

Monster Mistakes that Can Eat Your Business Alive...

Monster Mistake #1: A Lack of Due Diligence

Due Diligence is simply researching your rehabs. This includes making sure it has a clear title (important reason why title insurance is a must), Knowing what the property will sell for after it is repaired (aka ARV), how quickly houses are moving in the area, What the repair cost are going to be, And most importantly what type of area is the property located in (right now in Indianapolis as with a lot of larger cities there is a lot of revitalizing taking place) if this is the case in your area start looking at possible areas where it may finger out and start looking seriously to purchase in that area. You will find that about 90% of your time rehabbing will be spent finding and purchasing the property. That is why doing your due diligence is of the up most importance.

Monster Mistake #2: No Exit Strategy

Never, and I mean Never!!!! Buy a property without an exit strategy. Life happens!!! Sometimes things way beyond our control take place and slow us down or put what we are doing on hold. That is why you should always know your exit strategies on each rehab. We mainly buy it, fix it, and resell it. But we have also bought it and turned right around and flipped it to another investor to reduce inventory, and we have properties that we decided to refinance and hold for rentals or lease option properties. Whatever exit strategy you plan on using make sure if one doesn't work out you have another that will. Protect your self and your business.

Monster Mistake #3: Save Money and do the work Yourself

So, can you truly save money by doing so of the work or all of it yourself? When we first started we did a lot of the work ourselves and we soon found out that at times it cost us more money. By that I mean, if we didn't do it right then we had to pay someone to come fix it anyway and so we paid double if you will. On any given day if you happen by one of our rehabs in the demolition stage you may find us with a sledge hammer in hand having some fun, but we don't do the actual repairs ourselves. Don't get me wrong if you enjoy doing a little here or there go for it. But, realize that you make more money by getting out there and finding the next deal to do and the next and the next!!!

Monster Mistake #4: Offering and Paying Too Much for your Rehab

Ok, how many of you have heard experts say you make your money when you buy not when you sell??? Well, guess what we are all correct. There is no ands, ifs, or buts about it. If you don't use the right formula when figuring out how much you should originally offer and finally pay for your rehabs then you will be turned upside down in that property without any chance of a profitable exit. That is the last thing we ever want to see happen. NO DEAL IS BETTER THAN A BAD DEAL!!! If your offer is not accepted by the banks, HUD, or whomever, because they say it is to low then you should have that property on a tracking sheet and wait a few weeks or a month and make another offer (perhaps less than before). Remember, you don't have to buy the properties, but they have to sell them!!! How much you can invest into the property depends on what type of financing you are using. If you are using Hard Money, then you should only be into the property for 65% of the retail price after repairs. If you are

using your own money you can have up to 70-75% invested. Remember, total investment includes cost of property and the repairs.

Monster Mistake #5: What to Repair or Not to Repair

What to repair or not repair now that is the most important question as a rehabber to know the answer to. The trick here is to find the happy medium. To fix and replace what has to be, and to do it right by FHA guidelines. We use the FHA guidelines because if it will go FHA it will go with any lender. Here is an example; we have a house that will resell for \$70,000 after repairs and we have a house that will resell for \$200,000 obviously we are not going to put the same cabinets, fixtures, ceiling fans, etc in the two properties. The trick is to fix your rehabs per the market they are selling in. I know you probably think that's easy for them to say. But how do I know what that is. Well, you check out other properties for sell in the area of your rehab and you go to an open house to see what your competition is doing. Remember, the kitchen and the bathroom sells the house. So make sure you WOW your buyers when they enter your rehab.

Final Thought: The last thing you should do before putting your rehab on the market is to stage it, make your rehab turn from a house into a home. Also, make sure you have a great marketing plan to sell it quickly. There is a lot of money to be made in real estate investing especially rehabbing houses, and there is no reason why you shouldn't be raking in the \$\$\$\$ as well. To your continued Success....

Visit <http://rehabbinghouses.com/> for additional information on rehabbing properties.

To Your Continued Success,

Dwayne & Michelle