you can try again and the house isn't likely to sit empty for very long.

The benefits to those leasing from you are many. First of all, you will be putting a predetermined and agreed upon sum of each month's rent towards their down payment at the end of the (again) previously agreed upon amount of time. This allows them to save the money for the down payment without really consciously thinking about it each month. This agreement also allows them a little more leeway for making improvements, painting to taste, and decorating than your typical rental home.

Another big benefit to those leasing to own is that it gives them a certain amount of time, typically two years, to get their affairs in order and work on improving credit, saving money, and taking other positive steps towards their dreams of home ownership. They also get the opportunity to see how they like living in the home in question. Many homeowners would love to have had a two-year trial on their homes before making the final commitment. They have an opportunity to learn about many of their neighbors, the

local schools, the local commute, shopping, and entertainment among other things. These things are all great knowledge for those leasing to see and enjoy first hand before making the absolute commitment to purchase the property. It also happens to keep money coming into your pockets month after month which goes toward the down payment and if after two years (or the agreed upon time frame) they decide not to make the purchase then they forfeit the initial and agreed upon price towards the lease purchase.

Some have a difficult time making the decision to go the lease to own route when it comes to real estate investing. They feel, for whatever reason that it is taking advantage of some people and that is something you'll have to wrestle with on your own. Truthfully speaking it is a service that many people wish was offered much more often than it is and can be a huge help to those who are experiencing a bit of a rough patch but otherwise have always been on time with payments and are, at the core, good people who deserve a break. You can quell the feelings of taking advantage by offering a fair price on an arrangement that has the potential to be mutually beneficial. In the end, it is about helping out those less fortunate than yourself and if you create a win-win scenario for everyone then it should work out nicely for both parties. Also, it is a great strategy in a slow market and I am personally using it for my rentals.

RESOURCES PAGE

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