

A LENDERS PERSPECTIVE ON FINDING FIX AND FLIPS

After financing over 130 hard money fix and flip loans, I have worked with freshly minted Fix and Flippers and veteran rehabbers on how to find a fix and flip opportunity. Historic low interest rates provide low cost of capital for both the Flipper and the end buyer and continue to make fixing and flipping a solid real estate investment strategy for 2015 and beyond.



Today's Blog shares some of the best practices I have seen used to acquire or find a fix and flip. Common wisdom and empirical evidence shows that the profit in a transaction is acquired on the acquisition. Getting a good or discounted price relative to market value is a big key to a profitable Fix and Flip. The success I have witnessed stems from a Flipper finding a property at a discount by **Developing an Acquisition Strategy**: Successful Flippers plan and work a strategy that fits their location, financial situation and skill set. Here are some successful acquisition strategies:

1. **Become an Expert by Farming an Area:** Get to know owners by name in a neighborhood by knocking on doors, or posting yellow post it notes on doors or sending a catchy and informative mail piece. Knowing a farm area also helps a Flipper pick and choose the best property relating to local rules, construction permits and zoning. Many Title companies can provide farm ownership, loan and property data or try www.propertyradar.com as a preferred data source.
2. **Build a Team:** Similar to the construction team responsible for building or rehabbing the house, a good flipper builds an acquisition team. In addition to meeting homeowners directly, a Flipper's acquisition "Team" can include: A bird dog that spends all of their time trying to find properties, a Wholesaler, Realtors, Mortgage Brokers, Bankers and other localized groups like the Chamber of Commerce that involve local property owners.
3. **Bid at an Auction:** Both Private and Trustee Sale Auctions can provide discounted purchase prices.
4. **Find a Bank Short Sale or REO:** Short Sales and Foreclosures are fewer and farther between these days but are still out there. These homes need to be scouted out early, typically, once the property hits the MLS, it's too late to get a substantial discount.
5. **Develop a Niche Value Add Approach:** Look for houses on a big lot where an added bedroom or bathroom or square footage will change the comparables and market positioning. Adding square footage at \$200/s.f. and selling for \$800/s.f. in nice areas offers a solid margin potential. Parcel splits, lot line adjustments and a move towards the highest and best use of a property can all provide a wedge into profitability.
6. **Solve a Problem:** Some Conventional lenders have trouble financing properties that need a new roof. Some owners need to sell quickly. Some owners might want the cash flow from seller carryback financing. Whatever the problem is, find and provide a solution.
7. **Improve a particular kind of house in a defined neighborhood:** My California Mortgage Association friend John Citrigno profitably rebuilt the above pictured Eichler house on its original footprint, giving the house 21st century green-living standards and upgrades in Sunnyvale, CA.

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