



# **THE REAL ESTATE RESET**

**Get started now!**

## **The 5-Step Take Action Guide to Real Estate Investing**

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Real estate investing. It sounds so complex, doesn't it? Trying to find properties, make offers, deal with contractors, avoid costly construction mistakes, select tenants and so much more.

It's easy to get overwhelmed and scared. Those are completely normal emotions. New investors tend to get in a lot of trouble when they charge full speed ahead without getting the training and education they need to avoid costly mistakes.

If you're not careful, real estate investing will teach you some hard lessons about life and finances and none of them are pleasant. My job is to help you avoid that costly punch in the gut and that sinking feeling of "I have no idea what I'm doing, help!"

The good news is that all you need to do in order to get started right in real estate investing is to follow these five steps. Nailing down these fundamentals will help you understand not only how to find properties, but how to look at them through the eyes of a potential investor, as well as how to get funding, get estimates for repairs and much more.

**Let's jump right in!**



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## Step 1: Build Your Business and Personal Credit

This step potentially can take the longest, but it's also the most worthwhile. Building up your personal credit and your business credit is what opens the door to OPM: Other People's Money. Lenders want to know that you're "safe" and low risk. They evaluate this by looking at your credit score, your debt-to-income ratio and more.

Even if you don't have perfect credit or you have no idea what business credit is or how to build it, there are lots of credit experts out there that can help you better understand how to save and how to use credit effectively.

By demonstrating to lenders that you're financially responsible and reputable, you get access to funding at better rates than someone who has a questionable credit history or a low credit score. It is entirely possible to purchase a home on a credit card or use a cash advance to put a down payment on a property. Many real estate investors do this knowing they'll make the full amount back (plus profit) when the deal is closed.



## Step 2: Understand How Much You Need to Save

The next step is to understand how much you need to save. It used to be that in order to make a down payment on a home or property, you had to have at least 20%. Thankfully, times have changed, but you still need some money to show lenders you are a safe investment.

How much money? That depends entirely on what you're buying, as well as where you're buying. For example, buying a multi-family condo in California is a completely different price bracket than a single family home in North Carolina.

It's also important to understand the different types of loans available to you. One of the most common is an FHA loan, made possible by the Federal Housing Administration. FHA loans require a down payment of 3.5% (which sounds a lot better than 20%, doesn't it?)

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You can also use collateral or the investment property you are buying to help you secure financing. You can get a hard money loan, but you'll be expected to come to the table with 25% of the purchase price. The lender, however, will pay for 100% of the renovations, making this an attractive option for fixing and flipping, as banks aren't always interested in lending money to buy homes in need of major repair.

Once you've got a ballpark figure in mind for the investment property and you've secured a pre-approval (more on that in Step 3), you'll be able to have a better idea of how much you need.



## Step 3: Seek out Approval Funding

Getting a pre-approval letter from your lender is like a golden ticket to the front of the line when it comes to making an offer and getting it accepted. Before working with me, my students had a hard time getting real estate agents and get wholesalers to take their offer seriously.

Having a pre-approval letter in hand before you start shopping for real estate essentially tells them, "Look, I'm serious about buying this property and I have the financial backing to prove it". There are a lot of tire kickers in the real estate industry, and because it's so competitive, you need every advantage you can to stay ahead of the pack. A pre-approval letter gives you that advantage.

Plus, having the pre-approval before you find a property lets you demonstrate your sincere interest in buying. Sellers want to sell for the best possible price, and they're not going to wait around for you to get your financial ducks in a row. The first attractive offer that comes across their desk is likely going to be the one they pounce on. Be the one that makes that offer.

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## Step 4: Find a Great Deal on a Property

This step is everyone's favorite, because it lets them indulge a bit in browsing and seeing what kinds of properties catch their eye. Folks constantly ask me, "where do you find your deals?"

The secret is to widen and vary your search. There are so many properties out there that no single website or real estate search engine can list them all.

Here are some of my favorite places to look:

### Where to Find Properties for Sale

**MLS** (Sites like Zillow.com and Realtor.com)

**Social media** (You'd be amazed at the properties you can find for sale through sites like Facebook)

**Live and online auctions** (My students have bought multi-family properties from the comfort of their home during the pandemic using live and online auctions!)

**Real estate agents and wholesalers** (These folks are on the front lines and they can be your BFF when it comes to getting the inside scoop on great deals!)

**Family members**, friends and even complete strangers! Once, I found a house for sale while I was at the grocery store, just by talking to a stranger in passing. Be intentional about letting people know that you invest in real estate -- you'll be surprised at the opportunities that will open up along the way!

### Get Estimates for Repairs

Now that you've found a great deal, you'll want to make an offer. But first, it's important to know what you're really getting into, by understanding what the repairs to the property will cost you.

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It's entirely possible to ruin a deal by overestimating or underestimating the cost of repairs so be sure that you get estimates from contractors you know and trust so that when you make an offer, the purchase price takes those costs into consideration.

## Make Sure You'll Be Profitable!

You'd think this would be a no-brainer but you'd be surprised at how many people get caught up in the excitement of the process and forget to add in their profit margins! Fortunately, there are two easy formulas you can use:

### 1. The 65% rule

**a.** The (ARV) (After Repair Value)  $\times$  65% - repairs = MAO (Maximum Allowable Offer)

**b.** For example:  $\$100,000$  ARV  $\times$  65% =  $\$65,000$  -  $\$30,000$  (repairs) =  $\$35,000$  (MAO)

### 2. The 1% rule

**a.** Your monthly rent needs to be at least 1% of the value of the home to ensure that the rent you collect will cover your expenses.

**b.** For example, on a  $\$100,000$  home, the rent collected needs to be at least  $\$1,000$ /month

## Step 5: Make an Offer They Can't Refuse

Now that you've run the numbers and you've got a solid figure along with the financing and pre-approval letter, it's time to make a serious offer. If there are many bidders, make your highest and best offer first. If you're able to communicate directly with the seller and there's no competition, you have room to negotiate.

Here, the trick is to let them give a number first. If you're the first to give a number, the chances are you will pay more than you needed to. Letting them be the first helps alleviate this danger and gives you some room to bargain.

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## **I Understand The Basics, Now What?**

This guide was designed to give you an overview of the steps you need to take in order to get started with real estate investing. But simply knowing the basics won't make you a real estate investor overnight. There are many more techniques and strategies that can help you not only secure financing, but get the edge when it comes to finding properties (even off-market) and making a solid offer.

If you'd like to learn more, apply now to join The Real Estate Reset. Get even more tips, investing strategy, tools for getting funding and insider secrets. All it takes is a brief application that takes just a moment of your time.

**Complete the Application Now!**

