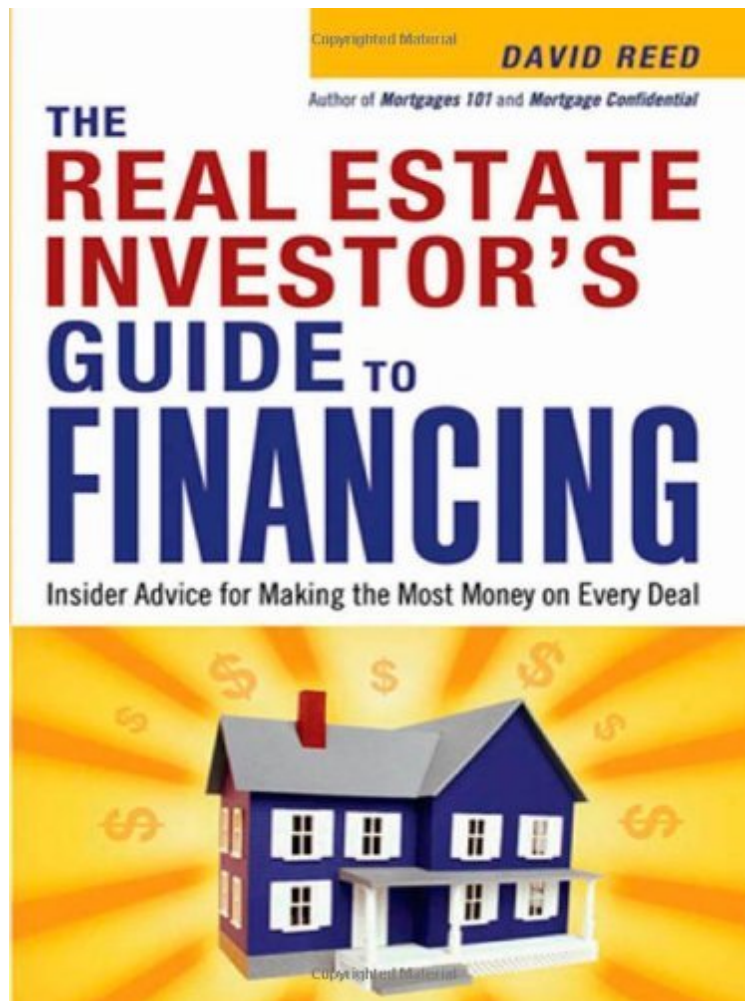


(Mobile library) The Real Estate Investor's Guide to Financing: Insider Advice for Making the Most Money on Every Deal

The Real Estate Investor's Guide to Financing: Insider Advice for Making the Most Money on Every Deal

David Reed

ePub | *DOC | audiobook | ebooks | Download PDF



 Download

 Read Online

#634324 in eBooks 2008-03-05 2008-02-20 File Name: B001BY9R0I | File size: 32.Mb

David Reed : The Real Estate Investor's Guide to Financing: Insider Advice for Making the Most Money on Every Deal before purchasing it in order to gauge whether or not it would be worth my time, and all praised The Real Estate Investor's Guide to Financing: Insider Advice for Making the Most Money on Every Deal:

3 of 3 people found the following review helpful. Easy to Understand By Bobbimr I read a lot of real estate books on investing because I enjoy it. However, I really do not like taxes, mortgages or numbers...my mind tends to wander off. But I knew I needed to understand financing and this book was the best! This man is a born teacher and made mortgages interesting for me...if he was teaching any class I would sign right up! I also felt his advice made sense. 2 of 2 people found the following review helpful. good book written in simple language By Premdheepak S. Periyasamy good book written in simple language, not a whole lot of confusing finance or real estate jargon, simple

language is appealing for a newbie to real estate like me. Also this focuses more on smart ways to financing for real estate than pushing the authors agenda. 0 of 0 people found the following review helpful. Financing real estate By Jacob Cherian The real estate investor's guide to financing shows you all the financing methods for buying and holding rental properties for long term investors not flippers. If you want to buy all types of investment properties and get loans or mortgages and financing options for them this book tells you how.

To make real money, investors need the right financing. And as they buy multiple properties, their debt equity rises and it becomes more difficult to get financing. As many investors have learned the hard way, getting the wrong financing can wipe out their profits, hold them back from selling because of a lack of equity, or force them to try to sell for more than the market will bear. "The Real Estate Investor's Guide" to financing is the one book that shows readers how to get the right financial package for the biggest return on their investment. As a respected author and mortgage banker, David Reed has spent more than twenty years helping investors finance their properties. Complete with advice on creative financing and a glossary of investment terms, this is the one guide that will help readers avoid the mistakes that can derail any deal, and start making real money.

About the Author David Reed (Austin, TX) is a seasoned mortgage broker and a columnist for Realty Times and Mortgage Originator magazine. He is the author of Mortgages 101 (978-0-8144-7245-3), Mortgage Confidential (978-0-8144-7369-6), Your Successful Career as a Mortgage Broker (978-0-8144-7370-2), Who Says You Can't Buy a Home! (978-0-8144-7340-5), and Your Guide to VA Loans (978-0-8144-7435-8). Excerpt. copy; Reprinted by permission. All rights reserved. C H A P T E R 1 Basic Finance for the Investor While there are certainly plenty of real estate books on the market that specialize in real estate investment, those same books fall short when it comes to one of the most important aspects of real estate investing: financing. Buying real estate as an investment can bring great rewards. Holding real estate and watching its value rise over the long term is a nice way to retirement for many people. One of the advantages of real estate can also be a disadvantage, however. It's not a liquid asset. You can't get your money out of it as easily as you can get money out of an ATM. If it's a stinker, you have to sell it, and that takes time and it takes money. You can't just change your mind because of a heavy dose of buyer's remorse, take your receipt for your investment condo back to the store, and get your money back after saying something like, "Well, it was the wrong size, and my aunt gave me one for Christmas." Real estate investment needs commitment. You need to decide that it's right for you before you get involved. There are two different types of investors: those who buy and hold, and those who buy and sell quickly, a process that is often called flipping. Flippers attempt to find bargains, fix them up, then sell them for a profit. And these two types of investors are not exclusive; you can both be a flipper and hold for the long term. Flipping brings a whole new element to real estate investing compared to simply holding onto property for a long period of time, then either selling it when you think you've made enough money or keeping it and passing it down to your grateful heirs. Flipping requires more than just buying; it requires you to know how to make repairs on a home and evaluate how much of a return in the form of increased value those repairs would generate. Or maybe the issue isn't just increased value but simply making the place livable. Flipping requires different financing strategies from those used for long-term investments. Any real estate investment book you read concentrates more on either finding, fixing, and flipping real estate or finding and keeping real estate while paying little attention to the financial aspect—perhaps one of the most critical pieces of the real estate investment puzzle. Getting the wrong financial package can wipe out your profits, hold you back from selling because of lack of equity, or perhaps require you to sell for more than the market will bear because of the bad loan you got when you bought the property in the first place. If you're a flipper, financing is critical. If you're long term, financing is also critical, but at least in long-term deals you can always refinance the property down the road if you made a bad loan choice in the beginning. We'll discuss refinancing investment properties in detail in Chapter 4. But then again, because you're reading this book, you won't be making those mistakes, now will you? One advantage that a long-term investor has is the ability to buy in other markets. Let's say, for instance, that your local real estate market is humming right along. You know that you can find a property, fix it up, and sell it for a profit. Or maybe your market is really moving and you can find a piece of property that takes absolutely no work (or very little), and because of the real estate demand in your area, you know you can make another 10 percent on your investment. You know you can do this because you know your market. You know the neighborhoods. You know the contractors who work on your properties, or if you do most of the rehab yourself, you can drive to the job site every day. That's not true if you're buying in Texas and you live in California. Yes, you can fly in and look at properties, but if you want to fix and flip, you've got a brand-new problem. How do you find someone you trust to be the contractor while you're a couple of time zones away? How do you monitor the contractor's progress? How do you pay the workers, and how do you make sure they're not sitting around drinking beer all day long while you're frantically trying to get your contractor to return your voicemails? The truth is, you can't. If you're a flipper, then a long-distance rehab project may not be for you. In fact, if you were planning on making \$20,000 on a nice little flip, then all the labor, plane fare, and headaches

won't be worth it at the end. Yes, you can be a long-distance flipper if the properties you're buying don't need any work and you think you can sell them quickly and for a profit. Yet, you're not local. You're not the only real estate investor, and there will be local professional investors who can sniff out a flip a lot more quickly than you can simply by being where the property is. By the time you've found a potential investment, gotten on the plane, and rented a car to look at your potential investment, if it was such a good deal, it's probably been snatched up while you were checking your bags. I will note that sometimes faraway investors can have the upper hand when they're in a part of the country that is doing better economically than the locale they want to invest in. For instance, a town may have experienced some huge layoffs as a result of downsizing, creating a significant economic hit. If you are living in an area that is not depressed, you may have more disposable income and be able to buy a house for less than market value. But even then, as a flipper, if you invest in a depressed area, who are you going to sell to—another flipper? If the local economy you're buying into is in the middle of some major economic upheaval, then home buyers aren't exactly going to be lining up along the street waiting to bite on that "bargain" house you found. Many of the people in the town where you found your bargain have, unfortunately, been laid off. Being a long-distance flipper, then, is a challenge. You don't know the area as well as the locals do, you can't monitor your project efficiently, and it's hard to find buyers in a depressed market. On the other hand, such opportunities bode well for long-term investors. If you see that a certain area outside where you live is going through some difficult times, you can find a bargain house and hold onto it, waiting to sell until the economy recovers. I own a home in Austin, Texas, that I bought in the late 1990s. The seller was an investor from California who had bought the house some 10 years earlier—right in the middle of the SL debacle. Combine that crisis with an oil and gas industry that was suffering through perhaps one of its most trying times, and you can see why real estate in Texas was depressed. The investor bought in 1988 during an economic downturn in Texas and sold 10 years later, doubling his money, after the economy recovered. He was long term. Not just that, but the property I bought was listed as a "fixer-upper" that needed some "tender loving care," meaning that it had its challenges. In fact, the California owner had never lived in the property but had rented it to various people for the entire decade. When I bought the house, it needed some work. The carpet was old, the tile in the kitchen area was coming up, and the entire house needed some significant updating—Significant with a capital S. My wife and I had been looking in that particular part of Austin for nearly a year, trying to find the perfect deal. We had seen so many similar houses that we knew immediately that the property was a steal. The property had been listed, and within 24 hours of its original listing, it had had three offers—all from locals. We not only offered the asking price but also bumped it up by a few thousand dollars (because we knew we had found a bargain) and won the bid. We bought the home, completely remodeled it, and turned it into a very nice piece of property. We still own the home today, and the property has appreciated nearly fourfold since we bought it. And I doubt that we will ever sell it. Okay, we will, but not for a long, long time. I know the area, and it's a keeper. Sometimes people get into real estate investments by accident. For instance, you find a house you really, really want to move into, but your current property isn't selling for what you'd like to sell it for, so you keep it and rent it out. Or perhaps you inherited a property from a relative and decide to keep it long term and not sell right away. Occasionally life simply causes you to get into real estate when you had no initial motivation to do so. You'd never thought of it, and now you're in it. And you find out you like it!