

Flipping Homes for Profits

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Flipping homes isn't something you get in to on a whim. There's money to be made, but you'd better have a plan, plenty of good connections and know what you're doing. The television house-flipping gurus make it look easy, but it's risky, physically grueling and mentally stressful.

But flipping can also be fun and monetarily rewarding if done right. Many people make a fortune flipping houses, but a few bad decisions can make you lose your entire investment.

House flipping requires a lot of hard thinking before you actually jump into the fray. It's possible to purchase properties for greatly reduced prices, invest some money into turning an ugly frog into a handsome prince and then resell it to make a profit if you do it right.

You need to understand the basics of house flipping, how to find locations with the best potential for flipping, how to build connections you'll need for repairs and renovations, financing and other options to help you save money.

Plus, you have to understand mistakes you'll want to avoid when flipping houses. Flipping houses might be great for you if you love making old things new again and have a knack for seeing the potential in run down real estate properties.

But it takes much more than just being able to see potential in homes. Educating yourself in the house flipping process is the first step in realizing your dream and there are several basic things to understand.

The Key to Profiting on a House Flip

Successful house flippers know how to find highly discounted properties and resell it for a profit. These homes are usually worth more than the asking price, but are in need of repairs.

Some might be foreclosures offered at a price far below the actual market value. The first thing you must do to begin house flipping is to search the market and see what is available.

Look at as many listings as you can to get an idea of the availability in your area. Compare homes for the best value as you're searching. If you're a beginner at house flipping, begin small.

Purchase a home in a more established neighborhood and one where homes have recently sold at a good price. Choosing a home that won't be difficult to sell later can boost your self-confidence when flipping future houses.

There are online foreclosure listing services which contain listings throughout an area – plus, data about each property so you can compare prices and other information. Do a bit of research into what is desirable to buyers and look for a foreclosure that has at least some of those criteria.

After you purchase a house and have done an assessment of what needs to be renovated before reselling, it's time to get to work. You may be able to do some of the renovations, while others may require the services of a contractor.

Before you begin the renovation process, get the required permits. You should know which ones you need and how to display them on the property. If you don't perform this critical step, you may experience fines from your city's inspectors and delays that could ruin your house flipping plan.

Setting a timeline for projects is helpful because it lets you and your contractors know exact deadlines and the designated budgets for each home project. Know your contractors before you begin the renovation.

You don't need the costliest contractors and the most expensive and high-quality materials. Rather than hire a professional interior designer, you can use the staff designers in home-improvement stores.

Most of the time, the design help is free if you purchase the materials from the store. Other ways to save money could be hiring moonlighting contractors or students to provide some of the services at a fraction of the cost, purchasing discontinued or overstocked building materials and builder's grade materials.

Invest in some power tools that will save you time. For example, a heat gun can cut your time drastically when stripping wallpaper and a power washer lets you clean decks and siding in a flash.

Be sure to charge your purchases on a rewards-back credit card so you can enjoy some fruits of your labor after it's all said and done. If you're planning to flip the home within a tight timeframe, you'll need to be able to call on trusted contractors quickly and depend on them completing repairs quickly and correctly.

Know your contractors. Most house flippers would agree that they usually need to tweak their schedules several times during the renovation process because of unexpected happenings.

And most would also agree that the biggest challenge in completing a flip on schedule is finding contractors that will complete the work quickly. Sometimes a contractor must finish one job before beginning another.

There are so many parts involved in the renovation process that you have to be ever-present on the job site to see if it's being done correctly and lend a helping hand when necessary.

After the renovations are complete, you'll need an expert to help you assess how much the house will fetch on the market. Then you need to list the home and wait for an offer. Make sure you have a trusted real estate agent to help you with this process.

Try to make good decisions that will move the house quickly, but be prepared to wait it out. Some things that can't be controlled may greatly affect the time it takes to flip a house.

Locations with the Best Flipping Potential

When evaluating a neighborhood for the best flipping potential, you should begin by thoroughly researching nearby neighborhoods for their potential or in a booming city that's expanding and improving.

Know what makes an area valuable by taking note of the amount of recent real estate sales, indications of rising employment and especially the rating of schools in the area. Families with small children tend to flock to areas where schools have high ratings.

Hiring a real estate agent who specializes in Real Estate Owned (REO) properties is a good idea at this point. These agents are experts in properties in which the owner has defaulted in the loan and is now held by the lender.

The extensive foreclosure process and possible eviction have likely caused the property to be neglected and run down over a period of time. They'll usually be sold at below market value – making them good investments for house flippers.

Working with a realtor who specializes in this type of property can give you an inside track on what is available within certain geographic locations. Investment groups are also good resources for house flippers.

Search your local investment groups' websites and monthly newsletters for listings and advice on property investment. Some of these groups hold educational real estate seminars and other methods to help you know how to locate opportunities in your area.

Working through a wholesaler who makes it their business to find rehab homes is also a good way to locate houses to flip. These wholesalers usually put the homes under contract and then procure a buyer who takes over the original contract and pays a fee to the wholesaler for finding the property and beginning the process.

The Internet is also a great resource for finding foreclosures, neglected properties and short sales. Some lists have to be purchased, but some are

free and can be a convenient way to find homes to flip without too much effort.

Purchasing a property to flip at a sheriff's foreclosure sale is a good way to get in on a cheap deal – but only if you have cash. There is risk involved - since you can only see the property from the street and can't examine it indoors.

Apply some extra effort in finding a house that's right for you to flip among the available options. It can be a challenging, but rewarding process. Explore the various ways to find a house in your area and you'll surely reap the benefits.

Build Connections That Can Help You Flip Houses Fast

One of the best things you can do to ensure the success of your house-flipping venture is to find a successful house flipper and ask him to mentor you. Offering an incentive - such as a small percentage of the profit on your first flip - could be a good way of motivating the flipper and getting the most from your relationship.

Even if you don't have a mentor, you must cultivate relationships with contractors who can transform your ugly mess into a home that someone can be proud of owning. Choosing the wrong contractor can bring untold amounts of headaches and regrets, so choose carefully.

Keep in mind that contractors can't be found in a central place, sitting around and waiting for someone to hire them. One good place to begin your search is the Real Estate Investment Club (REIC).

These members invest in real estate and can provide you with referrals that have a good reputation. Your local Home Depot or Lowes can also be a good place to find contractors.

You can recognize them because of the high amounts of housing supplies they're purchasing. Strike up a conversation with them, take a business card and check out their reputations later.

Driving around booming neighborhoods and other areas of the city can also reap contractors who are at work. Look online for local contractors and then contact them by phone.

Be sure and get references and locations of properties they've completed. However you choose a contractor, be sure to get three bids by three different contractors. Check out the quality of their work and learn how to formulate a price sheet to document the rates you're willing to pay.

The pay scale is usually on a square foot basis for such items as paint, flooring and other items and individual prices for such tasks as installing blinds, granite and appliances.

Always work with contractors who are licensed and insured and if you must work with sub-contractors, let your head contractor deal with them. Only having one contact will save you much time and many headaches.

How House Flippers Save Money on Financing Their Investments

When you're a house flipper, you're investing money in a commodity that can turn out to be a great investment or a complete flop. If you want to flip houses, you'd better know ways to save money and reap the highest profits possible.

Unless you have cash, you're going to need to secure money for a loan. Check out your bank to see what they can offer, but also pursue other means such as credit unions, HUD and the VA.

Sometimes, even if you don't qualify for a certain type of loan, there are incentives and lower interest rates offered to those investors who help restore rural or urban areas that are in need of repair.

The best strategic loans for a house flipper will usually be short-term loans that are issued with a lower interest rate, but higher down payment. Working with a loan officer to ensure you get the right loans for you is essential in the house-flipping process.

There are so many costs to fixing and flipping houses that you need to choose the best option for you. Remember, you'll need to pay contractor, broker and listing fees, repairs, holding costs and much more.

Make sure you research your options - which may include some methods you haven't explored. Choose a loan based on your situation. For example, if you're a flipper who needs money quickly, you might choose a hard money or private money loan.

Research this type of loan to learn more about how they're funded and if you qualify. If you consider yourself a "fix and flip" type of investor and have a significant amount of equity in your investment, a cash-out refinance option may be your best choice.

This option involves you, as the investor, refinancing the property to finance a new property for an investment by extracting equity from the existing property. A home equity line of credit (HELOC) is a good option if your home investment is currently occupied and you don't have a specific project as yet.

You can use this loan much like a credit card – where you're issued a line of credit based on the assessed price of the home and the interest is based on the amount you borrow until the entire amount is repaid.

The best option for buy-and-hold investors might be the permanent bank loans and online mortgage. This option doesn't usually work for fix-and-flip investors who are looking for a short-term investment.

Mistakes to Avoid When Trying to Profit from House Flipping

It's not only risky, but expensive to invest money in real estate. One mistake new flippers can make is not underestimating how much money is needed. You have acquisition costs, future interest to pay on the investment (not 100% tax deductible), repairs, holding costs like utilities and finally, capital gains taxes.

Some of these costs are hidden and some are obvious, but each can cut down on the amount of profit you can expect. Many house flippers don't

properly estimate the costs involved and end up having to ditch their efforts because of lack of money.

Another mistake you could make is overestimating the skills you have to flip a house. You may have the enthusiasm, but realize that most of your profits come from sheer sweat equity.

If you have to pay professionals to do most of the work, your profits will be greatly reduced. Do you know the real estate market in your town? Not having enough knowledge of properties, locations and prices in a neighborhood can set you back and reduce your profits.

You also need to know about renovations – which are critical and which are not. You can't flip a house effectively unless you have the time to put into it. It may end up taking months to find and purchase a property.

Then, you have to invest time on renovations, inspections and selling the property. Make sure you're ready to devote the time needed to flip houses. Have patience. Many a fledgling house flipper has failed because of lack of patience to finish the process.

They don't wait for the right property and jump in before it's time, hire contractors without checking them out first and need to hire a realtor to sell the house. Professional house flippers do most of the sweat work themselves and use the "for sale by owner" technique to minimize costs and provide the most profits possible.

Know that you can't just slap some siding on the outside and paint the inside and make a fortune. No matter how much you prepare and research in advance, house flipping will likely end up being much more difficult than you thought.

But, although there are some risks and learning curves, there are also great rewards. If you can handle all that's involved and have a passion for the house flipping process – it might be enjoyable (and very lucrative) for you.



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