

WEEK TWO NOTES AND ACTION ITEMS

- Finding the right exit strategy/property type:
 - “The Art of War” [Get the book](#)
 - Understand the “why” – it dictates the “how”
 - The right exit strategy depends on the property
 - Your goals, risk tolerance, bandwidth, access to capital, time of year
- The types of exit strategies:
 - Assigning and Wholesaling
 - Assigning
 - Less risk, less work
 - You “control” the property
 - There is little capital needed
 - You will leave money on the table
 - Good for quick cash
 - Wholesaling
 - More risk, more work
 - You own the property
 - You do need capital
 - Why would investors buy from you?
 - They need a short cycle – you make it easy for them
 - They want to flip and sell
 - They are passive investors building their portfolios
 - Rehabbing
 - Closer to full market value, but higher costs
 - Higher profit potential, higher risk
 - There are more people involved, higher holding costs, and the markets could change
 - Renting
 - Highest profit potential
 - Appreciation
 - Tax benefits
 - Different types of rental properties:
 - Immediate cash flow properties
 - Popular in places like Dallas/Fort Worth, the Southeast, and the Midwest
 - Speculation properties
 - Popular in places like the East and West coasts
 - Holding on to the property because of potential rezoning or repurposing

- Appreciation properties
 - A place to shelter income, refinance, and sell later
- Rental classes:
 - Class A:
 - Above average appreciation and price point, better tenants
 - 4-6% appreciation and 8-10% gross yield
 - Class B:
 - Typically, \$100k-\$200k price point and less appreciation, working class tenants
 - 2-3% appreciation and 12-13% gross yield
 - Class C:
 - Cash flow, more issues with occupants
 - Class D:
 - Don't do it
 - You will get leads on these, but you need a list of investors ready if you are going to consider assigning or wholesaling
- Back into the numbers
 - "You've got to know what you can sell it for so you know what you can buy it for."
 - Match your strategy to your desired lifestyle
 - Understand what people will spend
- Money sources for deals:
 - Tips
 - Have capital sources lined up now
 - Treat each asset with the utmost attention
 - Don't pay cash for houses
 - Debt is cheaper than equity
 - Leverage the cash you have
 - Private money
 - These people will wire the money at closing and be in the first lien position on the note
 - 8-12% interest only and 1-3 points of origination
 - Make your first deal with each lender have the highest percentages and then work your way down
 - For long-term debt, ask them if they want to do 6%, 6.5%, or 7%
 - Banks
 - Will lend you money once you have a track record
 - Could be around 4% interest only and less than 1 point of origination
 - The fee structure is low
 - Main problem: cross-collateralization
 - Keep in mind: renewal and adjustments could come at any time

- Hard money loans
 - 8-12% interest and 1-5 points of origination
- Government money
 - Refinancing
- Links mentioned in the Q&A session
 - Dr. Mark G. Dotzour [webinar Free for you](#) ([login to your account](#))
 - “Start with Why” [Get the book](#)