SPECIAL REAL ESTATE INVESTING REPORT

Profit from Nice Homes

Learn How to Turn ONE Home into 8 Homes in Just 6 Years

How to Make An Extra $30,000 Each Year Investing in Nice Single Family Homes

When someone thinks about investing in real estate, they'll typically consider one of two approaches:

1. **Rehab and Flip**: With this approach, an investor purchases a property to renovate and resell. You've probably seen several TV shows highlighting investors who use this approach. The main idea is to buy an "ugly" home at a discounted price. The investor will then renovate the home transforming it into a "nice" home and then sell the home at the improved market value.

An example might be buying a foreclosure for $100,000 and investing another $25,000 into a new kitchen, new bathrooms, and fresh paint and new flooring. After completing the renovation, the investor might sell the home for $150,000 leaving a $25,000 profit between the sale price and the total amount invested into the property.

This approach is appealing to many beginning investors because it offers the opportunity to make a significant amount of money within a short period of time. Another benefit of this approach is the investor doesn't have to be a landlord because they're not renting their property. This means they don't have to manage this property and deal with tenants.

The problem with this approach is the significant risk an investor must assume until the home is ultimately sold. The actual renovation may be more expensive than planned eating away at the potential profit. Or worse, the home may not sell and the investor will be stuck maintaining a vacant home over an extended time on the market.

Sadly, for many beginning investors, they struggle with this approach to real estate investing and end up losing a great deal of money and time.

If an investor IS successful with a flip, they'll have to continue flipping additional homes to make more money from this approach. The reason why is flipping homes isn't investing. It's a full-time job and the only way the investor gets paid after the first flip is to continue renovating and flipping additional homes.

The second approach many investors use is:

2. **Buy and Hold**: They'll buy a rental property and plan to rent this property out over the long-term profiting from the rental income and long-term price appreciation. In addition, the tenant's rent will pay down the mortgage on the property over time increasing their profit further.

The main challenge investors have with long-term rentals is the ongoing property management. This includes advertising the home, showing the home, and screening tenants during vacancies. It also includes monthly rent collection and repair calls from the tenants.

One of the benefits to long-term rental properties is the ability for the investor to get paid each and every month for life. They don't have to buy another property in order to make money as the tenants continue to send them income with each passing month.

A small handful of investors use a third strategy designed to capture the benefits of both flipping and long-term rentals, while avoiding the challenges associated with each approach. This third strategy actually combines flipping with renting as the investor uses a rent-to-own strategy with their investments.

Before we go further, it is helpful to understand the rent-to-own strategy will....

1. Allow you to put your real estate investments on autopilot sidestepping many property management challenges landlords typically face.

2. Dramatically increase the cashflow you'll receive from each property.

3. Reduce your risk significantly.

4. Set up the opportunity for large paydays if the tenant buys the home.

5. Lock in appreciation before the tenant moves into your home.

6. Provide you with a large non-refundable check for 3 to 5% of the value of the home from your tenant before they move into your home.

A properly structured rent-to-own program will dramatically improve your profits. To get an idea of how this might look, consider the following case study as an example:

Investor Paid $140,000 for the Property

Home was Sold on a One-Year Rent-to-Own Program to a Tenant for $147,000

Tenant Paid $5,200 Upfront, plus $1295/month

Total Locked in Profit on 1-Yr Investment $8,750
Net Invested $17,504   ROI= 50%

An investor purchased this home, which was in move-in condition, for $140,000. The home was immediately offered for sale on a one-year rent to own program. There were several interested buyers and the buyer selected paid the investor $5,200 upfront as part of the rent-to-own program. If the buyer buys the home during the rent-to-own program, their purchase price is $147,000. The investor has locked in $8,750 in profits. More importantly, they've already collected $5,200 of this total profit! With a two-year rent-to-own term, the profits would be even greater with an additional 12 months of positive cash flow added to the profits. Also, during the term, the investor mortgage is reduced each month by the buyer's monthly rent payment, which increases the investor's equity in the property and increases the proceeds when the buyer purchases it with their own mortgage.

Note: The rent-to-own buyer will receive credit for the $5,200 upfront payment and this will be deducted from the $147,000 sales price at closing...if they buy the home at the end of the twelve months.

In addition, the investor will collect $296 in positive cashflow each month after collecting the rent and paying their mortgage, taxes, and insurance. This cashflow will add an additional $3,551 of profit over the 12-month rent to own program.

Compare this strategy to the two approaches used by most real estate investors and you'll see the investor has dramatically reduced their investment risk. This risk reduction comes from three areas:

1. Since the home was in great condition when purchased by the investor, they've completely eliminated the risk of costly renovation overruns. They won't have to worry about a major unexpected renovation cost!

2. The rent-to-own buyer paid the investor $9,000 before moving into the home. This is significantly higher than the typical security deposit and provides the investor with a very large safety net in the event the buyer defaults on the rent.

3. The investor will not have to worry about a vacant home sitting on the market for months hoping it will eventually sell. This is because they already have their buyer living in their home! The buyer will actually be paying the investor each month and they'll also be taking care of the home, too!

At this point, you might be wondering why a buyer would want to buy a home using a rent-to-own program?

Well, there are many reasons why rent to own programs are attractive to buyers. One of the main reasons is because they cannot qualify for a mortgage and this is usually because they have had a recent employment change, are self-employed, or have slightly lower credit scores. Divorce or medical expenses are common causes for mortgage qualification obstacles. Divorce may contribute to a prior foreclosure or bankruptcy, or late payments on other credit or medical accounts.

The rent-to-own program actually gives buyers time to eclipse a financial anniversary (foreclosure or bankruptcy), build employment tenure, increase reported self-employment income, or work on improving their credit scores. In many cases, a buyer can improve their credit score dramatically with one or two years of on-time payments and this is the typical length of a rent-to-own agreement. On a high-level, investors are helping home buyers move into their dream homes now and giving them time to qualify for the mortgage. This creates a win - win situation for both parties.

Believe it or not, it actually gets a little better for the investor using this strategy and this is because the management of a rent-to-own home is a lot easier than with a regular rental property.

The reason why is because the tenant is <u>buying</u> the home, not <u>renting</u> the home. When a tenant in a regular rental property has a problem, they typically pick up the phone to call the landlord. When a buyer has a problem, they have to handle it on their own. This simple shift has tremendous benefits for investor.

Landlord/Tenant	Rent to Own Seller/Buyer
1. Landlord has MORE risk because they are only receiving a small security deposit 2. Landlord is responsible for all of repairs and maintenance 3. Tenant doesn't care about the property- their mindset is *"It's a rental."* 4. Tenant pays lower rent and moves more frequently. (Short-term leases)	1. Seller has LESS risk because they are receiving large upfront payments 2. Seller is only responsible for certain repairs and maintenance *3.* Buyer cares a great deal about the home - their mindset is *"This is my home!"* 4. Buyer pays a higher monthly rent & signs a longer-term lease with money to lose

Obviously, there can be problems with rent-to-own programs. These problems are:

1. Buyer doesn't qualify to buy the home during the rent-to-own period. In this case, the investor could extend the rent-to-own program for another two years with a higher

sale price. This would also increase their cashflow as they would collect two more years of monthly profit and sell the property for a higher price. Or they could terminate the program and start over with a new rent to own buyer.

2. Buyer stops making the monthly rent payment during the rent to own program. If this happens, the investor would simply evict the tenant. Once the tenant was out of the home and it was ready to show, the investor would offer the home on a new rent-to-own program to a new tenant buyer at a higher sales price.

In either case, the investor would keep the $5,700 upfront payment received from the buyer as it is non-refundable. This upfront payment would offset the cost to evict the tenant. Plus, the investor would collect a new upfront payment from the new rent-to-own buyer.

The rent-to-own strategy actually becomes more profitable when the buyer doesn't buy the home. This structure is very powerful and will allow investors to profit regardless of what the rent-to-own buyer actually does.

If the buyer does buy the home at the end of the rent-to-own program, the investor will have two choices. The first choice is to collect the big check and use this check for whatever they want. Maybe, buy a new, car or take a long summer vacation?

To collect an extra $30,000 every year, an investor would plan on purchasing one nice single-family home each year. Each single-family home would be offered on a two-year rent to own program. After two years, the investor would be in the position to collect sales proceeds on a nice rent to own home each and every year going forward.

Here's how this might look:

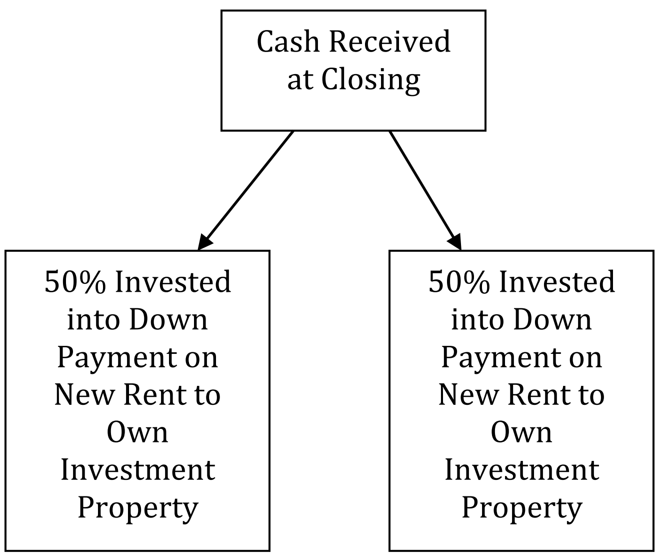
In 2018, investor purchases their first nice single-family home. The home is offered on a two-year rent to own program. In 2020, the investor is in the position to sell the home outright to the tenant buyer unlocking their first $20,000 to $30,000 check.

In 2019, investor purchases their second nice single-family home. The home is offered on a two-year rent to own program. In 2021, the investor is in the position to sell this second home outright to the tenant buyer unlocking their second $20,000 to $30,000 check.

In 2020, investor purchases their third nice single-family home. The home is offered on a two-year rent to own program. In 2022, the investor is in the position to sell this third home outright to the tenant buyer unlocking their third $20,000 to $30,000 check.

With this plan, the investor simply buys one nice home each year. In just two years, the investor will be in the position to start collecting $20,000 to $30,000 annually as the homes sell to the buyers. The investor doesn't have to renovate any homes, doesn't have vacant homes sitting on the market for months, and sidesteps the typical landlord issues. In other words, they get to have their cake and eat it too.

Or if the investor wanted to make even more money, they could use the proceeds of their first rent to own sale as a down payment on two new rent to own homes:

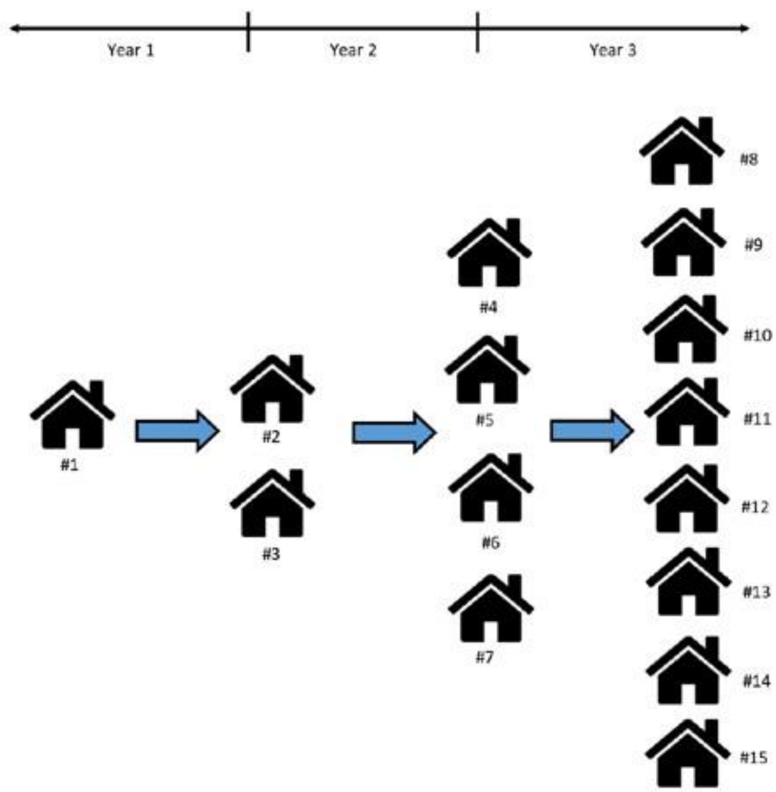


(There are tax advantages to reinvesting the profits from the sale into a new property with a section 1031 Exchange. Ask your tax professional about a 1031 exchange.)

These two new homes would both be offered on rent to own programs and the investor would collect two more large upfront payments. The investor would also now have monthly positive cashflow on two investment properties, instead of one. And even better, the investor would lock in a large profit between the purchase price and rent to own price on both of these homes!

Fast forward, four years into the future and you'll see the investor may be in position to sell these two homes and use the sales proceeds as a down payment on four nice single-family homes. The process compounds over time if the sale proceeds are reinvested into two new homes.

Before we end this special report, consider what would happen if the investor were to purchase just one nice single-family home this year. The home would be offered on a one or two-year rent-to-own program. As the tenant buys out the home at the end of year one, the investor uses the proceeds to buy two new homes. In just 3 years, the investor could own 8 homes with preselected tenant/buyers and their down payments already secured...



(See assumptions and financial details on next page)

Of course, if the investor purchases two or three homes in the first year instead of just one, the compounding occurs more rapidly. However, with just one home in year one and continuing to roll sale proceeds and annual revenues into additional homes through a Section

1031 Exchange, the purchase of additional homes will have down payments self-funded beginning in year three.

Assumptions (per home):			
Purchase price	$130,000		
Mortgage	110,500		
Down payment @ 15%	19,500		
Tenant/Buyer down payment	-5,000	14,500	A
Net rental income, 12 months	12,240		
Mortgage payments, 12 months	-8,220	4,020	B
12-Month Option Price	134,550		
Proceeds on sale		18,050	C
Total income, 12 months (B+C)		22,070	D
Return on invested funds (D/A)		152.21%	

Investment returned, plus 52% gain/revenue. Roll into Section 1031 and use to fund next transaction(s).

Home #1 proceeds & revenue fund DP on Home #2 and a portion of DP on Home #3. An additional $6930 is required to fund the balance of net DP on Home #3.

Proceeds & revenue from homes #2 & #3 at end of year two will be $44,140, which will fund net DP on homes #4, #5 and #6, and a portion of #7.

If after reading this, you have an interest in learning more about investing in nice single-family homes, I may be able to help you acquire one, or more homes.

I'm a licensed real estate broker who specializes in real estate investment opportunities. My journey and experience may be of value to you as I can help you identify the best investment properties on the market. More importantly, I can also help you design the perfect rent to own program for your properties. I have a database of fully vetted tenant buyers in need of homes and a property management company that allows you to be hands-free.

If you're curious and would like to learn more, we can set up a short phone call to discuss real estate investing with rent to own programs in more detail. I can answer all of your questions and send you a few actual properties for your review. If you think we're a good fit during the call, we can set up a timeline to get started. If you decide we're not a good fit, or the approach isn't for you, no problem. We're good either way.

Also, it is important to understand that we can structure your investments based on your goals and your personal situation.

To schedule a short phone call, send me an email at: ken@kenterhomes.com. Please put "Schedule Phone Call" in the subject line. Also, if possible, include some information about yourself and your investing goals. When I receive your email, I'll reply and set up a convenient time to talk.

Best,

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NOTES & DISCLAIMERS:

Taxes & Inflation – The amounts detailed throughout this plan have not been adjusted for taxes and inflation. These expenses will be significant over time and will reduce your returns accordingly. It is important to understand that taxes and inflation will reduce the returns of any investment over time, including the returns offered by this approach.

Possibility of Loss – Real estate investing is not risk-free. You can lose money depending on your skills as an investor. Please discuss this strategy with your professional advisors, including your attorney and your tax accountants.

Self-Directed IRA Account - If you have current retirement savings that you would like to use for this plan, please ask me about a self-directed IRA during our phone call. This special IRA account can be used to acquire homes for cash. You can then easily reinvest the rental income each month and defer your taxes.

Buyers May Not Buy The Home – As noted in the report, there is the possibility that the rent to own buyers won't actually buy the home during the two year rent-to-own program. They still may not be able to qualify with their lender. This actually makes the home more profitable for the investor as they can start over at a higher sales price.