

David Dweck's

BUY LOW...SELL LOW!

How to Buy-Fix-Sell

in today's real estate market



HOME STUDY COURSE

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I would like to thank my daughter, Gabriella Dweck, for assisting me, in editing this course.

BUY LOW, SELL LOW! **HOW TO BUY-FIX- SELL** **IN TODAY'S REAL ESTATE MARKET**

Introduction:

Here we are having survived the greatest real estate crash in modern history. Many folks will insist that it is not wise to invest in real estate, and this is simply not true. The smart money goes to work in real estate, during times like these.

So what does it take to compete in today's real estate market?

The buy-fix-sell business hinges on two things: Price and quality of product you are selling. The buy-fix-sell business, also known as “retailing,” is not rocket science. There is a method to buy, fix, and sell houses. Please keep in mind, things will not always go as planned.

This Home Study Course is designed to guide the reader to make intelligent decisions, and sell quickly. This is a perfect complement to my *Work Smarter Play Harder* home study course, which touches on the art of retailing. To do this properly, time, resources, and the ability to properly market and sell your property are a necessity.

Thank you for investing in your success, and I look forward to hearing your testimonial in the near future!

The Sales Person Bill of Rights

This is the flip side of the Customer Bill of Rights. Our Sales people thought it would only be fair to give the other side. Business owners may find this interesting, too.

1. You have the right to your dreams, desires and expectations.
2. You have the right to what you want.
3. You have the right to like yourself as you are.
4. You have the right to change.
5. You have the right to fail.
6. You have the right to be imperfect.
7. You have the right to choose.
8. You have the right to ask.
9. You have the right to decide how to use your time and energy.
10. You have the right to lunch... once you have paid the price.

Excerpted from No Guts, No Gain, by David Sandler, 1987

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CHAPTER 1

Defining a Good Buy- Deal or not a deal?

When it comes to investing in real estate, the buy is where the money is made. The profit is realized once the property is sold. It is critical when buying any investment property, that the buy is based on facts and figures, not on emotion.

**Fall in love with the numbers, not the house.
Deal in reality, not in theory.**

One of the most important decisions to be made in the buy-fix-sell arena is making a good buying decision. Deal with the property realistically and practically. At the end of the day, it is all about the deal. It could be the greatest house in the world, but if the numbers don't make sense, **move on!**

First, choose the market. That means focusing on one or two areas near where you live. When I started investing, I kept a twenty minute radius, and I suggest the same for anyone looking to buy, fix, and sell.

Select properties of interest, review them through comps and pictures, inspect them, and make offers. Don't get hung up on making just a few offers, make lots of offers! The most important components of offers are:

**All Cash
As-Is
Quick Close**

My top *10* properties you want to avoid purchasing are as follows:

- Condos with restrictions and/or associations that are poorly run and in the red.
- Adult communities.
- Houses on main streets.
- Properties with structural problems.
- Properties with code violations and/or liens.
- Properties with title issues.
- Properties in areas that will not appreciate.
- High crime areas.
- Single family homes attached by a party wall.
- Single family homes located next to or across from multi-family properties.

Another issue in this arena is functional obsolescence. For instance, going from one bedroom to get to another bedroom, and an unusually small kitchen, are turnoffs to the buyer. If the situation cannot be remedied it is a negative, and the purchase should be reconsidered. Certain types of one bath homes can bring success, although, it is easier to work with at least three bedrooms and one bath. Wood frame houses are fine provided they are structurally sound and not eaten by termites. Be careful with houses less than 700 square feet, as they are difficult to finance, and you will have far fewer buyers. Do not get a reputation for low balling. Offers will not be accepted, and won't be taken seriously. In fact, in some MLS listings, I have seen agents put "no low balling." I have been a party to some of the bidding wars, in the south Florida market, where there are 10-20 CA\$H offers on a property! In some cases even over asking price! Get to know the market, and keep pace with what is going on in different areas of interest. **Don't get caught up in the hype!**

CHAPTER 2

Comps, Contracts and Property Analysis

Comparable sales (comps) are the most important component when analyzing a property to buy. Next are the repairs. A competent team is a necessity to estimate the repairs, before buying, or at the latest, during the inspection period. Ugly surprises, like after closing having to unexpectedly re-roof a house, are unwanted, and should be avoided. When it comes to comps, services vary from market to market, and county to county. MLS comps are very good but do not include FSBO (for sale by owner) sales. Site Ex Data is a good source, and so is Real Quest. There are other services as well. Do not rely on the “Z” word (Zillow) for comps! Comps should be sales over the last 90 days. FYI; comps are closed sales, not pending, or properties active on the market.

When it comes to contracts, in Florida, I prefer the FAR/BAR contract, and when selling I usually use the FAR/BAR “As-Is” contract. Get familiar with contracts! I have included in the following pages an example of a contract when buying (REO contract with addendums), and a contract of a property I sold.

Analyzing a property should be done based on the following formula. Stick to this formula in order to make a profit. It is imperative to buy at 65% or below, of the after repaired value (ARV). If the repairs are extensive, then subtract part, or the entire repair costs, in order to arrive at a lower purchase price. Please keep in mind, that there is a risk of not having the offer accepted, if the price is well below asking. Fannie Mae properties typically will not discount more than 10% from asking price, and have price reductions as the property continues to stay on the market.

It is important when submitting a contract on an REO property not to get caught up in the hype! If the bank calls for “highest and best,” don’t get caught up in the excitement and pay too much! Here in south Florida, good deals are being scooped up by cash buyers that are looking to flip or rent, **and** cash buyers paying cash for retail properties! At the end of this course, there are examples of some bank addendums. Be careful when the bank’s closing agent tries to stick a last minute “hold harmless” agreement, right before closing!

When analyzing costs, take closing, construction, and carrying costs, into consideration. I refer to this as the 3 C’s: You need the cash to Close, Construct, and Carry the property. The buy-fix-sell model is **not** a “**no money down**” business.

Remember when selling especially FHA, the cost of sale should be estimated around 10-11%. Here’s why: a real estate agent will be paid 6%, then your own closing costs, as well as helping the buyer with closing costs. For example if a \$100,000 home is being sold, estimate approximately \$10-\$11,000 in closing costs, and in a \$200,000 sale around \$20,000 in closing costs. Get the picture?

Later on in this course we will discuss appraisals. This is a huge key to generating a successful sale. It is important to keep this in mind, and remember that the house must appraise at or above the value of the contract you write. This is essential.

CHAPTER 3

Financing

Financing in the current real estate market can be very dicey. When banks look for proof of funds when you or your real estate agent submit a contract on REO property, they always like to see a bank statement with the funds to close. As a buy-the-way, make sure when submitting a bank statement, to black out your account number. Not everyone has a bank statement at their disposal showing cash readily available to close a deal. Proof of funds can also come in a letter form from a hard money or private lender.

The preferred method for closing these types of deals is always to have cash. Alternatively, proof of funds from a reliable hard money or private lender is, in most cases, a viable alternative.

As the economy recovers loan to values (LTV) can change with the real estate market. My LTV's have gone up starting in 2012. For the last few years I was lending at 65% LTV minus repairs. Now, unless the property is in need of extensive renovation, **I WILL** lend at 65% LTV (loan to value). The way to compute LTV is to take 65% of the ARV (after repaired value) which will give you the LTV. You must stick to that formula.

The cost of private funds ranges from market to market, and lender to lender. Private Equity Funding does not charge an application fee, does not require a roof, or termite inspection, or appraisal, or survey. This does range again from market to market and lender to lender. Please keep in mind, with hard or private money, it's not the cost of the money it's the availability of the money. Other charges to expect to pay are an inspection fee, an administration fee, a doc/prep/legal fee, and points. Please visit www.PrivateEquityFunding.com. Navigate the

website, and download our loan submission package that will provide guidelines, and the process to obtain a hard money loan on your investment property.

Some banks are offering investor programs, such as Home steps. There is red tape when obtaining these types of funds.

Make sure to take title in an entity or land trust, and if private financing is being utilized, make sure the lender will fund the entity or trust. In most cases, it is necessary to personally guarantee the loan.

Make sure to have a firm commitment from the lender prior to closing, if a lender is being used. The last thing anyone wants is getting to the closing table and the lender does not fund. I've seen this happen on numerous occasions where other lender's funds don't show up on the day of closing, and leave the buyer in a very bad position. Avoid this at all costs, because reputation is at stake.

I don't suggest getting any regular type of financing, unless you have a very close relationship with the REO listing agent, and the asset manager for the bank is willing to accept bank financing. Realize that most banks will not lend on highly distressed property, unless there is a strong relationship with a particular bank, which is willing to take on that type of risk. Interest rates are at historic lows, yet the availability of funds for investors does not look very promising during these challenging times in our economy.

It is critical to review the closing statement (HUD-1), and obtain insurance. As a lender, I require hazard insurance, and windstorm (a must in Florida). Please remember, in Florida a Citizens insurance policy will not cover vacant property. Do not attempt to obtain a Citizens policy for your flip properties, it is fine for rentals. Make sure your lender is listed as a loss payee on the insurance policy.

Prior to closing the title commitment, lien search, and permit search must be received as well. Have a real estate attorney review all of these items **prior** to closing. Make sure the title is clear, marketable, and insurable, and there are no liens, code violations, or open permits. For more on title insurance, please read the ***Bonus*** special report by Kevin Tacher in this course.

Watch for junk fees on the closing statement, and be prepared to negotiate them. At this point, the property should be ready to close. It is important to take title to your investment property in an entity or land trust. Do not own investment property in your own name. Please seek advice from a knowledgeable real estate attorney, and CPA prior to closing any transaction.

CHAPTER 4

The Renovation

Renovations should begin with a trash out, and yard clean up. Be sure to not get cited for overgrown grass or debris, so make sure that is taken care of immediately. Anything left in the property that is salvageable, can be picked up for free by a local church or charity, as long as it is in usable condition. Another benefit is that a write-off will be received, for the donation. Check with the municipality for permission, if a dumpster is going to be rented. Regardless, get the dumpster in and out of there within forty eight hours. Do not overfill the dumpster! Always make sure throughout the renovation that the job site is kept clean, to avoid a challenge with any code issues. Plus, who likes a messy job site?

Renovating or re-habbing will become much easier with experience. Confidence will go up, along with understanding, once a first deal is in the books. Be prepared for challenges, and sometimes some unpleasant surprises! It could be something small like a minor plumbing leak, or could be a major repair like replacing a central air conditioning unit (both have happened to me).

Maintain control of your project from start to finish. It becomes easier to do so, once an established crew is attained, to help oversee the job. For beginners, I don't suggest doing more than one renovation at a time.

I don't want to repeat myself here, so please refer to the rehabbing and retailing of single family houses, in my *Work Smarter Play Harder for Real Estate Investor's* course, to attain a foundation for this chapter.

Should you need to hire a general contractor, you must make sure that they are licensed and insured. You will also want to get at least two bids. It's best that you write out what you want them to accomplish. Keep in mind, when dealing with contractors, change orders can be expensive. It is a good idea to check references in case you are dealing with a contractor for the first time. Be careful when signing contracts with contractors, and look for red flags: paying for an entire job in advance, not getting things in writing, etc. When it comes to paying the contractor, try to give as little deposit as possible, with one draw in the middle of the project, and another when the project is completed. **Always stay ahead of the contractor.** Do not pay the final draw until the job is 100% done.

The following pages will feature some before and after pictures. This will show what a complete property should look like.

One of my students has become an expert in staging, and any house that she sells that's staged typically sells very quickly. I've seen on numerous occasions, the buyer (in all these instances who are women), who asked to keep the staging material. Just goes to show that the buyer gets emotionally attached to how lovely the house is, making it a home.

It is important that when renovating to sell, a different approach is taken, than renovating to rent. I'm not suggesting to cut corners when getting a rental property ready to market, just don't spend as much money in certain areas, especially in the "bread and butter" sector of the market place.

It is important to note, that in areas of the country that require gas or oil heating, costs will escalate very quickly. A new boiler can be very costly. That is not my area of expertise, but it is very important to inspect that prior to closing. Know what the expenses will be, so you don't have a horrific surprise.

Repair Costs Estimate

In this area, we will focus on the major expenses first, and then proceed with other costs that are involved when rehabbing a property.

Roofs

Roof prices are quoted by the number of "squares." From less expensive to more expensive, there is shingle, dimensional shingle, and cement, or barrel tile roofing materials. I recommend having a roofer to quote the roof. Make sure that the roof estimate is complete, and includes a warranty. Make sure the roofer is licensed, and insured.

Air Conditioning

Typically, in the current economy air handlers and condensing units are being stolen all the time. Costs have skyrocketed to replace these units. If it is necessary to install duct work, or potentially build soffeting, that also adds to your expense. It is critical to have an affordable A/C technician as part of your team.

Painting and Exterior Work

It's essential to get a quote that includes pressure cleaning and any kind of wall preparation, to have a complete estimate without surprises. It is also essential that the seller picks the colors. A rough estimate is about \$1.00 to \$1.50 per foot for ceiling, walls, and trim. Add another \$.50 per foot for any kind of patching. I always suggest going with semi-gloss white on doors and trim, and a warm coffee and milk like

color on the interior walls. Guys- always let the women select paint colors!

Invest money in the houses' curb appeal. From the grass, shrubs, driveway, and walkways, your property has to pop! Asphalt and concrete have gotten very expensive, so look for alternatives. Concrete stain or applying a fresh coat of black seal is fine for bread and butter houses. Pavers work well, and "thin pavers" are around \$3.50/sq. ft., and go over existing concrete.

Kitchen & Appliances

For starter/bread and butter homes, go to a local home improvement store, and get simple cabinets, and have them installed along with a stainless steel sink for less than \$2,000. I have found a great cabinet company that imports cabinets from China and they look really, really rich. Find a discount cabinet company that can do the same.

In more expensive houses you'll want to get a better quality cabinet, along with granite, nice backsplashes, etc. These days, a large single bowl stainless sink is preferred. I also suggest whenever possible, in better houses going with stainless steel appliances. It is possible to get a good stainless steel appliance package for approximately \$2,000.

Otherwise for bread and butter houses can get a complete white appliance package for under \$1,200.

When it comes to dressing up a kitchen, earn inexpensive "style points" by using things like glass mosaics as a back splash. These can be obtained for as little as a \$1.00 a square foot. More expensive stone or tumbled marble mosaics will also add a "wow" factor to any kitchen. Those options are less expensive than granite back splashes.

Bathrooms

Local home improvement stores have really upped their game in offering nice vanities. In a bread & butter house, by painting the tub and tile, removing and replacing the toilet, and vanity, light bar, and the medicine cabinet, the entire bathroom can potentially be done for just under \$1,000. If tub and the tile need to be ripped out, the cost will increase substantially. Same goes for replacing the shower pan, and retiling the shower stall. Make sure to have a good plumber/tile person to get this done.

In nicer properties use travertine on a tub surround or shower stall which is available as low as \$2 a foot. This adds an incredible richness to a tub or shower stall. Then do accent tiles at eye level in the shower stall to make it pop! These little accents or borders really grab the attention of the buyer.

Flooring

I must make it perfectly clear that I don't like laminate flooring, and I don't believe it's good when selling, or renting houses. Good tile is available as low as \$.59 per square foot. Make sure they're at least 14" x 14". Porcelain, hardwood, Saturnia marble, and bamboo, are also popular floorings to use. Porcelain tiles have a very rich appearance, they must be installed perfectly or you will have hollow spots, uneven grout lines, and it will not look level. These mistakes are very difficult to correct.

Decent carpeting is available around \$14 per yard. ***Remember your carpet installer should remove and discard any old carpet!**

Doors, Hardware and Fixtures

Six panel colonist doors and jams are about \$150.00 each installed. Exterior doors and jams are anywhere from \$300.00 and up installed. Rubbed oil or brushed nickel hardware seems to be good choices for kitchen, and bathroom hardware, and door knobs as well.

Lighting

Lighting is not expensive, and can really dress up the property. Be sure to spend a little extra money on some nice fixtures. I have found good deals at local home improvement stores, and sometimes closeouts that look really attractive.

In real estate, first impression is everything! Buyers **will** judge the book by its cover! It all starts with great curb appeal including extra detail to the front landscaping and a fresh coat of paint. The inside needs to be light, and bright with neutral colors. It must be sparkling clean! Listen to my CD, when I interviewed Bill Bronchick, on how to sell a house in any market, for some other ideas regarding remodeling and selling.

Sizzle Inexpensive sizzle items will lead to procuring a fast sale. Crown molding and accent lighting can dress up any home at a very reasonable cost. In addition to a local home improvement store, there are other great places to shop for appliances. Here in south Florida, I have dealt with one person at Brandsmart for 15 years, who I've established a rapport with, and is excellent. I've also been able to get good deals on appliances at Lowe's, Sears, and HH Gregg. For flooring, I find closeouts at home improvement stores and great deals at Floor Décor. Granite specialty stores can really wheel and deal on price, so shop around for best deals out there. As an incentive to buy, consider throwing in a flat screen TV. They are very affordable, and it gets the buyers excited.

***Bonus Tip* Go to a local post office, ask for a change of address kit, and inside is a 10% off coupon to Lowe's!**

The next page can be used as a checklist to help get from the starting point to the finish line, with your renovations.

Rehab Rules 101

Upon closing on a property, expect to go to rehab. The following are suggestions to ensure a smooth renovation.

These *18* ideas and tips are in checklist form to use, and put in your file.

- Secure property / change locks.
- Hang lockbox.
- Turn on power.
- Turn on water.
- Keep blinds or curtains drawn at all times.
- Make sure any life safety issues (electrical) are dealt with ASAP.
- Have work started on outside first.
- When re-roofing, do it immediately and leave permit on site.
- Make sure dumpster, once ordered, is filled and gone within 24 hours.
- Instruct workers that doors remain locked at all times!
- No one aside from the crew is allowed on the job site for insurance reasons.
- Coordinate all workers and check on work prior to payments and final payment.
- All work must be performed under current building codes.
- Kitchen and bath must have GFCI outlets.
- If property smells like cigarette smoke, use Kilz as a primer prior to painting to eliminate odor.
- Re-glazing tubs, when possible, is more cost effective than replacement.
- Do not install appliances where theft is a problem. Place signs where appliances belong.
- Make sure property is “construction clean” prior to final payment.

For more information, see tip #7, 8, and 9 in my *18 Real Estate Investing Tips & Strategies to Maximize Profits* book. Call 954-354-1000 to order.

Repair Cost Estimate (partial)

<u>A/C & Heating Repairs</u>	<u>Cost Estimate</u>	<u>Kitchen / Laundry Repairs</u>	<u>Cost Estimate</u>
A/C not cooling	\$100/150	Defective sink plumbing	\$50/75
System not heating	\$100/300	Disposal replacement	\$100/150
Clogged coils	\$200/300	Range burner repairs	\$50/100
Damaged line trap	\$50/100	Dryer vent repairs	\$75/150
Defective air handler blower	\$200/300	Defective washer plumbing	\$50/100
Air handler air leaks	\$50/100	Defective washer drainage	\$50/100
Duct work air leaks	\$100/300		
Damaged electrical hookup	\$50/150		
Air handler pan water leakage	\$100/400	<u>Bathroom Repairs</u>	<u>Cost Estimate</u>
Air handler replacement	\$1,000/2,000	Defective exhaust fan	\$50/100
Compressor replacement	\$500/1,000	Defective tub plumbing	\$50/100
		Defective shower plumbing	\$50/100
		Sink replacement	\$150/250
<u>Plumb./W. Heater Repairs</u>	<u>Cost Estimate</u>	Defective shower enclosure	\$50/150
Defective main shut off valve	\$50/100	Slow/clog drainage	\$50/100
Low water pressure	\$50/500	Shower re grouting	\$50/150
Defective sewer clean out	\$50/100	Defective shower tiles	\$150/300
Plumbing leaks	\$50/150	Defective shower stall/pan	\$500/900
Water hammer noise	\$100/500		
Defective W/H connections	\$100/200	<u>Interior Repairs</u>	<u>Cost Estimate</u>
Defective TRP valve	\$50/150	Loose / hollow floor tiles	\$200/500
Defective water heater	\$300/600	Defective windows	\$50/150
Defective TRP extension pipe	\$50/100	Defective door lock	\$50/75
		Defective door weather stripping	\$25/50
<u>Electrical Repairs</u>	<u>Cost Estimate</u>	Defective pocket door	\$100/200
Defective GFI receptacle	\$50/75	Defective closet door	\$50/100
Defective wire receptacle	\$50/75		
Defective panel wiring	\$100/150		
Defective light fixture	\$50/100		
Defective fan	\$50/100		
Unsafe wiring	\$100/300		
Uncovered splices/ wiring	\$50/100		
Damaged/corroded sub panels	\$150/250		
Under current service	\$200/300		
Upgrade panel	\$400/750		
Smoke detector(s) replacement	\$50/75		

CHAPTER 5

Marketing and Selling of your property

Before the renovation is done, have a marketing and advertising plan in place. The timing of marketing is essential, and time is money! Remember, the clock is ticking, especially if there is a hard money loan on the property. The secret of a fast sale is to have a tightly focused game plan. I highly suggest focusing on the following areas in order to procure a fast sale. Here are my top ten sales points to secure a fast sale (in no particular order):

1. Have a sign placed on the property in a strategic position so it can be very visible. A wooden sign post is best and your real estate agent should provide this for you.
2. List the property with a competent real estate agent, at the right price!
3. Have a color brochure/flyer in the house with pictures and bullet points. This is where you need to have lots of sizzle!
4. Make sure you put the house on Postlets and other websites.
5. Email blast to other real estate agents (your agent should do this).
6. Offer bonus and/or higher commission.
7. Offer to pay closing costs.
8. Stage the house to sell.
9. Strategically reduce price (if necessary).
10. Virtual tours (on more expensive properties).

The American dream is part of a tradition that has been established in our country. The great recession dimmed the light for many Americans. Keep in mind, that long term real estate is the best way to achieve the true American dream, and wealth. This chapter focuses on marketing and selling real estate. It is important to hire a true professional for this job, if you are not qualified to accomplish this on your own. Now I am not slighting real estate agents, but I am advising of the need to hire the right agent since the old 80/20 rule goes out the door, and is really the 5/95 rule, meaning five percent of the agents are doing 95 percent of the business. Does your agent have a great track record? You have a right to know that they know how to market and sell property, and ask them to show you recent sales that they have closed.

Top 5 Selling Challenges and Solutions

1. Price

You must be price sensitive in today's marketplace. The formula is buy low-sell low, and you must be priced at or slightly below the market.

2. Poor advertising and marketing plan

You must have your advertising and marketing plan in place as soon as the property is renovated, and execute! You must have a sales and marketing mindset if not, hire someone, typically an agent, to do it for you. Don't be cheap when it comes to marketing and advertising, because this pales in comparison to your holding costs if you have a hard money loan.

3. House does not show well / poor renovation

Your property must be kept clean and cool (especially in Florida). The finish work must be done properly. You must avoid clutter! The house should be staged in order to show its true beauty.

4. Having the right team to close your deal

The essential components to closing a sale include having the right loan officer and closing agent handle your transaction. If you are at the point where you are managing a lot of deals, it's a good idea to have a closing coordinator or administrative assistant to help get you to the closing table. The loan/mortgage broker should be very proactive, and communicate with you weekly. The title company/closing agent should order survey, title work, and lien search after inspections and appraisal.

5. Losing control of your Buyer

You are a transaction engineer. You must "push" from point A to point B and beyond to get to the closing table.

Bonus In more expensive areas, buyers want a garage! I just learned this very recently!

CHAPTER 6

Getting To the Closing

Selling the property involves qualifying your buyer, and signing a contract. Prior to signing a contract, the buyer **must** be pre-approved, not pre-qualified otherwise you are wasting your time. This pre-approval must be done by a competent loan officer or mortgage broker. FYI – I do not accept pre-approvals from some of the big banks. Their level of service is horrific, and I would never want to put a buyer through the bad experiences that I have had with these big banks in the past. I suggest taking a proactive approach in facilitating this, even if a real estate agent is involved.

When a house is being shown, point out the improvements, and highlight the upgrades. Ask closing questions like, “Don’t you love this Kitchen?”

When mutually agreed upon price and terms are achieved, write the contract, get it to all parties and the mortgage broker, the title company, or closing attorney. If the contract requires financing, it will probably close in 30 to 60 days from the date of the contract. Remember even though the FHA flipping rule is currently lifted, institutions have their own rule, and may have you wait 90 days until the property can be resold.

Getting from contract to closing is the most challenging part of the buy fix-sell process. Two issues that must be addressed are:

- 1. Is the buyer qualified? (Have the buyer(s) been pre-approved?)**
- 2. Will the house appraise?**

The first part of the process, once the property goes under contract, is to have it inspected. Whenever possible, I suggest using an “AS IS Contract,” and in the forms section of the course you will find a “FAR/BAR Contract,” and as well as a FAR/BAR “AS IS Contract”. As is simply means “what you see is what you get”. Disclose any latent defects, and its best to do so in a disclosure or an addendum to the contract. Also in the forms section is a standard disclosure form that is good to use. If a real estate agent has been hired, they should be providing all this for completion.

In this section I will be addressing how to properly write a contract, to insure you the least amount of headaches. There is a different strategy to use when writing a contract when selling versus, writing a contract when buying. It is important to ask to use a specific contract, to avoid learning the nuances of different contracts. For transactions in Florida, I typically require a FAR/BAR contract, which is approved by the Florida Association of Realtors and the Florida Bar.

When filling out the contract for sale, it is important that it is done correctly. Who pays for title insurance and closing costs? How many days are for inspection? What appliances if any are included? Remember, if it is an FHA mortgage appliances must be included and working.

Once the contract is signed, inspections are usually scheduled. It is up to the individual seller, if he or she, wants to be there. Either way, be proactive once the inspection is done in taking care of any issues that may arise. I am most concerned with any life safety, roof and termite issues as those must be corrected in order to sell with FHA financing and it makes for good business practices. Other items can be negotiated per the contract. If selling with zero dollars for repairs, then this can be re-negotiated if the inspector finds things that need to be addressed. Be flexible in this area as inspectors can discover items that do need attention. Sometimes inspectors are too eager to find problems and make a mountain out of a mole hill. Once you past the initial inspection period, if possible have the buyer put up an additional deposit. This should be in the terms of the contract.

The next step is the appraisal. This is where you or your real estate agent must attend the appraisal and provide comps within the last ninety days to the appraiser. It is also a good idea to have a list of the renovations that were done, as the cost of these renovations may have to be presented to the appraiser at a later date especially if it is a flipped property. Hopefully the property comes in at value, and the process continues to move towards closing.

Once the appraisal is done, the closing is nearer. The next item to look for is a mortgage commitment from the lender. Make sure that the lender and the closing agent are communicating. It is essential as a seller, that when the ability to choose the closing agent arises, the seller does so in order to not lose control of the deal. An established relationship with a closing agent(s) or an attorney should be present, as they are an essential part of the team.

Prior to closing, be sure to have reviewed the HUD 1 before anyone else does. Make any changes, and approve it prior to anyone else seeing it. Be sure to watch for junk fees! It's always a good idea to review the HUD 1 when possible one day prior to closing. On the day of closing, do a walk through. As the seller, come to the closing about a half an hour to an hour after the buyer starts signing. I just had a closing where the FHA loan package was 110 pages! That closing took almost two hours!

Once the closing is finished, it is important to make sure all utilities are shut off and the sign and lock box are off the property. Be sure to also cancel the insurance. If the property is listed, the real estate agent will remove the sign and lockbox.

It is always a nice gesture to give the buyer a gift at closing. A restaurant or home improvement store gift card works great. Offer any assistance to help them, and ask them if they know anyone else looking to buy.

This concludes the text portion of this home study course. I truly hope you have found it helpful, and I wish you much success in your investing endeavors.