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How to Buy a Rental - Negotiating To Buy a Rental - Buy Rentals Even Lower

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Six Golden Keys to Buy Even Lower

It sounds easy, and in many ways it is easy to buy rentals for even less than you would imagine. Authors Scott Frank and Andy Heller have written a courageous book for real estate investors: Buy Even Lower. They follow the initial premise that I have been propounding for years, and that is the time to make money in real estate is when you buy.

How to Buy Rentals for Less Money - Book Review

The authors propose that each investment strategy involves a variable investor discount, and it is true. When I listed a rat-infested, urine-soaked house, which was in a state of total deterioration, the sellers needed to propose a price that would attract the type of buyer who would purchase a house like this.

This house would not be purchased by an owner occupant, regardless of the price. It would be bought by an investor, and the price had to be low enough to build in an investor discount for putting up with the rehab hassle.

The sellers agreed with that strategy, and it sold within zero days on market.

Discount for Buy and Flip

- This strategy involves buying at 20% to 30% less than market value and selling at top dollar.
- It's riskier for the investor due to carrying costs.
- Inventory of properties to choose from is limited.

Discount for Buy and Hold

- Cash flow is the name of the game.
- Useful for long-term profits.
- Discounts range from 5% to 10%.

Discount for Buy and Lease/Purchase Strategy

This is the author's favorite strategy because it eliminates many of the drawbacks to Buy & Flip or Buy & Hold and offers discounts of 10 to 20%.

It employs the "renting to own" method.

This method transfers all repair and maintenance to the purchaser, while reserving appreciation benefits.

Six Golden Keys to Buy Even Lower

The authors have developed what they call Six Golden Keys to buying rental property and making a profit. I'm going to tell you what they are because it's not a secret. It's solid advice. The secret is in what you do with this information, and for that you'll have to read the book. I can't tell you everything!

GOLDEN KEY 1 - Determine Your Minimum Investor Discount

GOLDEN KEY 2 - Define Good Properties

GOLDEN KEY 3 - Find Good Properties

GOLDEN KEY 4 - Determine Maximum Purchase Price

GOLDEN KEY 5 - Write Strong Offers

GOLDEN KEY 6 - Negotiate Well

In the ensuing chapters, you'll find a series of great examples that explain exactly how the authors learned from their own mistakes, how to profit from foreclosure sales and the drawbacks to pursuing them, and why you should concentrate on buying preforeclosures and post-foreclosures, called REOs for "real estate owned, over purchasing foreclosures on the courthouse steps.

They claim that [buying foreclosures](#) is difficult because of unknown liens such as tax liens that could be assessed; however, in my experience, finding tax liens is a fairly simple process, and they are not hidden away in a secret vault or anything like that. If you don't have Internet access, you can probably just call the assessor's office and inquire.

Included in the book are sample forms and sample verbiage that you could use to draw up an offer to purchase. If I were you, I would use a standard form that is acceptable in your locale or ask a real estate lawyer or Realtor to draw up a contract for you before I would use the author's forms. They contain verbiage that is not acceptable in all states, such as clauses to hold the earnest money deposit in an interest bearing account. In some states, maintaining interest-bearing accounts for good faith deposits at a brokerage are against the law.

Frank and Heller also say that "most loans allow you to lock in the terms for 60 days," and they advise locking your loan before locating the property. My experience is most loans do not let you lock in a rate before you name the property, and they don't do it for 60 days without an additional fee to the borrower.

Basically, the authors say you should pick a plan and stick to your plan, no matter what, and I wholeheartedly agree. The overall quality of the advice and information in this book is excellent. I highly recommend it.

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