

The Ultimate Guide To

FIX & FLIP

INVESTING



FIX & FLIP INVESTING

One of the most exciting and prosperous real estate investments is the fix-and-flip.

Buying a home that needs some work - below market value, making repairs and then selling it for a **profit** is both fulfilling and financially rewarding.

This guide will provide **expert tips** and trade secrets that will ensure you get the most out of your investment.

By following these tips, you can turn flipping houses into a viable money-making opportunity.

Step One: Understanding How Fix and Flips Work

Step Two: Familiarize Yourself with Your Market

Step Three: Learn Where to Look for Properties

Step Four: Find the Right Lender

Step Five: Know Your Renovations

Bonus Content



Step One:

Understanding How Fix and Flips Work

You can make a lot of money in real estate, but one deal will not make you rich. In most cases, you will need the profit from your first house for the down payment on the second. Then you can pocket the difference.

This process is not quick and easy. Some homes will require quite a bit of time, labor and money to earn a sizable profit. According to most investors in this industry, the time between the purchase of a home and reselling can take at six months, sometimes more.

Overall, by setting realistic expectations, both in how much you can earn and how much you're going to have to invest, making a living from fix and flip homes is easier.

How Much Can I Make on a Fix and Flip?

While each deal is different, a good target is between \$25 to \$30K on a lower-budget project while higher-budget projects can easily earn 2x to 3x that total.

If you're just starting in the industry, it's best to aim small and build your network of real estate agents, contractors administrative staff, and a great lending partner. Once you have a few flips on your resume, you can start to expand and work on more properties.

The critical factor is quantity, not quality. So, putting too much of your time and energy into a single flip can be dangerous if you are not prepared.

If you want to earn over six figures in a year, you have to be working on multiple flips at the same time. Some high-risk ventures can earn up to six figures, but do not expect to make that much very often.

How Much Should I Spend on a Fix and Flip?

The various costs associated with a single property can vary greatly, but here are some common expenses to be aware of beforehand. When working with a lender, be sure to have an accurate assessment of your total cost before buying the house. This way, you can avoid most of the setbacks that might occur along the way.

Fortunately, Brass Financial Group is very experienced in Fix and Flip lending and can be a great resource to help you estimate your costs accurately.

The costs for a single flip can include:

Loan Costs (i.e., interest payments) - \$2,000 to \$8,000.

Property Taxes - \$500 to \$3,000.

Selling/Closing Costs - \$10,000 to \$15,000.

Insurance - \$500 to \$2,000.

HOA Fees (if applicable) - Up to \$6,000.

Maintenance Expenses (i.e., yard, plumbing, etc.) - \$250-\$1,000.

What you should notice about all of these expenses is that they do not include any repairs or upgrades. So, if you buy a home for \$150,000 and sell it for \$225,000, it is easy to see why your profit margin is relatively slim. This variance is one of the biggest reasons why it is crucial to do your research beforehand and to start small. Do not buy a property you cannot afford to flip, particularly when beginning in this industry.

How Long Does it Take To Flip a House?

Buying a Property	5-14 days
Fixing and Rehabbing the Home	2-4 months
Marketing and Selling the Home	2-6 months



Step Two

Familiarize Yourself with Your Market

Research is going to be your best strategy in the long term, as it will help you find better deals and price your flip accurately. One of the biggest mistakes that new investors make is overpaying for a home, which will likely lead to you losing money on the deal is. Here are the most significant elements you should be researching before getting into your first fix-and-flip:

Median Home Prices

Start paying attention to houses that are selling in the area so you get a sense of how much you can realistically make on a deal. For example, if the median home price is \$400,000, you shouldn't try to sell your flip for \$450,000. Once it's ready to sell, you need to close the deal as quickly as possible so you can move onto the next one. Also, the median price will tell you how much you should buy a property for so you can guarantee a decent profit.

Another element to look at is the average time a home stays on the market. If houses are selling within 30 or 60 days, that's a good sign. If properties take 100 days or more to sell, that's a huge red flag. You never want to get stuck with a house you can't sell, as that's a sure sign you'll lose money on the deal.

State Taxes and Closing Fees

Every state has different tax rates, so you want to calculate these costs as precisely as possible. If you're not a real estate agent, you'll have to budget up to three percent on closing costs with each project. Finding an agent you can work with regularly can help you minimize this expense, as the agent will likely lower his or her fee in exchange for volume sales.

Market Trends

How hot is the neighborhood you're working in? Is it up and coming, or on the decline? Also, are most of the houses already pristine? One excellent way to ensure that you can make more money on a flip is to buy in an area that will appreciate over time. While you should never build appreciation into your estimates, hotter neighborhoods can work in your favor. Once the house is ready to sell, you'll likely get more offers, enabling you to negotiate for a higher price.

Step Three

Learn Where to Look for Properties

Another mistake that many new investors make is combing through the multiple listing service (MLS) sites like Zillow. These pages are designed for homeowners, not those trying to fix and flip. The MLS is not a useful resource because any profitable deal will get snatched up by a more experienced investor. Since real estate is highly competitive, you have to work faster and smarter than everyone else.

Since the MLS is not a viable solution, here are some tips on how you can find new properties to flip.

Find Wholesalers

Most markets will have companies that buy houses for cash and then sell them to investors. In many cases, you can get a great deal on a property without having to do the legwork. Fortunately, finding these wholesalers is relatively easy, as a search for companies that buy houses can turn up various websites. All you have to do is reach out to them and let them know that you are interested in purchasing a wholesale property.

Market to Motivated Sellers

One of the best ways to find a cheap home is to work with a motivated seller. There are a few reasons why someone has to sell the property quickly:

- Foreclosure.
- Death in the family.
- Moving out of state.
- Downsizing.

If you can create and cultivate a list of individuals who meet these criteria, you'll have a much better chance of making a good deal. At first, it might seem like you're taking advantage, but the fact is that you're providing a solution. If an individual is about to lose his or her house, offering a cash payment can help that person find a new place to live. If someone recently died and left the property to a relative, you can make the process much easier by eliminating this significant source of stress.

Find “Ugly” Houses

Although it may seem counterintuitive, something as small as a bad paint job can significantly depreciate the home’s value. Many new homeowners want the house to be “move-in” ready, meaning that everything from the color to the layout is already optimized.

Use this tactic to your advantage. Houses with a lot of cosmetic problems are going to be relatively cheap and cost-effective to flip. A new coat of paint is more affordable than resetting the foundation or tearing down a load-bearing wall.

Buying ugly houses is also a great way to get into this industry. Since the amount of work is relatively small, you can get experience without a lot of the risk. Yes, your profit margin will also be slimmer, but the insight you will gain is invaluable.



Step Four

Find the Right Lender

Once you've located a suitable property and crunched the numbers, it's time to find a great lender. Here are the most critical elements to consider when finding a lending partner:

Dependable

It may seem obvious, but choose a lender that has a long track record of getting Fix and Flips funded. These are special loan programs for special situations. You want to choose a lender that specializes in Fix and Flip loans, or you may miss your deal!

Fast Financing

Since deals will not be on the market for very long, you cannot afford to wait weeks for money to come in. Traditional mortgage companies typically will not lend to fix and flip investors unless your credit is spectacular. Even then, the traditional mortgage process can take weeks if not more. That is why the Brass Financial Group offers Fix and Flip loans - with fast funding!

Low-Interest Rates

Although you will not own the property for too long, you will still have to pay interest on the loan. So, if a flip takes longer than six months, you will have to budget those costs into your profit margin. Compare rates from different lenders to see which one works best. We are confident that our rates at Brass Financial will be hard to beat!

Expert Advice

Working with a lender who has "been there before" can make a big difference. We can guide you through the process - making your life easier and your outcome even better!

Short Repayment Terms

Many banks do not like to offer short-term mortgage loans because they won't earn as much on the interest payments. Ideally, you can find a lender specializing in fix-and-flip loans, since they will be much more accommodating to your needs. In most cases, you will have to put more money down up front, and the loan should last for a year or less.

Interest Only Payments

Unlike traditional mortgages, Fix and Flip loans often offer an interest-only option for up to 12 months - helping to reduce your costs while you rehab the property. This is definitely a payment option you will want to consider.

Lines of Credit

Traditionally, no matter where you borrow from, you will have to pay for renovations and upgrades out of pocket. Try to avoid putting these costs on a credit card. The interest rates are too high to make it worthwhile, and you may not have a high enough limit to cover everything.

A better option is to open a secured line of credit. Secured means that you offer something as collateral, such as the home you're buying with the mortgage. A line of credit provides the same kind of flexibility as a credit card but with a higher limit and lower interest rate.

Brass Financial is an excellent lending resource for home flippers because of this. Because we specialize in this market, we have programs designed just for this situation.

Step Five

Know Your Renovations – Focus on Profit

It is important to understand which renovations will yield the most profit. Not all upgrades will add value to the home, so do not waste money on items that will become a sunk cost.

While each property has its own unique needs and opportunities, here are some standard upgrades that typically increase the asking price of your property:

Cleaning/Refurbishing - Pay attention to the dirtiest parts of the house and clean them as much as possible. Power washing the outside, for example, can improve the look of a property immensely.

New Fixtures - Simple upgrades like new sinks and lighting can have a massive impact while keeping your costs relatively low.

More Space - In most cases, trying to add a room to an existing structure is more trouble than it is worth. However, knocking out a non-load-bearing wall can improve the flow of the interior without inflating your expenses.

Clean the Yard - Curbside appeal counts for a lot, so focus much of your attention on the outdoor elements. Trim or remove bushes, fix up the patio or walkway, and install new exterior lights. Even re-sodding the yard can boost the home's appearance substantially.

Focus on Repairs, Not Upgrades - While it's tempting to outfit the place with brand-new appliances and installments, they'll be too expensive and time-consuming. Instead, pay attention to problems like plumbing leaks, cracks in the walls or broken light fixtures. These elements will lower the home's value, and they're often affordable to fix.

Pay Attention to Bathrooms and Kitchens - These two areas are the most valuable to buyers, so renovating the kitchen and bathroom can yield a higher listing price. In most cases, the best option is to update the look to be more modern.

Overall, the more money you spend on renovations, the less profit you'll make. If you get a terrific deal on a house, you can add some of that savings into your budget. However, since volume is better than quality, don't get too hung up on making the home "perfect." Also, keep in mind that the buyer's idea of what looks good may not match yours. So, it's better to stay as neutral

Step Six

Partner With a Contractor

Buying the home is the easy part — fixing it up is much more challenging. While it may be tempting to try and do as many of the repairs yourself, it is almost always better to find a reliable contractor instead. Although these costs will eat into your profit, there are several reasons to work with a professional:

Guaranteed Work - If something goes wrong on the job, you aren't liable to fix any damages. If you're doing the renovations yourself, you have to pay for everything, including any mistakes.

Faster Completion - Speed is always a crucial factor in the fix and flip process. The longer you wait for a project to finish, the more money you'll pay in interest. No matter the size of the job, a professional team will get it done much faster than you can.

Confidence From Buyers - When selling a property, you have to disclose every detail. Telling new homeowners that you did much of the repair work can be a turnoff unless you're certified in that field. By using a contractor, you can avoid any setbacks that might come from a DIY renovation.

Cheaper Materials - Most contractors work with material suppliers to get better rates. For example, if you went to the lumber yard to get wood for a project, you would likely spend more than a contractor would for the same materials.

No Tools Needed - If you do not have a full set of power and hand tools at your disposal, you will need to buy them before starting work. Either that or you will have to pay someone to cut and shape your materials for each section, which can inflate the cost further.

Build Long-Term Relationships - As with your real estate agent and lending partner, you'll want to find a contractor you can work with regularly. This way, you can get better rates since you're providing more money over the long term. Also, once you start flipping multiple properties, you can have a network of professionals to keep the operation running as smoothly as possible.



Bonus “Stuff”

We have includes some additional information and resources that should help you in your Fix and Flip adventure.



The 70 Percent Rule

The 70 percent rule is a ratio that house flippers use to determine the maximum amount of money that they can spend on a property and still make a reasonable profit. You will need to calculate the value of the home after the repairs and multiply that number by point seven. Then subtract the costs of repairs from this number to figure out the maximum amount that you can spend. This formula will assist you in increasing your profit margins and being more confident in your decisions. It works ... if your estimates are correct.

- For example, let's say that you found a house in a neighborhood where the median selling price is \$200,000.
- Seventy percent of that is \$140,000
- You estimate that you'll have to spend around \$20,000 in repairs and renovations.
- That means you shouldn't pay more than \$120,000 for the property.

While this isn't a hard and fast rule, it does provide an excellent baseline. You might be able to sell the property for more than \$200K, or you might have to eat into your profits a little. Overall, consider how much money you need to make on the deal, and that will tell you how much your mortgage loan should be.

A photograph of the Brass Financial storefront. The building has a dark awning with the word "BRASS" in large, gold, serif letters. Below "BRASS", the word "FINANCIAL" is written in smaller, white, sans-serif letters. The entrance features a white door with a large glass window and a small window to the right. The building is light-colored with white columns.

BRASS FINANCIAL

Top Fix and Flip Lender

As a Fix & Flip Loan specialist, Brass Financial has simplified the loan process.

We understand this market and have developed programs designed specifically for you. Our process is FAST, EASY, and we offer very COMPETITIVE RATES.

- **FAST APPROVALS**
- **EASY PROCESS**
- **HIGHLY COMPETITIVE RATES**
- **FUNDS IN 7 – 10 DAYS**

Talk to a Fix & Flip Loan Specialist to learn more or to get started. It only takes 5 to 10 minutes!

[Learn More Here](#)

Fix & Flip Loans

Loan Terms	12 months interest-only payments
Minimum FICO	None
Interest Rate	Starting at 6.99%
Experience Level	1st time investors welcome
LTV	90%-100% Options Available
Loan Amounts	\$50,000+
Income Required	No personal income required

Avoid MISTAKES When Doing a Fix and Flip

Many investors will make mistakes when flipping houses. Here are some tips on what to avoid during this process:

Don't Be Afraid to Cut Your Losses

Almost all investors have had a property that did not pan out for one reason or another. Even if you have to sell it at a loss, it's better than holding onto a bad investment. Let it serve as a learning experience. Also, if you can recognize the loss immediately, you may be able to walk away with a profit, rather than sinking more money into the problem.

Avoid High-End Homes, Unless You Can Afford It

Most flippers focus their attention on homes within the \$150,000 to \$300,000 range. While it's tempting to buy a pricier property your costs will go up significantly. First, the down payment is much larger and you have to pay for more beautiful upgrades. If your budget cannot accommodate these expenses, don't bother with the flip.

Minimize Delays Whenever Possible

Although challenges and obstacles will arise, you can mitigate them by planning ahead. For example, rather than waiting for the best offer from a contractor, it's better to accept a higher estimate from a reliable professional than try to save a few hundred bucks. Overall, the more research and preparation you do ahead of time, the fewer delays you'll experience.

Bottom Line: Be Realistic

While you can make a lot of money flipping houses, it is not a side gig. You cannot afford to spend a few hours a week on a flip, as that will never yield good results. Instead, be sure to create realistic expectations for yourself and plan accordingly. Then, once you have a new property in your sights, call Brass Financial to get a fix-and-flip loan.

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Tips for Expediting Your Flip

While there are plenty of variables beyond your control, the more you do these deals, the faster you'll be able to make money. Here are some tried-and-true tactics that can help you avoid rookie mistakes.

Get a Plan Together

No matter what, you want to avoid “winging it” when flipping houses. Before you even start looking for a property, develop a strategy first. Now is when you can meet with realtors and contractors to build those relationships. If you wait until you have a property already (complete with a loan), then you're only wasting time.

Work with a High-Quality Team

You'll need to work with a variety of professionals during your flip. Contractors, realtors, mortgage lenders, inspectors, appraisers, and more. You also need to consider yourself as one of these professionals. If you want to work with the best, you need to be one of the best as well. If you're always running late, trying to cut costs, or wasting someone's time, then you'll have a much harder and longer road ahead of you.

Get a Fast Fix and Flip Mortgage with Brass Financial

This is one of the easiest parts to your projects. Our Fix & Flip loan program will get you funded quickly so you can focus on all the other things on your plate.

Search for Buyers While Renovating

Once again, having a plan is going to make your flip run a lot smoother. If possible, you want to avoid waiting until one step is done to move onto the next. Many buyers can look beyond renovations to see the potential of a new property. Don't assume that the home has to be move-in ready before you show it off. Anything you can do to get the buying process started sooner will save you a lot of headaches later on.

Get Your Prices Right

You'll never get rich off a single flip, so don't try to milk one property for extra money. Yes, it would be nice to get an additional \$10,000-\$20,000 when closing, but it's not worth waiting another two or three months. Also, be aware that you might have to lower the price in some cases. It's not ideal, but you don't want to be stuck with a home that you can't sell. Flipping houses only works when you can avoid paying too much interest on a mortgage loan.

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