

### **Learning to be a Real Estate Investor (Part 3)**

This is the third in a series of four columns about how to become a Real Estate Investor. If you missed either of the first two columns, please email us and we'll email you a free copy.

In today's column let's look at the next five steps we recommend new Investors learn **BEFORE** making a written offer.

**6. Know how to determine a property's CFMV (Conservative Fair Market Value).** Before an Investor can make an offer to buy a property, he must first know what the property is worth.

Consider this: You are looking at a seller's property. You offer him \$100,000 and he immediately accepts your offer. If this happens, your first thought will be uh-oh, I offered too much.

How does an Investor determine a property's value? Find out what other similar homes have sold for in the area. Find out the asking price of other properties in the area that are for sale. Most importantly, find an area to work and work it continually. As you become familiar with your area, you'll know the approximate value of a property as soon as you pull into the driveway.

**7. Learn a variety of ways to structure a deal.** This is huge and is one of the biggest differences between a new investor and an experienced Investor.

Like all new Investors, when we first got into investing, we thought the only way to buy a house was to sign a Purchase and Sale Agreement, apply for a mortgage, jump through a bunch of hoops, get approved, and finally go to closing 30 to 45 days later. Brother, were we ever wrong!

There are a world of creative ways to buy real estate that don't involve getting mortgages. Example: Birddogging, Partnering, Subject To deals (our favorite), Options, Owner Financing deals, etc.

And yes, we still get mortgages, but be aware of mortgages other than the standard 30 year fixed rate mortgages. If your exit strategy is to keep a property for less than five years, an interest only loan may be a much better way to go.

**8. Know how to make a written offer.** We have a simple rule, an offer doesn't count unless it is written down on paper.

Up to this point, we've always used the same Purchase and Sale Agreement that realtors use. In 2005, realtors' contracts grew from five pages to seven. We've finally decided to save some trees and use our own Purchase and Sale Agreement instead. It's a one-page jobber - front and back.

The fact is an offer can be written on a banana peel, a coconut shell, or a soggy napkin – though we don't recommend this.

## **9. Know what to do when a seller says “yes”.**

Folks think making offers is the scary part of investing, or maybe trying to borrow money to do a deal. Nope. Terror is the first time a seller accepts your offer. Talk about a deer caught in the headlights look. Brothers and sisters, you'll know fear the first time you hear the seller say yes. You had better know what to do next.

**10. Know how to do your Due Diligence.** Due Diligence is a French word that means: ‘Look under every rock and check around every corner – thoroughly!’

Here are just a few of the things you'll need to do to verify the deal: Make sure the person you are buying the house from is the actual owner. Call in your home inspector, termite man, contractors, etc., so you can determine your rehab cost. Decide what you will do with the property once it has been bought.

When a seller agrees to sell their property to us, we never know whether it's a good deal or not until after we've verified all of the property's information.

OK, next week we'll finish up with the last five things an investor needs to know before a written offer to buy a property is made.

If you want to learn more about REI, please visit our new website at [REIoutpost.com](http://REIoutpost.com).