

HOW TO FIND A HOUSE TO FLIP

On T.V. and at cocktail parties, you have probably heard all about people making big profits fixing and flipping houses. The U.S. built only 1.2 million homes last year. The U.S. must build 1.7 million new homes every year just to keep up with population growth. How have we been filling that shortfall? The answer is with fix and flips. We are returning rundown homes to the housing stock.

When a fix and flipper renovates an older home, he is often providing a near-new home to some young couple, both of who are probably working. They totally lack the time and experience to do the renovation themselves. That fix and flipper is truly doing a **good** thing for that young couple. They will enjoy a near-new home for 20% less than the cost of a new home.

Flipping homes is also great for the environment. Think of all the trees that are spared because a new home is not constructed. Lastly, think of the kids. Older homes usually have much larger yards in which kids can romp and play, compared to new homes.

My point is that **you should feel good** about the work you are doing as a house flipper.

But How Do You Find a Home to Flip?

Here are some practical tips:

1. **Consider using a wholesaler on your first deal.** Wholesalers are in the business of finding rehab properties, putting them under contract, and then finding a buyer who will execute the house flip. You take the place of the wholesaler in the contract, paying a fee to the wholesaler for being the middleman. Make sure the wholesaler doesn't add a profit margin to himself that is so large that he doesn't leave any profit for you. I recently did a Google search, "home wholesalers Indianapolis", and I found dozens of listings.

2. **Hire an agent who specializes in REO's.** REO stands for "Real Estate Owned" and refers to property that is held by a lender as the result of a defaulted loan. Most of these homes will have gone through an extensive foreclosure, and perhaps an eviction process. In addition, the prior occupants probably did very little to care and maintain the property during the pendency of the mortgage default, foreclosure and eviction. As a result, many of these properties are priced lower than the surrounding homes due to their neglected conditions, making them ripe for a house flip. Many lenders and loan servicers align themselves with a small group of realtors that specialize in selling these types of properties. The key to finding them for your house flip is to work with a realtor who has the inside track on these real estate listings and new rehab homes on the market. You can find them by doing specific internet searches for REO real estate agents and brokers within a specific geographic area. For example, I just did a Google search of "REO specialists Indianapolis" and found lots of listings.
3. **Work with your favorite real estate agent using the MLS.** Have her set up email alerts for new listings based around key words, such as handyman's special, fixer-upper, fix and flip opportunity, needs work, distress situation, divorce situation, neglected, needs repairs, foreclosure, REO, etc.
4. **Attend foreclosure sales, estate sales, and auctions.** Real estate auctions conducted at a public place, most often at the courthouse, are the best place to consistently source below-market real estate. The lenders are often times willing to take a discount from the amount owed. This allows buyers to purchase a property at 60-80% of the market value. The investor can then quickly remodel (if needed) and resell the property for a profit. The downside is that oftentimes you need to pay all-cash for the purchase, and there is no title insurance or inspections on the properties. Although there is some risk associated with this tip, with proper due diligence and patience you can do this profitably in any market in any area. In addition, not every foreclosed home finds a buyer at a foreclosure sale. By attending foreclosure sales, you will be able to identify those lenders who are stuck with a foreclosed home that they do not want to own.

5. **Most hard money lenders just want to get rid of their foreclosures quickly.** They are not interested in becoming landlords or home renovators. Their loans are often made at low loan-to-value ratios, so there is often sizeable equity in their foreclosures. If you can find and contact these individuals or companies, you'll likely get access to some great deals. I just did a Google search of "hard money lenders Indianapolis" and found dozens of companies listed.
6. **Network-network-network!** Build yourself a network of finders and contacts that - because of their jobs - run across distressed home opportunities. The next several tips will explain exactly how to do this.
7. **Don't be shy about offering to pay a finder's fee for a home that you end up buying.** Folks, I am an attorney, and let me reassure you that finder's fees are perfectly legal. Advertise your finder's fee offer boldly and with confidence. "A finder is a person whose employment is limited *solely* to bringing the parties together so that they may negotiate their own contract."
8. **It is essential that your finder does not try to play real estate broker and negotiate terms.** If your finder negotiates any terms, it is illegal to pay him because he is not a licensed real estate broker. Therefore limit your finder's work to setting up an introduction.
9. **How much should you pay?** I recommend a cool \$1,000. Capitalism works, folks.
10. **You need to institutionalize your marketing for homes to buy.** Institutionalize? That's a big, boring, fluffy term. "I'm falling asleep here, George." By "institutionalize", I mean that you need to develop a repeatable formula that works every time and which requires very little character on your part to implement. **For example**, suppose I told you to get on the phone and call 15 people every day? It's a formula. It would probably work; but who has the discipline to make 15 calls every day? That requires an immense amount of character, so I don't like it. But how about this? Could you develop a list of 70 to 1,000 particular people to whom you could forward a funny or interesting email once a week? After the joke, you could have a signature block that reads, "I PAY \$1,000 REFERRAL FEES FOR HOMES TO FLIP (in big, bold red

print). Please look for homes where someone has died, moved to a care home, or come back in foreclosure.”

11. **Choose your 70 to 1,000 finders by the nature of their work.** Certain people, because of the nature of their work, see good fix and flip candidates several times per year. Here are the types of workers who see fix and flip opportunities on a regular basis - real estate agents who specialize in estates, antique dealers, estate sale professionals, clean-out guys, dumpster companies, divorce attorneys, and probate attorneys.
12. **Don't forget business cards.** You should have two types. One should read in big, bold type: “I PAY \$1,000 FINDER'S FEES FOR HOMES TO FLIP. “ The other might say, “I'LL BUY YOUR HOME QUICKLY.”
13. **Develop an elevator pitch.** What on earth is an elevator pitch? An elevator pitch is a short, succinct sales pitch - something that you can deliver in the time it takes an elevator to go up four floors. Here's a hypothetical: “Hello, my name is George Blackburne, and I own Blackburne & Sons. I am a residential developer, and I specialize in restoring and repurposing run down homes. I pay a \$1,000 finder's fee to people who find me homes to buy and flip. May I give you one of my business cards?”
14. **Put a magnetic sign on your car.** “\$1,000 Finder's Fee For Homes To Flip. 574-360-2486.” You could find a great opportunity while your car is parked at the grocery store.
15. **Get to know the mail carriers in the neighborhoods in which you want to buy.** Mail carriers know who is having financial difficulty, who is behind on their taxes, who is seriously ill, who is moving out, and more. They know more than Google when it comes to the people on their routes, so get to know them.

Finding homes to flip is a skill that you will refine and improve over time. Have you developed a great marketing trick of your own? Would you please share it with me? Write to me at george@blackburne.com, and please write in the Subject line, “Great Fix and Flip Tip For Old George.” I would really, really appreciate it!

Warm Regards,

BLACKBURNE & SONS
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P.S. Shouldn't you [line up your fix and flip financing](#) with us before you make an offer?