

Think flipping houses will make you millions?

It's the middle of the night and there it is...the ad for the CD set, seminar or book that will guarantee your financial freedom. In your semi-comatose insomnia, you imagine your life on the luxury boat that you will be able to buy. For the cost of your time to read this article, I will give you a home flipper's secret that you probably never heard of before. Just hang in there and keep reading.

I must admit that I did attend one of those seminars that would make me grant me that magic of Real Estate riches. It was interesting and exciting to hear the crowd oh and ah at all of the success stories as the seminar host took testimonial after testimonial. The sad news for me was that I did not take the next step. For a mere \$6,000.00 entry fee, I could join the program and have my own coach and team of experts that would assure my success. I never should have asked myself "why is this guy running seminars every Thursday night when he can make all the money he could ever use by implementing his system." That one question spoiled the magic on the evening.

UNDERSTAND THE REAL COST OF FLIPPING A HOUSE

Back to: Who is making what money? A \$200,000 flipped house sale is not profitable if it cost \$ 200,000 to get to the settlement table. You get what money is left at the end of the line. The tax man, bank, Realtor, insurance man, contractors, and others get their money before you do. The bottom line is that you need to look at all of your costs before you start this endeavor. The cost of getting to the final settlement includes:

- Contract price to purchase the home
- Closing costs to purchase the house
- Cost of repairs
- Cost of your time. Your time has value.
- Costs of selling the home including another settlement
- Utilities, fees and real estate taxes for the period of the ownership
- Cost of professional services and advice you will require
- The cost of your personal tax obligations
- The impact on your quality of life.
- If waiting for the sale creates stress, that is a cost too.

"Here is the advice I told you probably never heard. If you are buying a home in a neighborhood where there have been several foreclosures, all of the other homes will have a depressed appraised value. What that means to you is that the house you thought would sell for \$200,000 may only sell for \$175,000. The appraisal for the buyer of the home you spent your time and money improving is critical to your sales price."

THE REAL SECRETS OF BUY LOW AND SELL HIGH

Start with an ugly house in a desirable area. The ideal house to flip is one that only needs cleaned, painted and new flooring. Keep it simple until you learn your way through the flipping process. Risk less and you will lose less and gain an education.

Be realistic and informed about why a house is selling for a low price. There is a reason something is a bargain and you are depending upon being able to change those conditions at a profit. If you do not have a background in the issues, hire an expert or inspector that does have that experience. Not all inspectors have the background education you may need.

Select a house that is not the most expensive house in a neighborhood after improvements and expenses. The least expensive home in an area will sell easier than the most expensive. People want to live in the best neighborhood that they can afford. A good rule of thumb is that the least expensive house benefits by 10 percent and the most expensive house loses 10 percent of its value in any neighborhood.

Be careful of the big issues: mold, foundations, furnace, venting, structure, infestations, water problems, sewer are a few of the problems to avoid unless you are uniquely qualified in those areas. A problem such as mold could make a home unsellable.

Develop a budget for the home before you purchase the home. You see the experts on HGTV open walls and discover



Before investing time and money into a house, do your research. There is a reason why the home came to you at a bargain price.

a major budget problem. Know your numbers ahead of time and allow for unexpected expenses. They will occur.

Be certain to take care of the defects that can stop a sale before you have a buyer in hand. When a house is put on the market, there will be a pool of persons interested in that property. If your sale falls through because of a major or hidden defect, all of the persons who had originally considered your property may not even consider buying the property. This could add months to the time it takes to sell the home.

Understand the local requirements for the area where you are buying. As one example there are several municipalities where the sewer must pass a camera test to be sold. Failing this test could cost you thousands of dollars when you try to sell the property.

Build a good home improvement team. Too many times house flippers land up in court after a closing because of bad contractors. Legal costs can cost you more than you make on a home and involve years of stress and pain. As a corollary to this point, never, ever lie on a disclosure or to a buyer. Lying on a disclosure is like begging to be in court.

Price the home correctly to sell and

select a good sales team. Failure to do so is a common mistake that could cost you additional months of time on the market and your profit.

THE VERY BEST ADVICE

Find a mentor. My father is not with us anymore, so I would go to James A. Huet. Jim learned to flip homes decades ago. That was long before flipping was an industry. His incentive was four sons needing college educations. He has made four generations of my family laugh with his sense of humor and warmed our hearts with his friendship. That aside, he also knows what he is doing in Real Estate and will help anybody who asks. For the price of lunch at Massart's Restaurant you will get better advice from him that you would from those big money seminars. Wait! We just saved you \$6,000. Buy him desert too!

Go to www.EnviroSpect.com/Learn-ToFlip for more information and links to important related materials.

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