

Letter from the Editor

We hope you had a great 4th of July!! This year has really flown by. We want to welcome Raj as a new investor. We have known Raj for almost 10 years. I met him at the various county court house foreclosure auctions. Our new website has been a hit. We have received calls from London and Switzerland from a couple of money managers.

June was another good month for loan originations. We originated 7 loans for a loan volume of 1.4 Million with a total LTV of the ARV of 56.4%. We originated 6 First Trusts and 1 Second Trust. We did 2 loans in Maryland and 5 loans in Virginia. July WILL be a slow month.

CHUCKLE'S CORNER

"If you would know the value of money, go and try to borrow some."

- Ben Franklin

In This Issue:

- + Letter from the Editor
- + Flippers and Real Estate Agents- Building Relationships
- + House Flipping – A Great Chain of Dependencies
- + Deal of the Month
- + Food for Thought



Flippers and Real Estate Agents - Building Relationships

When we sell our listings, there are times when we bring in listing agents and don't sell the properties ourselves. Sometimes these agents have brought us deals or they have access to private networks of people looking for off market listings. Building a relationship with a dependable real estate agent can open up a lot of doors for both parties. For flippers, working closely alongside a real estate agent provides valuable inside knowledge about how property is bought and sold and what properties are up-and-coming in the market.

Unfortunately, both groups have had various misconceptions about the other, and these perceptions have made some flippers and agents reluctant to work together. Creating a relationship with a real estate agent may require some work, but by helping agents understand the specific needs of a real estate investor, you can create a beneficial partnership. So how do you go about developing this relationship?

1. Begin with Referrals

Networking is an important part of developing any successful business, including house flipping. If you're looking for a real estate agent that you can work closely with, ask around. Have you been investing in real estate for a while? There's a good chance that you've built a respectable network in the process. Ask some of your closest colleagues and business acquaintances if they can introduce you to a reliable agent.

2. Clarity

Real estate agents only want to work with flippers who are serious about their purchases. Nothing will send an agent running away faster than an investor who does not value their time and expertise. For this reason, it's important that you gain the trust and respect of your real estate agent. As an investor you need to do your due diligence so that you are not pulling out of deals at the last minute because you have changed your mind or lack the proper funding.

3. Volume

The best way to build a strong relationship with a real estate agent is to show them that you are serious about doing business. Let them know that you intend to buy and flip a lot of houses. If you develop a relationship with them your goal is that they will have a steady stream of business when working with you.

4. Level Set

Once you start working with an agent, make sure to let them know what you expect from them right from the start. It's up to you whether you want an agent that's going to be involved in your process, offering input and helping make decisions, or if you want someone who's only handling the offers and the paperwork. This will help the agent determine if this is the kind of relationship they want to develop as well.

5. Helping the Agent be Successful

Your real estate agent is working on commission, so the busier their month is, the better it is for them. If you are planning on building a successful relationship with an agent, you are going to have to prove to them that working with you will increase their revenue. This is where trust and honesty comes in. The last thing you want to do is promise an agent a busy month and fail to deliver, so be realistic about what you are able to provide on your end of the agreement.

Real estate agents have a working knowledge of the industry that most flippers do not have. Not only can they help you buy and sell houses, they can also give you valuable advice when it comes to spending money on renovations. For this reason, creating a professional relationship with a dependable agent can be great for business and increase your earnings.

House Flipping – A Great Chain of Dependencies

We are all familiar with the expression that a chain is only as strong as its weakest link. No expression could be more analogous to house flipping. When reviewing prospective deals presented to Clear Sky Financial, we try to look at every element of the underlying asset and the plan to renovate it. Our foremost interest is making sure that the underlying asset has a value that will make us whole in the case of default. Our secondary concern is making sure that the borrower can properly execute on their flip. We are not in the business of taking back assets on failed projects but will do so on an “as needed” basis. In order to minimize the possibility of a project failure, we help our borrowers understand the entire deal lifecycle. Here is a short list of what we are looking at throughout the project lifecycle.

1. Clear title
2. Appropriate legal organization and registration
3. Ability to pay on the note
4. Proper insurance
5. Appropriate expectations about the ARV
6. Experience with the construction permitting process
7. A comprehensive understanding of the repairs needed
8. Marketability of the underlying asset – does it conform to inventory needs
9. Access to a contractor network of qualified and licensed professionals
10. A marketing plan for the exit strategy

If the flipper doesn't have a clear understanding of the above elements, we educate them and work with them before starting the project to maximize the probability of success. Since we are in the business of flipping houses ourselves we have a great depth of experience with each of these steps. Even as I write this article Charlie and I are working with prospective borrowers to clarify title, tax obligations, insurance, and permitting/repair issues before they make a purchase.

FOOD FOR THOUGHT

One of the biggest reasons why we are successful at our business and have happy customers is our ability to move faster than our competition. A case in point is what happened to me one day this month. I have been working with this particular investor for almost two years now. He calls periodically to run deals by me. He has done 1 flip deal and 2 wholesale deals in 2 years. We were the hard money lender on his FIRST flip deal and he wholesaled us his FIRST his wholesale deal. I was on the phone with this investor and he needed first trust information on a property in the City of Alexandria. We do not have access online to the City of Alexandria records. So, while on the phone I emailed a title company. Within 10 minutes, while I was still on the phone, I had the answer to the question and I am in the process of helping the investor structure a Subject To deal. Thanks RICK!! Now we probably will not get a loan out of this transaction, but the fact that we helped this guy so quickly reinforced an already solid relationship. We will certainly get the listing to sell the house once he has renovated the property. Stay tuned!!

JUNE DEALS



9825 Pebble Weigh Ct.



3424 Milstead Ct.



2835 Cherry St.



52 Brent Point Road



1580 Pin Oak Dr.



9902 Copeland Dr.