

BestFlippingTeam

Training Module 5

This training covers how to calculate what to place as a max cash offer. This is combination of the last two modules. When you look at ARV and renovation budget, and consider profits, costs of money and closing costs, you can come up with a max cash offer (MCO).

Every week we give an easy way to market and find a deal. How to get a deal fast that doesn't involve spending much! This week's tip: This assignment is very similar to the "text blast" except this time it is an email blast. Just send an email to as many people as you can. Do this a few times per week moving forward until your business is where you want it to be. "Hello, just checking in and saying hi. Wanted to let you know that I have a new venture started in real estate and I'm looking to buy an investment property for cash, If you can think of anyone that is selling their home and it in "not so great shape" or if you know anyone in foreclosure, divorce, dealing with a problem tenant or ended up with an inherited property, just anything like that! Please give me their contact info and let them know I can reach out to help them out. They will pay no closing costs, no realtor fees, wont have to clean the property or anything. I can help!" We always want you to remember that you do have help!

Things to remember every week:

This is designed for you to train your people, many people have the end goal of being the money partner and having a team to handle every piece of the business. Once it is set up, this makes the most money in the least time.

This business is for you to have free time.

This is designed for you to work less and have more.

We always want to remind you of the "three places you could be" Anxious to find a deal, patiently tuning in and doing assignments, or lastly "You waited until the end and you are reviewing all of these together". Any one of these is fine, as long as you get into action.

This will take time and effort to get there.

In many cases you will be better off to do all the training and do the deals yourself at first, you are more likely to be the most committed to the process since you are leveraged.

In many cases you'll be better off to hire someone right away because it saves time, but realize the team member often times is not as leveraged as you. You have to decide and analyze that risk on an individual basis.

Weekly Reminder: Basic wholesale- Wholesaling is a niche in real estate that is 100% investor based. You are finding deals as investments at low, low prices and then "flipping" them to other investors (usually fix and flippers or landlords). Your goal here is to buy at wholesale prices and "flip" them to your investors at prices that are still below market value, leaving the majority of the profit for them. The golden thing about wholesaling is that you are making your money almost INSTANTLY, in most cases without ever owning the property. You do not need to use your own money or your own credit to make BIG profits on these deals

Weekly reminder 2: If you have enrolled into a training that has the network, then you have access to the network. You can use wholesalers in the network. A good goal for a wholesaler should be to set a goal for 2-3 deals within three months. Remember to email the office if you need to utilize the network. We reach out to the various people in the network that could fit your needs or we do a blanket marketing campaign for you inside the network (whichever way is most appropriate) and then get back to you with the response.

You should have a call rail number set up. If this is your first week on board, you may have to check your email and get set up. This is the number that you get set up for all of your marketing. We give you call scripts and common objections that we have developed over the past 17 years. These scripts are perfectly tailored to explain and demonstrate to the seller why it makes sense to sell their property to you. This call script works extremely well and you can rely on them.

Things to know about yourself. You are a cash buyer. With our network and support you have the ability to write offers as a cash buyer. In most cases what that really means is that you do not write your offer contingent on financing. You do not care about the condition of the home. You do not care about appraisals, you do not need inspections that are required by lending institutions. They have nothing to worry about! Roofs bad, floor is bad, bathroom is missing? That is all acceptable. Many sellers have been involved with a buyer that needs to appraise and inspect the property and after a lengthy time period the buyer backs out due to an appraisal coming in low, or inspection comes back with lists of repairs that ruin the deal. Always remember to tell them they do not pay any realtor fees or closing costs. Title insurance, doc stamps, closing fees any and all of it. You will make it so whatever you offer, that's what they walk at closing with! No math! You offer \$110,000 that's what they get! This is very enticing for sellers.

Today we focus on max cash offer formula. Remember that we use a different method of valuing than an appraiser or realtor with a CMA. We have a method that has our accuracy not theirs. We consider a number that is more conservative but also look very closely at the type of upgrades in all the comparable sales.

Sales have closing costs. 6% to the realtors, 2% closing costs: things like doc stamps in FL, any aggregate adjustments for taxes, Title Search, Title insurance, lien search, recording fees and all the standard closing fees.

Start with the ARV (taught in the valuing module)

-2% of ARV (sell side closing costs)

-6% of ARV (sell side commission)

=

Your Investor's Cash At Closing

- a 20% Investor ROI (16.66% of Investors Cash At Closing for the reverse math) -

-Renovation costs

=

Price You Sell For

-Your Wholesale Fee

=

Your MCO

.90% x MCO= Initial offer

Here is an Example for the guide

Start with the ARV \$300,000

-2% of ARV \$6000

-6% of ARV \$18000

= \$276,000

Your Investor's Cash At Closing

- minus a 20% Investor ROI (16.66% of Investors Cash At Closing for the reverse math) - \$45,981

- minus Renovation costs \$50,547 (from last week's budget)

= \$179,472

Price You Sell For

-Your Wholesale Fee \$20,000

=159,472

Your MCO

.90% x MCO= Initial offer \$143,524

Example of reverse math

Offer \$143,524

After negotiating the seller accepts your MCO

\$159,472

You wholesale it for a \$20,000 assignment to a rehabber for

\$179,472

They rehab it with your exact estimate \$50,547

They are in the deal for \$230,547 cash and they need a 20% (so multiply by 1.2=\$276000)

\$276,000

We know that \$276,000 is 92% of the total so $.92X = \$276,000$ (divide both sides by .92) = $\$276,000 / .92 =$

\$300,000 and that's the ARV

This obviously has to be worked backward from ARV, but it can be worked either way once the numbers are in place

We can help you with this math. If you have the portal we do it for you.

Here is an example from the training video

Start with the ARV \$259,000

-2% of ARV \$5180

-6% of ARV \$115,540

= \$238,820

Your Investor's Cash At Closing

- minus a 20% Investor ROI (16.66% of Investors Cash At Closing for the reverse math) - \$39,697.48

- minus Renovation costs \$40,000 (from the training video)

= \$158,582.52

Price You Sell For (Pitch it to your investors at \$160,000)

-Your Wholesale Fee \$20,000

= \$138,582.52

Your MCO

$.90 \times \text{MCO} = \text{Initial offer } \$124,724.27$

Place the exact offer with your seller, it helps as a talking point with your seller. As you pitch it to your rehabber, use a nice square number.