

How to Flip a House in 5 Simple Steps

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House Flipping School





Hello! Thank you for ordering this eBook and signing up for the House Flipping School newsletter – I really appreciate you taking the time to become a member of our community.

Simply by ordering this eBook and signing up for the House Flipping School newsletter, you have done more than 99% of the people who want to get into flipping houses for profit.

Where many others simply dream about attaining their goals, you have taken action and made an important first step in your house flipping career. And as you'll learn in these

pages, when flipping houses successfully, taking action is what it's all about.

So congratulations for taking bold action!

Like you, the day I decided to take action and took my first steps to learn how to make a full time living house flipping was one of the most significant days in my life. All it took was making the decision to act - and learn all I could about this incredible business. That one decision changed my life forever.

It took some time and energy, but I now flip houses full time and I absolutely love what I do. *There is no reason in the world why you too cannot achieve great success investing in real estate.*

The good news is that I am here to help. I am more than happy to assist you in any capacity – whether via email, through commenting on the House Flipping School blog or even through personalized one-on-one coaching.

This eBook contains much of what you'll need to know to launch your house flipping career; however, it is not all inclusive. Although the house flipping process is complex at times, the following pages are chock full of helpful tips and techniques I've learned over the course of my house flipping career – tips and techniques that will help you jumpstart yours. My primary aim in writing this eBook is to help you to shorten your learning curve, urge you to take action and to get you making money flipping houses as soon as possible.

Something I always wished I had when I was starting my house flipping career was a mentor. I have discussed the importance of mentors on www.houseflippingschool.com many times. Having someone to bounce ideas off when you're stuck or maybe when you just have simple questions - is something I always wished I had when I first started. Having that someone as a resource is a great way to shorten your learning curve and get you over the hurdles you will inevitably face.

So as you are reading this eBook, *please don't hesitate to reach out to me with any questions you may have*. Like I said, I am here to help you in any capacity.

My direct email is:

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Thanks again for visiting House Flipping School, ordering this eBook and signing up for our newsletter. I wish you the best and hope to hear from you soon.

See you at the top!

Mike

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Introduction



When first learning how to flip a house successfully, I was led to believe by so many of the real estate investors who I followed that it was a simple process. I really thought I would make money on my very first flip, which I did. However I was not out Lamborghini shopping the next day – far from it!

I did turn a modest profit, which I was very pleased with. But more importantly it taught me that it could be done, it wasn't just a fictitious way to make money espoused by late night infomercials and slick television shows. You can actually make money flipping houses. And after that first flip, I was hooked!

House Flipping Is Not Easy

I'd love to tell you that house flipping is super easy and that you'll make a pile of cash on your very first flip...but chances are...you won't.

You may not make a ton of money on your second house flip either....and worse yet, there is also a chance you may lose money.

However challenging house flipping may be, by setting the path correctly to start using the simple steps in our house flipping formula, you'll make a profit far more often than you'll break even or even lose money.

Does it get easier the more house flips you do?
Absolutely!

Is it easy when you first start out? No.

But it is very possible to learn how to flip a house successfully – which is the reason I have put together this eBook. Contained in this eBook is an extensive overview of how to get started house flipping, and the steps you need to know in order to do your very first house flip.

I should say this however; although it would be nearly impossible to tell you everything you need to know when flipping houses in one eBook, you will come away after reading this eBook far better informed on exactly what steps you need to take to achieve house flip success. My aim is to give you as much solid information as possible to get you started taking action and doing your very first flip.

The words in this eBook will help you get started, yet there is one thing it cannot do...and that is ***to get you to take action!***

Without action, there is no way you will ever be successful flipping houses. I cannot force you to go out and do it on your own. As much as I would like to, I cannot reach through the pages of this eBook and kick you in the rear to get you going. All I can do is show you how it's done.

Its then up to you to get up off the couch, decide you really want to pursue this and then take the first steps towards house flipping success.

So, are you ready? If you are...***then let's get started!***

STEP #1: The House Flipping Mindset



An extremely important factor to your house flipping success – perhaps the #1 factor – is your mindset.

Contrary to what many people may think, the single most important factor in house flipping success is not finding the right property...nor is it negotiating the sales price...nor is it

containing your rehab costs, nor is it avoiding “the bad deals”...it is having the right “success mindset” right from the start, and maintaining that mindset for as long as you flip houses.

The REAL Secret to House Flipping Success

One of the greatest books I have ever read on success is [Think and Grow Rich](#) by Napoleon Hill. This book has hugely influenced my house flipping career – so much so that I still refer back to it on regular basis, in order to review its basic concepts and to reinforce exactly how I can continue to “flip and grow rich”.

This book has hugely influenced my house flipping career – so much so that I still refer back to it on regular basis to review its basic concepts and reinforce exactly how I can continue to “flip and grow rich”.

It was in this book that I learned a cornerstone concept to my own flip and grow rich mindset and that is:

Definiteness of Purpose

It was Napoleon Hill who said:

“Whatever the mind can conceive and believe...the mind can achieve”

And it is amazing to think that anyone of us put on this earth can achieve incredible success and do amazing things just as long as we believe that we can.

Napoleon Hill crystallized this thought in what has become his most famous quote regarding personal fulfillment and achievement. And whether you are interested in real estate investing, house flipping or any other endeavor – whether it’s related to real estate or not – this one statement is one of the most powerful motivational quotes ever put forth.

There is nothing about how smart you need to be...

It says nothing about how much money you need...

It says nothing about who you need to know...

All it takes is your mind to conceive of what it is that you want...then you going out and getting after it.

The 3 Step House Flipping Mindset Formula

Hill advocates that whatever your mind dwells on is what you will eventually receive. You can utilize this right now to flip and grow rich.

I’ve borrowed his formula and gave it a house flipping twist. I like to call it the “house flipping mindset formula”:

Step 1: Take out a notebook, on page one, write out your ONE major desire in life. Then clearly state when you will accomplish this.

Remember: your only limitations are the ones you set in your mind.

Step 2: Write down what you intend to GIVE in order to get what you want in life.

Take Action: decide right here and now what you intend to give in return for your ONE major desire.

Step 3: Memorize both of your statements above. Repeat them daily, once in the morning when you first wake up, once before you go to sleep and as often as you can during the day. Example:

"I will achieve financial freedom by obtaining \$10,000 month in income by flipping houses. I will donate 10% of my profits to homeless charities. I will achieve this by devoting my time

and my energy to learn all I can about how to flip houses and by both conquering my fears and overcoming any obstacles that may stand in my path. Furthermore, I will do this by December 2015.

What Do You Really Want?



"I ask not for more riches, but more wisdom to use wisely the riches I received at birth in the power to direct and control my life to whatever I desire"

-Napoleon Hill

So what is it that you want? Write it down right now. Then state what you intend to give. Then memorize your statement and show gratitude for the wisdom you have received.

You have now taken an important first step towards flipping houses and growing rich.

STEP #2: Find and Purchase



Research

If there's one thing that is critical to your success in flipping houses, it's doing exhaustive research on your targeted geographic areas prior to implementing your house flipping plan. If you buy a property in a run-down area with little historical price appreciation, then your

target buyer is going to most likely offer a below market price.

This can leave you with an extremely tight budget, especially if it's a "fixer-upper" property, where you have to do a fair bit of rehab in order to make the property attractive to potential buyers.

However if you buy a property in either a stable or upper middle class neighborhood, or due to your research, you find an up and coming neighborhood, then you'd be looking at a much more profitable sale. It's up to you which way you want to go, but the house flipping school formula we advocate here on the blog is to not buy in blighted areas.

And the way to do this is to always do thorough research before entering into any real estate market.

Start Looking

In order to flip your first house, you will first need to find a house in the first place.

The house can be purchased from many available sources such as real estate agents, wholesalers, at auction, short sale specialists, bank foreclosures, other investors or a homeowner who is very motivated to sell...the list is virtually endless. We will go over the multitude of ways to find a house to flip later in this eBook.

Additionally, there are hundreds if not thousands of different programs out there being sold promising leads for house flippers, many popularized by popular television shows. But when first learning how to successfully flip a house I highly recommend focusing on and sticking to the above list.

Network



The fastest way to get your foot in the door flipping houses is to get to know other real estate investors in your own area. When you are first starting, it's important to know what you know, but even more important to know people who know – if that makes sense!

I highly recommend that you immediately start networking and marketing yourself. Dive right in and don't worry about not having any experience. In fact, the less experience you have, oftentimes the better. When you are a novice, pretending to be anything but is just

not good business, so be honest when you are talking with people.

The number one way to improve your house flipping strategy and find profitable properties is through networking. Not only will it help you craft your house flip team, but it will also put you in contact with people who could potentially help you find and then purchase your very first house flip.

One of the fastest ways to get your foot in the door is to get to know other real estate investors in your own area. Ask questions, be nice and learn to enjoy meeting new people and establishing new relationships.

I highly recommend checking out [How to Win Friends and Influence People](#) by Dale Carnegie. If you read this book and implement its strategies, you will be able to network yourself to success in real estate.

To sum it all up, the formula is actually quite simple. Get out there. Get out of your office.

Make yourself known. Take some chances. Good things will come from it.

“Progress always involves risk; you can’t steal second base and keep your foot on first.”

-Frederick Wilcox

Instead of spending all your time at home at night *studying* how to flip and grow rich, mix up your study time with networking time. Get out there and *meet* people a few nights per week. Study and research has its place and is important, however it is very common for people to spend too much time *studying* what to do...and not enough time *doing* what you need to do.

The Best Places to Network

There is no better place to begin networking than at your local REIA (Real Estate Investors Association). No matter where you live, there’s one in your area. [Click this link](#) to find where

your local group meets. Next simply sign up and attend the next meeting.

At these meetings you will meet other investors at many different stages of real estate investing. Some will be beginners while others have done hundreds of deals. There are rehabbers, wholesalers, realtors, contractors, attorneys, mortgage brokers, hard money lenders, short sale experts and many others. These are exactly the kind of people you should be meeting in order to launch your house flipping career.

REIAs usually have monthly speakers as well. Many are local experts and others are national speakers and educators. It is a great place where like-minded investors can share ideas, contacts, and invaluable information with each other.

So make up some free business cards at [Vistaprint](#) and join your local REIA.

Here are a few other ideas on how to get started networking:

- Look up other real estate investors and house flipping professionals at Meetup.com
- Join your local [Chamber of Commerce](#)
- Join your local [Business Networking International](#) chapter
- Get involved in your local community
- Volunteer at a local charity
- Form your own local house flipping / real estate investors association

The point is this: the more people you meet face-to-face, the greater the likelihood that you will find people who have properties to flip that are good for you. Additionally, the more like-minded individuals you meet can also help

you to form your own house flipping team, which is the subject of the next section.

Formulating Your Team



Many house flippers get into house flipping thinking that it's a solitary process; just you against the world, making money hand over fist...*nothing could be farther from the truth.*

When people ask me how to get started flipping houses, one of the first things I tell them is that flipping houses is a TEAM sport, not a solitary venture.

Assembling your house flipping team is one of the most important steps you need to take in order to get started flipping houses. In fact, second to mindset, it is the most important.

Although you will eventually need to assemble more than five team members, it is important to first focus on finding an expert professional involved in each of the following areas.

1. Real Estate Attorney

Many new house flippers make the fatal mistake of refusing to hire an attorney. They know they need an attorney but decide instead to “go it alone” or hire some second rate internet based legal service.

The bottom line is when it comes to finding an attorney; you get what you pay for. Don't skimp here. Hire a qualified expert attorney

who knows real estate law. Think of it as a wise investment instead of a cost; like car insurance. You certainly don't like paying the premium, but when you get into that fender bender, you are sure glad you did.

An attorney may appear expensive at first (especially after you get your first bill) – and especially if the attorney charges a retainer to take you on as a client, but in the end it will cost you a lot more if you hire an incompetent attorney or try using one of those other services.

2. CPA (Certified Public Accountant)

Like an attorney, hiring the right CPA can save you a lot of money whereas hiring the wrong CPA can cost you a lot of money. In the process of finding a top notch CPA, it may be frustrating to hear so many different kinds of answers regarding real estate and house flipping accounting issues. This is not uncommon as the U.S real estate tax code can be interpreted in many different ways.

Finding an accountant who is extremely familiar with U.S. tax laws for house flipping and real estate investing is best. But the bottom line is you want a CPA who meshes with your personality, works hard for you, and does all he or she can to legally apply strategic and ethical accounting strategies-to keep your taxes as low as possible without throwing up any red flags to the IRS.

Your CPA should also be involved with your business structure from a tax advantage standpoint. I would recommend your accountant consult with your attorney to make sure everyone is on the same page.

3. Insurance Agent

How you handle your insurance largely depends on how you set up your business structure. Make sure you hire an insurance agent that understands your business and can give you good advice on how to insure different types of properties.

Different kinds of house flips require different types of insurance, so make sure you ask him or her about homeowners, builder's risk, liability or even flood insurance. Your house flipping insurance agent should be a one stop shop for you here.

4. Contractors

There are a couple of different ways you can handle how to do the renovations on your properties. Here, when you are just starting out, we advocate using general contractors to oversee your house flip rehab. The competency of your general contractor can make or break any house flip deal; so it is very important that you hire the best ones you can. It's also extremely important that you have trust in your contractors and the work they do.

A general contractor is a singular company who runs the entire project; they are responsible for hiring all the various subcontractors on the

job. The subcontractors are tradesman like plumbers, electricians and carpenters.

If you can find a general contractor who can work within the budget you set forth for a project, then you are certainly on the right track. Finding a reliable, trustworthy contractor who sticks to his cost estimates will help you dramatically, especially if you are just starting out.

5. Real Estate Agent

When it comes to real estate agents, you can search out an agent with experience who already is familiar with house flipping, or you can train an agent yourself. You may eventually end up working with a few agents in different territories-each specializing in a particular area.

Also, there are a number of REO (real estate owned) agents. These are agents that specialize in selling bank foreclosures – having

someone with this specialty is invaluable in helping you source new deals.

There are also real estate agents that specialize in short sales. A short sale is a sale of real estate in which the proceeds from selling the property will "fall short." of the balance of the debts against the property. These are agents who work with banks to sell a property for the seller before it goes to foreclosure.

No matter which kind of real estate agent you choose, or even if you have one of each kind, this team member is vitally important for your deal flow.

When you are first learning how to get started flipping houses, you may not choose the right team member the first time around, but that's actually okay.

The more experience you get flipping, the more you'll be able to discern which team members stay for good and which ones you may want to cordially part ways with.

Find Houses to Flip



We've touched on many of the critical elements to house flipping success in previous posts, but if you don't ever find a house that can be flipped for a profit, or a house to flip for no money down-your real estate investing career will never take off.

So here are a few ways how you can find good houses to flip.

1. Real Estate Agents

Without a doubt real estate agents are one of the best means by which to locate houses to flip. On the flipside, you can get into some trouble here as well, so caution is recommended.

As a house flipper looking to control expenses to maximize your profits, real estate agents are in the business of making money from selling high, so you need to be careful. You also want to make sure that you respect their time as well. Real estate agents want to make money, and the last thing in the world you should be doing is running them around finding properties without making any offers.

In many cases, you may need to educate your real estate agents on the process of house flipping so expectations are set early on. Talk

to them about your plan to buy properties, what you are looking for, and where you hope to find it. The more upfront you are with them, the better it will be for both of you.

It is important to refer back to the importance of both building a solid house flipping team, as well as the power of relationships. This is why it's so critically important to find the right kinds of people for your team – which means that you may need to go through a few of them before you settle on a real estate agent who you are on the same page with.

One of the most important reasons to team up with a real estate agent is because they have access to MLS (multiple listing service). MLS is an online listing service that includes all real estate for sale in the US and Canada. This is an essential tool for finding properties and making offers.

Oftentimes the real estate agent will run comps for you at your request. But better yet, if you can establish a great relationship with

your agent, they may give you access to their MLS database so you can do it on your own.

In so doing, you can run comps so you know what the potential value play would be on a potential house flip. Tell them granting you access will save them time and also allow a greater pool of potential house flips to target.

2. Wholesalers

A wholesaler is a person who signs a purchase contract or an option contract with a property owner at specific price and then sells or assigns that contract to an "end buyer" at a different price.

You'll want to be careful with wholesalers as many new real estate investors start off wholesaling due to the fact that they don't need money to make money on the house flipping deal.

You will want to make sure that any wholesaler you deal with is qualified to handle the

transaction correctly, or things can go wrong at any point in the transaction.

Additionally, there are plenty of seasoned wholesalers out there as well. These kinds of wholesalers most likely have money and may end up taking the better deals for themselves and leave the less lucrative deals to other real estate investors. The really good and respected wholesalers spread it out so everyone benefits in the end.

You can find wholesale sources just about everywhere these days. These are the “I buy houses” and “we pay cash for houses” signs you may see around town.

With these companies, you may be able to do a quicker than normal flip. Although the payout will more than likely be lower, especially if you have not developed strong negotiation skills yet. If you are a good negotiator, you might actually enjoy this style of price haggling.

Despite reservations house flippers might have on wholesalers, if the numbers make sense, then it's worth it for both of you. They make money and you make money, so everyone wins.

You can also meet wholesalers at REIA meetings, through a quick Google search, by calling the numbers on those signs as well as getting your local newspaper and looking in the classifieds columns. Once you contact them, build the relationship and see what happens. You have no obligation to do a house flip with them, but they may be a great source of new house flips for you.

3. REO Specialists

An REO specialist has been trained and is experienced in handling real estate owned (or “REO”) transactions. Real estate owned or REO is a class of property owned by a lender, usually a bank, but it could be other agencies as well, after the property has been unsuccessfully sold at a foreclosure auction.

Bear in mind that an REO sale is much different from a traditional real estate transaction. However, if you choose to use an REO specialist when flipping houses, as they can be a great source for house flip deals. Through these specialists, you may be able to purchase many of your deals very affordably.

4. Short Sale Specialists

Short sale specialists are typically real estate agents who have become experts in negotiating short sales. The definition of a short sale is a property sold by a seller through a real estate agent for less money than what the seller owes the bank who holds the mortgage.

When a seller does this, it saves the seller from being foreclosed on and could save their credit rating in the process. The biggest question is whether the property can in fact be sold short enough to be attractive to real estate investors

or house flippers. In many cases the answer is that it can be.

The best kinds of short sales for house flipping purposes are in cases where the owner has moved out of the house prior to being foreclosed on. In many cases, neglect and damage occurs and this then creates a solid opportunity for house flipping.

You can meet short sale specialists at REIA meetings. I also recommend asking around when you are speaking with your real estate agent to see if they can refer you to a good one.

When you do find a short sale specialist who works in your geographic area, make sure you ask them about their experience, training, as well as what banks they work with and also what their average time frame is from time of offer to closing.

5. Attorneys

As a critical member of your house flipping team, your attorney can also be a tremendous source of house flips as well. Not only will they give you solid real estate investing legal advice, but if they are a general attorney they may know of potential house flips through divorce and other legal settlements.

Attorneys typically have many clients with real estate holdings who may be a good source for house flips. These include estate sales and bankruptcy. Bankruptcy attorneys may have clients who are looking to shed assets quickly and a house flipper can both close quickly and save the seller real estate agent fees, which are typically upwards of 5-6% of the sale price.

6. Other Real Estate Investors

As we discussed before, other real estate investors you meet while networking can not only be great sources of potential joint

ventures but can also be a source of potential deals.

Think of everyone in the real estate community as a potential partner for you. That's not to say you should be giving away good deals to other investors, but in house flipping, think of each of your competitors as potential partners. They may not be now, but they could be in the future – so build relationships with everyone.

There are hundreds of different ways to find houses to flip, and this list is by no means all inclusive. The common thread is that no matter what stage of your house flipping career you are in; always keep your eyes and ears open for opportunity.

If you use the strategies we have outlined, and if you are constantly pushing towards what it is that you most desire, you will find that opportunities for house flips will be magnetically drawn to you...all you need to do is remain aware and be ready to act when those opportunities arise.

When house flip opportunities do fall into your lap, the most important thing to do is take action. You'll find then that the last thing you concern yourself with is how to find houses to flip because you'll have so many opportunities; all you'll be required to do is just cherry pick the best house flips...and watch the money roll in.

STEP #3: Secure the Financing



One of the biggest sticking points new house flippers have is securing financing for their deals. In many cases, they just don't know whether to get the money first or get the deals first.

So which one do you do first?

There is really no right or wrong answer to this. The bottom line is that in order to learn how to flip houses with no money, you need to be working both sides of the house flipping equation, virtually all the time.

Of course, if you get the money first and have no deals then you need to find a deal real quick.

Although it may be hard to visualize...the bottom line is this:

Money is everywhere - you just need to go get it!

Ideally, investors with disposable, investable income will be your target audience. If you will be self-financed, then this is obviously preferable, but not necessary. In most cases when people start house flipping, they need either investors or banks to help finance their house flipping venture.

Where to Find Financing

Making personal contacts and networking, as previously mentioned, both play a large role when first learning how to flip houses. And when seeking financing to do your first house flip, there are several places where you can meet the kinds of individuals and organizations that can help you to finance your house flipping projects.

REIA Meetings

One of the best places to find investors in my experience is through the previously mentioned [REIA meetings](#). Many real estate money lenders attend these meetings, so be sure to make as many contacts as you can at each meeting.

Private Money Lenders

Private money lenders are just regular people with disposable money looking to invest. In many cases, they may not be actively looking

to invest; they just have money sitting around and may be open to investing with you if they are asked.

They could have money in the bank, IRAs, 401Ks, mutual funds or even an abundance of equity in their home. This is money that can easily be used for real estate investing.

Private money lenders are much preferable to hard money lenders, largely due to the fact that you, the house flipper, maintain control. You set the rules and rates...not the lender.

The real key to success is to offer them a high enough interest rate on their money to entice them to do it with you in the first place. If you can find out what they are getting for a return on some of their other investments, then you can offer something more lucrative that ensures you stay profitable, but is high enough to entice them to invest.

Friends and Family

Another choice is to find lenders through friends and family. This kind of money lending is tricky. Whenever family is involved with money lending, things can get complicated fast.

That's why we recommend going outside family for funding and making good contacts instead. As soon as you turn your first successful house flipping deal, you'll find investors will suddenly appear because nobody wants to miss out on an opportunity to make money.

Flipping houses with no money involves using other people's money - called "OPM" - to finance your deals. OPM can be found using many sources, many of which are very obvious.

Partners

When you are first starting to flip houses, an easy way to get some "house flip momentum"

going is to partner up with someone. This partner could be a business partner, a friend, a co-worker, a relative, a business owner or another house flipping or real estate investor.

Although it may be tempting to form a formalized partnership with someone when first starting to flip houses, I strongly discourage this. It's far better to do it on a deal by deal basis and not as a formalized partner in the business. When you are first starting house flipping, you'll soon find that although there are a lot of great house flipping partnerships, there are also a lot of bad ones, and you don't want to be tied to any one person in particular.

You can simply ask the partner for the money to finance the house flip. Explain to your partner how you'll do everything related to the flip but that the two of you will split the profits 50-50. In a deal like this, your partner reaps the financial rewards while contributing the cash but not the effort. When it's profitable, this

kind of house flipping arrangement ends up being a very good deal for the both of you.

Hard Money Lenders

Hard money lenders are people with money that lend to others at a very high interest rate and typically charge points on top of that.

These kinds of loans can be especially useful if the flip can be done in a short period of time. This is because you can typically expect to pay anywhere between 14% and 20% interest on your money, with four to even six points on top of that.

A "point" is the initial fee charged by the lender, with each point being equal to 1% of the amount of the loan.

There are house flippers who use hard money lenders all the time; but in my opinion, there are better places to get your money at much better rates.

The cost of hard money lenders may be a bit restrictive for folks just starting out, but depending on the situation, they may be useful - however there are risks to be aware of.

For example, on a \$100,000 loan at 18% interest, if it took you 6 months to complete the house flip, your interest would be \$9,000 and \$5,000 for the five points. That adds up to over \$14,000 in costs.

In this scenario, chances are very good that if the house flip takes longer than 6 months, then you may just kiss your profits good-bye.

Traditional Banking

Using traditional banking is another way to fund a flip, especially if you have a good relationship with your bank. Traditional bank loans are more challenging at times, but it's definitely an option if you have a solid business plan and fully explain to them what you are doing.

Although this finance method may not happen for you right from the get go, it may eventually become an option and could be another source for getting money to fund your deals.

Be Creative and *Think Abundance!*

The point is that when you are learning how to flip houses with no money, think abundance. There are plenty of people with money; you just have to find them.

If you can't think of anyone off the top of your head, then start thinking about the people you deal with every day. Some people you interact with every day and who may be good lenders for your business include:

- Your doctor or dentist.
- Your attorney.
- Someone in your neighborhood who has a successful business.

- Anyone you know who invests in the stock market.

People are always looking to get a better deal on their investments and making money flipping houses is an extremely lucrative way to do that. When you successfully learn how to flip houses using OPM, you'll rarely have the need to invest your own money in the future. As soon as you turn your first successful house flip, you'll gain more confidence - and that confidence will assist you in raising financing for subsequent house flips.

Is It a Good Deal?



Since there are so many factors that go into flipping houses, the answer to this whether or not it is a good deal varies widely. Depending on the rehab cost, the cost can vary from hundreds of dollars to hundreds of thousands of dollars!

However, if you are flipping houses and determine that you may spend several hundred thousand dollars, you will want to be extremely clear on what the selling price should be.

So in order to best answer the question of how much it costs to flip a house, its best to begin with the end in mind, and examine the back end instead of the front end.

And we do this through the use of ARV.

After Repair Value (ARV)

In order to figure out how much it will cost to flip a house, you need to know what you can fetch for the property itself when its ready for resale. When you know this, the other costs associated with the house flip will start to come into focus better.

One of the best ways to do this is by determining the After Repair Value (or ARV for short). You simply do this by comparing similar

properties that have recently sold in the same area in your target market. These properties are known as "comps".

A local realtor can help you determine this very quickly, which is one of the many reasons why it's so important to build a solid house flipping team.

You can certainly find comps by doing research yourself – as there are many sites that can help you with this – but use those sites only as guides to draw comparisons to the information you receive from your realtor.

A few things to keep in mind when determining ARV:

- Only look at houses sold and not ones just for sale
- If possible, focus on houses that have sold within the last 6 months

- If you cannot find another property that's similar to yours, find a similar property sales price, and then divide the sales price by the square footage. Then multiply that number by the number of square feet in the property you want to flip.

For example, if a property just recently sold near the property you are targeting for \$200,000 and it had 2000 ft.² of living space with a similar sized lot, then you could use this information to determine the ARV:

- ✓ *Your target property:* 1,500 ft.²
- ✓ *Recently sold property:* 2,000 ft.²
- ✓ *Sale price:* \$200,000
- ✓ Square footage calculator:
 $(\$200,000 / 2,000 \text{ ft.}^2 = \$100/\text{ft.}^2)$

- ✓ *Potential ARV of target property:* \$150,000

$$(1,500 \times \$100/\text{ft.}^2 = \$150,000)$$

- Adjust the price upward or downward based upon bathroom and bedroom numbers
- Look for other properties that have similar lot sizes in your comps, factor in water views as well
- Look for updated features like newer kitchens, heating systems, roofs or new baths, and then adjust upward or downward accordingly.
- Drive the neighborhood where the property is located and simply ask the neighbors about the neighborhood. Oftentimes people in the neighborhood are tremendous sources of information in gauging the ARV of a particular property.

Buy Right Using The 70% Rule

Some would say that the purchase is the most crucial individual step when flipping houses. So to assure that we do this correctly with minimum downside risk, we use ARV to determine how much to pay for a property.

The first step in buying right is determining your repair or rehab costs, which we will cover in the next section. You can do this by getting an estimate from the contractor you plan on using.

Once you know your house flip repair costs, then you can start doing your ARV analysis to determine what you should buy the house for.

In order to lock in maximum profit, it's vitally important to base your offer on a specific set of parameters and don't deviate from them.

There are a number of ways in which to do this, but the best way is to use what we call "The 70% Rule". I've used the 70% rule countless times and it is rarely failed me in

either avoiding a bad purchase or making significant profits.

The 70% Rule in Action

Let's say you have determined with your real estate agent that the ARV of a certain house you are considering buying is \$200,000. There are several comps in the area, and indicate that \$200,000 is a fair price, and this recent sales data gives you confidence that you can get the same price for your property.

So here's how the 70% rule works:

1. Determine Your 70% Rule Amount

Take the \$200,000 and multiply it by 70%

$$ARV = \$200,000$$

$$70\% \text{ Rule: } \$200,000 \times .70 = \$140,000$$

2. Determine Your Buy Price

Deduct your repair costs from that \$140,000. Let's say repairs will cost \$40,000.

If the repairs are \$40,000, then using the 70% rule, you know that the maximum price you want to pay for this house is \$100,000.

Repair costs = \$40,000

70% Rule = \$140,000

$\$140,000 - \$40,000 = \$100,000$

Maximum buy price = \$100,000

By using the 70% rule, you have now determined that the maximum you want to pay for this house is \$100,000.

3. Determine Your Offer Price

\$100,000 is NOT your offer price.

You will want to offer the seller *a percentage below your 70% rule buy price.*

We typically use 20% or even 30% under what we want to pay to start the negotiations with the seller.

So in this case, *we offer \$70,000*

You'll most likely go back and forth with the seller, haggling over price and other concessions with the seller. But by offering a buy price of 20% to 30% *below* what you ultimately want to pay, this ensures that you'll be able to make a profit when flipping this house.

When we cover selling your house flip, you'll see why in the next section.

You may even find that the seller may accept your first offer, which does happen at times;

especially if the house is distressed or seller is looking for a quick sale.

Why The 70% Rule Works

Think of the 30% gap in the 70% rule is like a safety net or a cushion to minimize unprofitable deals and to ensure you make a profit on the sale.

Bear in mind that closing and holding costs, plus any unanticipated downward market pressure may leave you with less profit. But the 70% rule cushions you against potential profit loss.

Other Costs

To give you an idea of your possible finance carrying costs, look at the average days on the market from the comps to determine how long you may need to carry your house flip.

For example, if you are doing a house flip with no money and you're carrying a loan amount

of \$1,000/month from your lender, and the average selling time is 120 days, then your average financing cost will be roughly \$4,000

After you do this a while you will start to get a level of familiarity and will be able to determine quickly and easily – and oftentimes within a few hundred dollars – how much your chosen house flip will cost.

Repair and Rehabilitation Costs

Rehabilitation and repair has the potential to be the largest cost involved in house flipping. Many house flippers will be tempted to do at least some rehab to keep costs low.

But when you are just learning how to flip houses, oftentimes it is best to get some professional help in this area by hiring a licensed general contractor.

We discuss rehab costs in detail in the next section.

Realtor's Fees

When the property sells, you'll most likely have to pay a realtor's commission payment. However, this typically comes out of the income from the purchase of the real-estate property or house. This rate is usually around 5-6% of the selling price.

Carrying Costs

Although you can get a rough estimate of finance carrying costs in the ARV using average time on market, you also need to determine other carrying costs including:

- Property Taxation
- Electric, Gas, Water and Insurance
- Maintenance: lawn maintenance, snow removal, etc.

When determining how much it costs to flip a house, the longer you carry that property or

house in your name, the more of these house flipping expenditures you'll have.

There are many factors to consider here, but in the end, the more houses you flip, the better you will understand exactly how much it costs to flip houses.

Also, don't forget to lean on your house flip master mind group as well to get ideas and check your numbers. The more you know going into any house flipping project, the more you are likely to turn a solid profit.

STEP #4: Manage the Rehab



When first learning how to flip houses for profit, you'll find that controlling your rehab costs is just as, if not more important than what you pay for the property.

As we have discussed before, there are pros and cons of using a general contractor versus hiring subcontractors and general contracting

or "GC-ing" the house flip yourself. When you are first learning how to house flip, cons of doing the rehab yourself far outweigh the pros. Additionally, most states and towns will not allow you to pull the permits needed on large remodels.

However, if the repairs that you need to complete on the house are relatively minor and only need perhaps some new plumbing work, new electrical work, painting and flooring, it's most likely that you won't need to hire a general contractor for these kinds of house flips.

With larger remodel house flips, it's best to use a general contractor, especially when you are first starting out.

House Flipping With a GC

Some real estate investors may disagree on this point, but I think the biggest benefits, among many are:

- **Hidden Costs:** A general contractor may at first *seem* to cost you more money, but this may not be the case in the end. True, you do need to pay him a percentage of the work that's being done, but that expense may prove to be minor in the overall scope of things. This is especially true if he can assist you in controlling costs and keeping the project and all the subcontractors running smoothly.
- **Singular Point of Contact:** By having a general contractor, you only deal with one person on your remodel instead of potentially dozens of individual subcontractors. When you're managing a larger remodel all on your own without the benefit of a general contractor, this is a tremendous amount of work unto itself. Your time is better spent hunting down new deals in working on your business.

In the below examples, we will include the usage of a general contractor, especially when doing larger or more extensive remodels.

However, there are a few ways in which you can control what you spend for the rehab, while locking in maximum gains in the process, which we will outline in detail here.

The Importance of a Tight Rehab Budget

Utilizing a master budget spreadsheet is a good way to keep track of the repairs needed and all the moving parts with relation to the rehabilitation. Your general contractor can use this spreadsheet to keep the job moving forward, as well as provide a snapshot for you as to where you are in the remodel process.

In pricing the rehab, the general contractor may need to get multiple estimates from multiple subcontractors like electricians, plumbers and painters, in order to meet your rehab budget.

As you gain more and more experience house flipping, you'll start to be able to estimate how much each part of the rehab may be. However, in the beginning your general contractor will supply you with these figures as you are determining your rehab costs.

Also, as you work with the same general contractor over and over, you'll start to get a quick sense as to how much parts of the job will cost; just as long as his subs keep their prices in check.

Make Final Checks on Cost of Repairs

After you receive all your estimates and finalize the scope of work needed to be done from your contractor, it's then time to plan a time line for completion. Sticking to this timeline is of utmost importance, it's important you get everyone on board in order to adhere to it.

A few tips on house flip timelines:

- **Accountability:** You must do everything in your power to hold your contractor accountable for the prices he originally gave you. Nothing is worse when learning how to flip a house than an under-budgeted repair that blows your budget.
- **Final Walk Through:** Do a final walk through with the contractor, making sure they have not left out any small details or potential cost over runs. Tell them that you are counting on them to keep to the prices they've quoted to you. Remind them that you'll be doing many more house flips in the future and you'd like them to be involved. This is often a very good motivator, especially when the market is slow.
- **Get Two Estimates:** Make sure your contractor tells you about any unforeseen repairs. If there are potential

repairs lurking in concealed spaces, ask him about the potential for cost overruns. Especially if there is the potential for additional costs, get prices for both scenarios and factor those numbers into your equations.

Less surprises = better margins

The bottom line is that there is no way to foresee every potential cost overrun. However if you use the above tips, you can lessen the chances of encountering cost overruns and ultimately earn more money.

Set a Definite Time Line for Completion

As soon as you have your budgets and costs finalized with your contractor, it is time to finalize the time line. Remember that whether you are just learning how to flip houses or have been house flipping for twenty years, the less time you spend between the purchase and the sale, the less you're carrying costs and the more money you will make.

Here are a few things we recommend when ironing out time frames with your contractor:

- **Subcontractor Meeting:** Make sure your GC gets all the subcontractors together and has a formalized meeting to review the entire schedule of repairs. In this meeting, your contractor should discuss the best order for all the subs to work together in order for the project to proceed as smoothly as possible. Make sure he sends you a copy of the schedule from this meeting.
- **Manage the Schedule:** After the Subcontractor Meeting, have your GC set a schedule with dates and have the contractor give the schedule to all the subs. Make sure he clearly communicates his expectation that everyone must meet the dates agreed upon in the Subcontractor Meeting.

It's also a good idea to include everyone's cell phone number on the individual schedules to help with communication. More importantly, make sure each sub knows that any changes or delays in the project are not to be made without your contractor's knowledge or approval.

- **Exterior First:** Begin with the end goal in mind, namely selling the house. To get the house looking as saleable as possible, start the rehab on the exterior of the house first. Just some new shingles and some trim work may be enough to spur some inquiries on buying the house when it's complete.

Make sure you place a sign out front that forwards to your phone number so you get the calls. This tip alone *could save you thousands in real estate broker charges.*

- **Speed Is The Key:** The quicker the sales process the better. The main idea is to get your house flips rehabbed and ready for sale as quickly as possible without sacrificing quality.

There is a time cost related to the house flip; finance charges, taxes, insurance, etc. - so the faster you turn around the house, the more you'll make in profit by minimizing your soft costs.

Time and speed are largely dependent on the amount and depth of the repairs being done; so the more rehab work that needs to be done, the longer the job will take.

If you are doing simple repairs, like exterior painting, carpet replacement, appliance updating and landscaping, the house flip shouldn't take more than a couple of weeks.

However, if you are doing an entire rehab, installing a new roof, new siding, interior frame outs, major electrical and or plumbing,

insulation and foundation repairs, then the flip may take two to three months...or longer!

Whatever you do, make sure you factor in these kinds of repair expenses into your master spreadsheet and account for extended finance charges and other soft costs.

In many cases, you may want to factor into your equations different scenarios based upon time to sell the house. Each one of these scenarios should be mapped out ahead of time so that you can plan for nearly any possibility.

When first learning how to flip houses, be very conservative in your estimates at first. Go for house flips with modest amounts of repairs so you can lock in profits. As a general rule, any rehab that may take longer than two months is not recommended when just starting out. The more rehab work you do, the more chances for cost over-runs, especially when you're first getting started in the business.

Manage your contractor tightly, make him stick

to his word and control your rehab costs as much as you possibly can. He in turn, needs to manage his subcontractors tightly as well. Remember that if you promise him additional work on your next flip, he'll be extremely motivated to work within your budget constraints. When you dangle other potential work for him with subsequent house flips you tackle.

STEP #5: Sell and Profit



The final step on how to flip a house successfully is the most obvious one...sell!

Finally, after months of hard work, it is time to sell. Although many real estate investors sell their completed house flips themselves without the assistance of a real estate agent, I prefer to hire a qualified real estate agent to sell my properties. They are the professionals,

and I know that in the long term, hiring them will help me sell more properties and make me more money.

Working your current network of contacts is a good way of finding a real estate agent you can trust. And if you already have one on your house flipping team already, especially when you are first buying the property, then now is the time to potentially enlist them to sell the property as well.

Hire a Real Estate Agent

When searching for a real estate agent, be sure to double check their marketing plan. Ask them how they will be marketing your property.

Will they be using signs, direct mail, open houses, newspaper ads and the Internet, social networking to market your property?

Interview a number of real estate agents until you meet someone you feel comfortable working with. You need to feel confident that

this person can help you sell your house as quickly as possible. Real estate experience, as well as experience selling properties in the area where your property is located is obviously a plus, but don't be blinded by experience alone. There are plenty of real estate agents who have lots of experience, albeit the wrong kind.

While your real estate agent is actively marketing your property, in the meantime, you can be on the lookout for your next house to flip.

Having a phenomenal real estate agent working on your behalf is a powerful asset in the house flipping business. You can increase the chances of a quick and profitable sell by also doing a little salesmanship of your own.

Keep Your Promises

A word of caution here: If you bought the original property through a real estate agent and promised that same real estate agent the

listing when you sell, your credibility is on the line. Make sure you keep your promises, because in the house flipping business credibility is everything.

Ideally, you want to buy and sell through the same real estate agent, as this makes everything clean and simple. If that real estate agent did the original ARV when you bought, then all they need to do is a current market analysis to determine the value of the property today.

Circumstances will vary, but as important as getting a good sale price is, it's far more important to keep your promises and your reputation intact.

Strategies to Sell the Property

Now that you have your real estate agent to sell the property and they do their current market analysis, there are now two possible scenarios:

1. The property's value has *increased* from the original ARV
2. The property's value has *decreased* from the original ARV

Obviously, the first scenario above is the most preferable one. Should the second scenario occur, but because of the 70% rule you utilized in buying the property, you have flexibility and cushion against unforeseen conditions such as this. Should any downward market momentum occur, the 70% rule largely safeguards you against potential loss.

This is obviously another reason why we try to flip properties as quickly as possible so that we are not caught in any downward market conditions. Not only that, but the quicker you sell a property, the lower your soft costs are, as we have discussed previously.

If the market analysis does come out to be lower than your original ARV, don't fight the market. Trust your real estate agent to give you a fair market analysis price.

In the end, if you list the property above fair market value, in most cases you'll end up spending more money in soft carrying costs because of holding on to the property longer. And the longer you carry a property, the higher your carrying costs or "soft costs" will be.

For example, let's say you have a property with a \$100,000 loan at 10% interest you're trying to sell. The longer that property takes to sell the more you pay in interest. Here are three scenarios:

- If it takes you 6 months to sell, your interest would be *\$5,000*
- If it takes you 9 months to sell, your interest would be *\$7,500*
- If it takes you 12 months to sell, your interest would be *\$10,000*

You can see that the longer you hold onto the property because you may not have priced it according to what the market will bear ends up costing you more in the end. And this does not factor in other carrying costs like real estate taxes, insurance, utilities, maintenance, and any other fees.

The longer you hold on to the property, the greater these costs become. And if you have not priced the property according to the market analysis, there is a greater likelihood that your profits may evaporate as a result.

So take the advice of your real estate agent in pricing the house. Price it according to the current market conditions, not to what *you want* those conditions to be.

Closing Thoughts



I hope you have found this eBook to be helpful.

If you are reading this, then you are most certainly on the right track. You took action and completed an important step towards flipping your first house, or improving your already established real estate business. Nice work!

Of course, the learning does not stop here. Personally, I am constantly learning new real estate investment strategies to increase my knowledge of the business and improve my craft.

My hope is that you do the same and that this e-book is just the start of your accumulation of knowledge to ultimate success and financial freedom by flipping houses.

Just when I think I have it figured out, something new comes on the scene that changes the game. That's why it's so important to stay on top of current trends and consistently enhancing your skills and knowledge and then testing that knowledge by taking action in the real world.

It wasn't long ago that I was in your shoes.

I wish that when I started I had a real estate mentor I could lean on when times got rough

for advice and help me to shorten my learning curve.

Even though I was never fortunate enough to have that...this is what I am offering to you, no strings attached

So please feel free to reach out to me for any reason. I'm happy to help you in any way I can. In fact, nothing makes me happier and gives me more satisfaction than helping others to succeed.

My promise to you is that I'll do whatever I can to help you succeed in your house flipping career.

Of course, you can reach me directly by commenting on any of our blog posts at the [House Flipping School](#) blog, where you can get tons of free tips and techniques on how to flip houses at:

<http://www.houseflippingschool.com>

Or you can reach me directly at:

mike@houseflippingschool.com

Hope to hear from you soon.

See you at the top!

Mike