

How to Maximize Your “Mortgage” Income!

By: **Graham Montigny, CRMS, Product Manager at ReCasa Financial Group**

The standard instructions for any and all investments are buy low and sell high. How to do this is the tricky part. Anyone who bought real estate in 2006 or 2007 has been on the wrong end of the equation. Unless they are planning or need to sell, they have not actually lost a cent because you cannot count your profits or losses until you sell. Sure, your personal balance sheet may not make you FEEL wealthy, but the reality is this is perception.

Real estate investors usually are engaged in the activity for one of two reasons, build cash flow or buy for resale. Each strategy requires a different method of determining a low price. For the cash flow builder, the concerns are vastly different than that of the re-seller.

The concerns of the cash flow buyer are ease of renting, desirability to good tenants and maintenance costs. Ease of renting is influenced mainly by floor plans, schools, noise, safety, yard or lack thereof, proximity to work centers, and more. If you are in a mature area with many elderly possible tenants, a ranch floor plan with little yard to no yard would be ideal. If you are in an area where younger families predominate, a less than perfect home can be promptly rented if located in an excellent school district. If the area is a commuter's challenge to get to work, a home located inside or near the city would have an appeal over those in the suburbs. From a safety perspective ask yourself would you feel safe to live in the area. If you would not, your prospective tenants will not either.

The last part of buy low for cash flow is the carrying cost of ownership. Things wear out and break. A new roof is expensive, and a furnace that dies in the winter can lead to burst pipes. Be certain to take into consideration the age of the mechanicals when determining the total cost of the acquisition. Because the sell event for the cash flow buyer is many years in the future, the sales price is a secondary concern.

The concerns of the re-seller are out of pocket costs and repair costs, versus resale price and time to sell. Out of pocket costs are simply the cash needed to invest in the home to make it marketable. A flip can be a real money maker if all that is needed is cosmetic work. Paint, carpeting, a real thorough cleaning, and fresh trimmed landscaping can go a long way to make a home sell quickly with minimal outlays. If major renovations are required, the time spent and the actual costs need to be factored into the buy low equation. A fire damaged home is going to have far more work and costs than a mere filthy home.

The main requirement for a quick sale is a proper price. A home priced right for the area will sell, even in tough markets. A home priced too high or at the top of the market will linger. If you buy low and sell right, meaning fast, it will increase the return on your investment and free up money for the next flip. Is it better to make \$30,000 profit three or four times a year, or get your price by sticking to it, making \$40,000, two times a year? Focus on the return as a percentage rather than the hard dollar profit and you will be long on the way to a successful buy low and sell high.

ReCasa Financial Group

Graham Montigny is an investment property specialist with ReCasa Financial Group, LLC and an adjunct professor at Hondros College. While specializing in investment properties, his extensive financial experience comprises over 22 years of commercial and residential practice with previously owning and operating a mortgage company for 15 years. You can reach him by phone (614-309-0427) or e-mail (gmontigny@recasafinancial.com).

ReCasa Financial Group, LLC provides an array of products and services for real estate investors to successfully exceed their profit and investment return objectives. Financing, insurance, education, security and services offerings are tailored for each investor's situation. The core loan product provides 100% financing for rehab projects. For a free consultation or to explore how ReCasa Financial Group can assist you, please contact us at 614.221.6770 or visit our website at www.ReCasaFinancial.com.