

Shut Up And Flip A House Already

A Guide to Help You Shit or Get Off The Pot



by Brenna Brooks and Wendy Doris

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Introduction



Meet Wendy and Brenna

We're house flippers/real estate investors/renovation designers/#girlbosses.

We met on Instagram as [@flippinwendy](#) and [@brenlowproperties](#). True story. We started by commenting on each other's Instagram posts, then emailing, then Facebook messaging, then texting, then one day we met in person (see photo - Brenna is on the left, Wendy on the right) despite living an hour and a half apart. Thankfully, neither one of us was too creepy, and now we are real-life friends who call each other by our actual names, not Instagram profile names. We also serve as each other's sounding board, co-authors and occasional drinking buddy.



How This Book Was Born

We consistently get the same questions about how we got started flipping houses or if we can mentor someone. Sometimes the questions are as vague as “How do you flip a house?” *facepalm* That’s like asking LeBron James how he’s the most talented basketball player in the world. He just is. Same thing for us. We just do. But, since we get an awful lot of

questions like this, we decided to try to put some of our experiences to paper. The information in this book is what we share when we mentor someone from the beginning. This book is meant for the people who:

- Love the idea of flipping, but want to see what it will really take.
- Have been talking about flipping houses for ages and should just shut up and do it already.
- Want to learn the reality, not the smoke and mirrors of flipping TV.
- Are considering taking the plunge and buying their first property to flip, but just need a few more questions answered before they jump in.
- Are currently flipping, but want to fill in a few holes in their research.
- Are skeptical about the process and need help reassuring themselves that this IS or ISN'T for them.
- Just want to tiptoe into this. No pressure to turn into a machine churning out 10 houses a month. Let's start with ONE. Maybe as a side job. Whatever happens after that, happens.
- Bought a fixer-upper as their personal residence on purpose (or got stuck with one), and want to learn how to maximize the value of their investment
- Follow us on social media and want to know a little more about behind the scenes.

Warning: We're not all sunshine and rainbows

We wouldn't be doing anyone any good if we only wrote about the positives of flipping houses. It's not always an awesome adventure from beginning to end. We wanted to paint a realistic picture of what it's like to flip a house, and with this book, we think that's what we've done. This shit can be hard. (We curse, too. Get used to it, it's practically a job requirement.) It is also rewarding. We wouldn't still be doing it if it wasn't. It's also not for everyone, and that's okay. Some people just aren't cut out for it. Some people are, but have no desire to deal with all of the headaches that can come with it day in and day out. Again, that's okay. We do hope that by reading this book, you will have many of your questions answered, but most of all that you will have a better idea whether or not you truly want to dive into this crazy undertaking.

We promise to be honest. We wrote every word of this book ourselves and these are our actual experiences with flipping houses. We don't claim to know everything, because we know that we don't. There is (almost) always more than one way to do a thing, and these are just the ways that have worked for us. On the other hand, we will not sugar-coat things, or dumb things down to make them easier to understand. To be blunt, there is a certain level of common sense, initiative, and intelligence required to be successful in this business - and some people, no offense, just don't have it. If you read this book and think that following

through on any of what we describe in these chapters sounds way too time-consuming, uncomfortable or stressful: FLIPPING HOUSES IS NOT FOR YOU. That's okay. (In college, Brenna thought she wanted to be a pharmacist like her older sister. She took one advanced chemistry class and decided that would never work out. Probably for the best.) Maybe you are better suited to be a financial backer for someone who has proven their success. We'd be happy to chat with you about how to allocate your funds. :)

Thanks for reading!

FAQs

You're extremely interested, but you feel clueless. Where do you even start? What can you expect? Much of what you want to know will be answered here!

Attack this book by reading through the following questions as a sample of what's to come and then 1.) dive into the content from the beginning or 2.) jump straight to the answer you **MUST** have answered **RIGHT AWAY!** Either way, this book should help you decide whether you should take the plunge or bow out now. Let's not waste any more time. You want answers!

Let Us Answer 34 of your 15,239 Questions

1. How do I flip houses?

Seriously. What kind of question is that? Remember when we asked Lebron how to play basketball?. I'm sure there are about 14,242 factors to consider, but one way to answer this could be to just stand up and go. So, be more specific. Ask more specific questions or we'll tell you to just do it. That's how. Yeah. It's going to be like that. #toughlove

2. Is flipping houses hard?

Stop being an idiot.

3. Why do you two sound so bitter... already?

One part is we are writing this book while we are actually flipping houses. So, depending on the issues that have come up that day, a little bitterness might make it's way onto the page. Sorry about that.

Secondly, we get these questions often. It becomes overwhelming. Where do we even start? It's not just as easy as looking for a house and picking out paint colors. Sometimes TV shows make it look like we wave a magic wand and the home is sold! It is not that easy. There are some very, very stressful moments! Some that keep us up at night. Even our own Instagram accounts show off the "after" photos in celebration without fully disclosing the work that went into it. That's why it is difficult to answer a question like, "How do I flip a house?".

4. How did you get started?

Probably similar to how you will get started. Became infatuated with some design show, started researching how to do it, muttered an obscenity (or twenty) and finally just did it.

5. Is flipping houses fun?

Sometimes. Flipping houses is like being on a roller coaster. Sometimes you have great highs, sometimes you bang your head on a sharp turn.

See [What to Expect](#) when flipping houses.

6. Do I need to have money to flip houses?

Yes, of course.

See [How to Get Money](#).

7. Do you use any of your own money?

Yes, but not if we can help it.

8. What if I can't find any money?

Try. If you still can't, try some more. If you still can't, then you should just give up.

9. How do flippers make money?

Magic.

See [How Flippers Make Money](#).

10. I have a “real” job. Can I still flip houses?

Yes. Brenna works full-time in an office environment and flips on the side with her dad. Wendy did for many years before flipping full-time.

11. Can I flip the house I'm living in?

Yes! Living in a home while it is being renovated can be really frustrating. However, there are upsides to this strategy. The numbers also have to make sense. See more about this strategy in [How Do Flippers Make Money](#).

12. Do you make a lot of money flipping houses?

That depends on the house, the economy, the region you're in and what you consider a lot of money.

See [How Much Will I Make](#).

13. How long does it take to flip a house?

It depends on if you are doing the work yourself or hiring it out. It also depends on the size of the renovation. To an extent, it depends on the weather, buyers, bad luck, good luck and magic. A good general time frame is somewhere between 3 to 6 months. However, Wendy recently wrapped one up that took almost a year. She wasn't happy about that.

14. Do you hire contractors?

Oh GOD yes.

15. Do you do any work on your own?

We have in the past but typically we don't now because our time is better allocated to planning, designing and finding the next potential project.

16. How do I know what my budget should be for renovations?

This is going to take some time and lots of practice.

See [Budgeting](#).

17. How do I find a good deal on a house?

There are many places to look. See [How To Find Good Deals On Crappy Houses](#).

18. Do you do houses with foundation issues or mold?

Yes. These are things that can be fixed. If the needed repairs fit in the budget and the house is still projected to be profitable, then yes.

Wendy: This wasn't always the case. I have operated under the notion that it's okay to be slightly uncomfortable when I buy a house with a new challenge, but not too many to tackle all at once. Now that I've had practice with so many situations, scary things like foundations

and mold no longer bother me. Flipping houses is a practice in being slightly uncomfortable.

Brenna: What she said. If you're not a bit uncomfortable at times, you're not really challenging yourself. If you never challenge yourself (and succeed!) then you are never going to grow and progress, either in flipping or in life. You learn more from failure than from success. Now, I wouldn't recommend knowingly taking on 5 things you've never dealt with before at the same time; but part of learning from experience is learning how to deal with new situations. It involves research, consulting the experts, executing, and paying attention and asking questions. Eventually, you'll look back and realize that what seemed daunting a year and a half ago is no big deal; and that new challenges are just something you haven't quite figured out yet.

19. Can you help me figure out what to do with my kitchen?

FOCUS! But, yes.

20. How do I know what to update in a house?

By looking at nearby properties that have sold, evaluating what features/level of finishes they all had in common, and determining your budget.

See [What To Update](#).

21. How much value will a water feature/kitchen/bathroom add to my house?

This is a guessing game taking into consideration 1,345 factors. Some updates add no actual value, just saleability.

See [What To Update](#).

22. What if I lose money?

It will happen, and it will suck. It might be on the first house. It might be on the eighth. It might be a loss of \$2k, it might be a loss of \$20k. You'll feel like a loser, but life will go on. You can't win 100% of the time. Some of those losses produce the best knowledge bombs for the future.

23. Do I need to start a business?

Maybe. We have LLCs. Several. Get to know a lawyer. Ask them about your situation.

24. Have you ever not been able to sell your house?

No. There are a lot of exit strategies. Drop the price, rent out the house to generate some income and help you to pay back your debt, or address any issues that potential buyers are giving you feedback on.

25. Where do you buy your materials?

Every single house flipper will tell you they only shop at XXX store, and that YYY store is horrible. The truth is the best places, for any flipper, are those with which you build relationships, or that provide something you value that others don't.

26. How do I find the right people to work with?

See [The Network](#).

27. Where do you find your contractors?

Everywhere and anywhere possible.

See [How to Hire a Contractor and Not Get Screwed](#).

28. Have you ever had to fire a contractor?

Yes. It sucks but it's usually for the best.

29. Do you stage your homes?

Yes. See [Stage It](#).

30. What kind of house should I choose for my first flip?

It depends on the type of neighborhood, price range and degree of difficulty you feel comfortable with.

See [Your First House](#).

31. How do I know if I know enough to get started?

You don't. Flipping is 40% knowledge, 30% learning on the job and 30% winging it. Those are exact figures.

32. How will I know when I'm ready?

You won't. Go for it anyways.

33. Can you help me with flipping houses?

We are by writing this book, dammit. Coaching and design services are available. Contact us for more details.

34. What resources should I use to learn more?

See [Resources](#).

What to Expect

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Flipping houses has an allure to it. It seems exciting and fun! The potential for a big check at the end doesn't hurt, of course. But, before we jump into the details of flipping, let's lay out all of the highs and lows you might run into in this glamorous, yet stressful line of work.

¹. After Photo Credit: RealTour Cast Photography [↩](#)

The Perks

It makes you sound interesting. Answering the question, “What do you do?” is no longer a mundane task. Saying, “I’m a house flipper” is like having a cool party trick. People look at you like you’re a unicorn and must have the most exciting job ever invented! You’re probably even on TV. And, to be honest, if you have any sort of social media presence flaunting your house flipping, you will be approached by multiple production companies looking to find the next Flip or Flop phenom. It’s pretty flattering. This is completely true, by the way. It happens. We both get emails from production companies wanting to chat at least once a month.

Working For Yourself

Another perk is working for yourself. It’s just you running the show. You can wake up at 10am and go to the job site in your sweats. You can come and go as you please. You can take on 1 project or 15. If you want a marble counter, BAM, done. It’s all up to you. No boss to tell you what to do and how to do it. You call the shots.

Money

You could make a sizable chunk of money! Those people that tell you they made \$70,000 and all they did is have the carpets cleaned, it happens. It hasn’t happened to us (DAMMIT!), and it’s not very realistic, but it does happen. More realistically, you could do a deal and make \$20,000 profit in 90-120 days. Not too shabby.

Creative Outlet

Not everyone gets into it for this reason, but for us, we LOVE the design side. Our favorite part of flipping is taking an ugly, dysfunctional layout and rearranging it into a gorgeous and functional space. It’s like a jigsaw puzzle. Not all homes will have this dilemma, but that’s okay. They all have their own unique challenges at which we get to throw our creative juices. It’s only a matter of time before we find a house that we can finally use that cement tile we’ve been drooling over, or try a new trend that we’re not quite sure we have the balls to try in our own homes. The before and after photos are the icing on the cake!

Your Brain Grows by 500%

You'll learn to learn. We're really not trying to be annoying here. We swear. Everything is something that needs to be researched. Clearly you can't research EVERYTHING. But, you do get used to figuring things out. In the beginning everything is scary. You don't know what a roof costs. You don't know what is involved with laying new floors. You don't know if your electric is up to code. Google and YouTube become your best friends, and not for those cat videos. Soon, cracks in a foundation and massive mold growth are no big deal. I mean, they are a big deal if left unattended, but, eventually you've had so much practice figuring things out that hey, you can figure that out too.

You become a learning machine.

Anything and everything is up for grabs to shove into your brain. No concept is too big, you simply figure out how to get it done. You get annoyed with other people who don't seem to know how to Google. You send off emails and Facebook posts sharing with others what you've just learned. You're not annoying at all.

Comfortable Being Uncomfortable

This job may seem uncomfortable. It is! You get used to it. Like when you learned to ride a bike. It was 50% exhilarating, 50% wanting to pee your pants. But, eventually you got through that uncomfortable part and rode off into the sunset. Flipping is the same, but times 10. You are faced with challenges left and right. Sometimes bombarded with them. This might seem like it should be listed under the pitfall section, but to us it is a perk. If you can deal with the multitude of challenges you'll undoubtedly face as a house flipper, then this will become your new norm. Uncomfortable challenges just become regular challenges. Just another thing to figure out. It spreads to the rest of your life.

Wendy: I didn't realize I learned this until a few years ago. My husband and I were traveling in South America at the beginning of a long backpack adventure (perk!). We were waiting for a bus to take us to the next city. He asked me if I had heard them call our bus (in Spanish, of which we spoke very little) and I had not. He started to get really anxious. "What if we missed it!? We need to check! What will we do?" Freaking out. My answer was easy. "Uhhh, I don't know. We'll figure it out. If we miss this bus we'll get the next. No big deal." At that moment I realized I've learned how to deal with things as they come. Flipping houses is a constant stream of challenges and decision making, and being unsure about something at first but figuring it out as you go.

Brenna: When I'm at my day job, I get really annoyed when a coworker asks me a question or wants me to do something for them, when they could easily find the answer or do it themselves with just a tiny bit more effort and time. I realize now it's because I'm used to the

unknowns and figuring things out has become like second nature to me. Working on a flip house, if I asked for someone to do or find something for me every time I wasn't sure about, we'd either never finish a house or lose money on every one.

You no longer think you can't do something. Instead you Google how to do something or ask an expert. This, in part, is why some of us flippers may get a little frustrated with questions like, "How do I flip houses?" It's not a process with a finite number of steps that you can follow, like long division or installing a garbage disposal. It's not something that anyone can really tell you how to do, and then you say "ok thanks" and go do it. The answer is simply, you buy a house, fix it and sell it. You start. You research. You read this book. You call the authorities. You feed your brain. You take the uncomfortable challenges and tick them off by the thousands.

Flexible Schedule

As we mentioned above, a perk of the biz is the flexible schedule. Not only do you have the flexibility of waking up late or starting happy hour at 3pm, you also have the flexibility of simply not having a house to flip at the moment. You can take 6 months off to travel the world if you want. You can flip one house and then never do it again if you choose. Or, you can do 8 flips at a time. You make the call!

Let's not all go out for drinks just yet, though. It's about to get uncomfortable, stressful and annoying. Here we go...

The Pains

Being A “Flipper”

One downside is that generally speaking, flippers have a reputation for cutting corners and doing shoddy work. While it's not necessarily the flipper's fault that any shoddy work is done (the contractors are the ones actually doing the work in most cases), there are flippers out there that do cut corners or intentionally direct their hired contractors to do things as cheaply as possible: Usually, with the end goal of getting as much profit as possible, even if that means taking shortcuts to do it. Now, lumping every house and person fixing and selling in one pot sucks, but as every contractor will tell you.... “it is what it is”. Learn to hate this phrase.

Working For Yourself

Remember earlier when we talked about how awesome it is to work for yourself? How you can do things however you want because hey, you're the boss! Well, you can. And most of the time it's awesome. But, that also means that you are the gopher, the scapegoat, the errand-runner, hell sometimes the manual labor. And, when something goes wrong or gets forgotten, guess who is responsible. For example, say you are at one of your job sites and your carpenter needs some supplies to finish the framing he's working on and you're waiting on an HVAC tech to come out for an estimate and the plumber says that the bathtub that was ordered is wrong and he can't hook it up. Well, there's only one of you, and as much as we all want to be Wonder Woman or Superman, there's only so much we can do at once. One might say, well the carpenter should take care of whatever he needs, and that may be true, but tight deadlines sometimes require everyone to pitch in in order to get the job done. By everyone, that means YOU. You get to step in and be the grunt. You can try to make all of the assurances possible to make sure this duty doesn't fall on your shoulders, but sometimes it just makes sense for the carpenter to keep working. You can get the supplies. At the very least, it falls on your shoulders to call someone to get it done. Think that's no big deal? Read on....

Decisions

Prepare yourself to make 1.2 million decisions every day. No big deal? Try answering everyone's questions all at once. Someone needs to be scheduled, while someone else wants you to drop everything to pay them, another person needs a plumbing part ASAP, another person wants to know the size of the bathroom vanity, you are also in the process of designing the kitchen layout, the hardware store delivers a right-hand tub instead of a left for the third time (for real tho), the mirror you bought doesn't fit and the carpet people just pushed you back a day throwing your entire schedule off. I mean seriously, this all happens, and this is just one house. Imagine if you have 3 or more houses going at once! Of course there are steps you can take to ensure the carpenter knows he doesn't get paid until the agreed upon Friday pay-day. However, inevitably, no matter how hard you try, issues will arise, even after you've agreed on a course of action. You will be faced with thousands of decisions on each house. THOUSANDS. This is not an exaggeration. Not in the slightest. By the end of the day you will eat whatever is placed in front of you because the thought of making just one more decision is too overwhelming. Wendy wants to wear a uniform so she never has to think about clothing again.

Dirty Jobs

If you have an active business partner, this may lessen the blow on having to take on some of these tasks. However, like any business owner will tell you, in the beginning (and even years later!) you will be a jack of all trades. We mentioned above how all of the responsibility rides on you. But, what we didn't talk about was dealing with those aspects of simply owning a business, too. You'll be responsible for the accounting, financing the projects, hiring, firing, marketing, designing, purchasing, bookkeeping.....you name it. Hate crunching the numbers? Too bad. You better hope you have a partner who digs it or else it falls on you. Think you're getting into this to pick out fancy tile? Man, will you be sadly mistaken. The great thing is, you get to learn a little bit about a lot of different things.

Money

Let's assume you are working on your first house, your only house. You might make nothing. You might make negative monies! Every good intention in the world will not keep you from this possibility. It happens eventually. It could be your first house or your twenty-first house. Maybe you squeak by on one and only make \$3,000. While not a loss, it's certainly not the return you were looking for considering the effort, time and planning you put forth. Imagine working your "normal" job for 4 months and only making \$3,000. Now imagine working 4 months and losing money. Not cool.

Let's also consider if you complete 3 houses in one year. One makes \$20,000, one makes \$25,000 and one squeaks by at \$5,000. You've made \$50,000. While not a terrible income, it's also not the \$90,000 you were hoping for and already spending in your head. Don't forget you also have to pay the tax man at the end of the year. These large swings of income or loss are what keep many of us flippers working a day job.

Stress

You will lay awake at night. You'll lay there thinking about how "I'm going to put the most fabulous tile in this new house and it's going to be just awesome. But wait, how many square feet is it? Damn. That's too expensive. And what about the kitchen cabinets? What if I rearrange them, can I buy fewer? Will that look stupid? How much will that save me? Crap, I forgot to order this. I need to remind the plumber that we're relocating the master sink to be centered. When was the electrician coming again? Is there still time to put in pendant lights? How much would that cost? I hope people like this house. Geeze. If I lose money on this house, X investor is going to kill me. How far over budget are we?....."

This is all consuming. You'll be obsessed. You can't turn it off. Learn meditation, find a friend you can bitch to that's as obsessed as you are (this is why the two of us are friends after all) or prepare for alcoholism. Perhaps all of the above.

Flexible Schedule

This turns around and bites you sometimes. You're loving your new freedom of coming and going as you please, but that doesn't mean you're free from obligations. Sometimes in order to get things done, you'll have to work odd hours. You'll have to go see a house ASAP on a Thursday evening. Drop your things. No time to go to dinner. MUST. SEE. POTENTIAL. FLIP. The good ones are snatched up by those who react quickly. You might have to do your accounting at night or meet a contractor on Saturday to get an estimate. Sorry, can't get your nails done before your friend's wedding. You are needed at the house because there is a big issue that needed to be resolved...yesterday.

Drinking the Kool-Aid

Flipping houses is fun and it can be really rewarding. It can also be really addictive. Most of the time, these are good things - but if you're not careful, there can also be negative consequences. For example, let's say you've already got three houses going, and you're super busy, and it's also your kid's soccer season, you have two weddings to go to out of

town over the next six weeks, plus people have noticed you appear to be kicking ass at flipping houses and want to know if you could sit down for some coffee and answer, “How do you flip a house?”. Maybe you’ve even had Skype interviews with some TV producers who found you through social media (one of which were 30 minutes late to the call while you waited in your truck at the job site only to tell you on the rescheduled call that you aren’t the right fit because you don’t do your own work like Nicole Curtis, which you mentioned pre-interview. Bitter much?). You LOVE THIS! You’re living the dream! But then you learn of a house, that has tons of potential, and it’s a great deal (and you need redemption from that last house). You want that house. You NEED that house. But how the hell are you going to pull it off? Or, maybe you have the time, but all of your money is tied up in your current projects and you find yourself considering a hard money loan with something like 25% interest just to get the funding, when normally you would NEVER consider that as an option. You’re stretching yourself too thin in the money, time and sanity departments.

The point is, there is a fine line between being busy, and really having too much on your plate. Eventually something starts to take a turn for the worse. A house isn’t getting the attention it deserves and starts to take too long to finish. You are cranky and have started to forget details because you are not getting enough sleep. You have actually waited outside Target for it to open at 8am so you can buy socks and underwear to wear that day... because when you got dressed that morning you realized you didn’t have any clean ones. You’ve gone to Home Depot 18 times this week and STILL you forgot to pick up another towel bar.

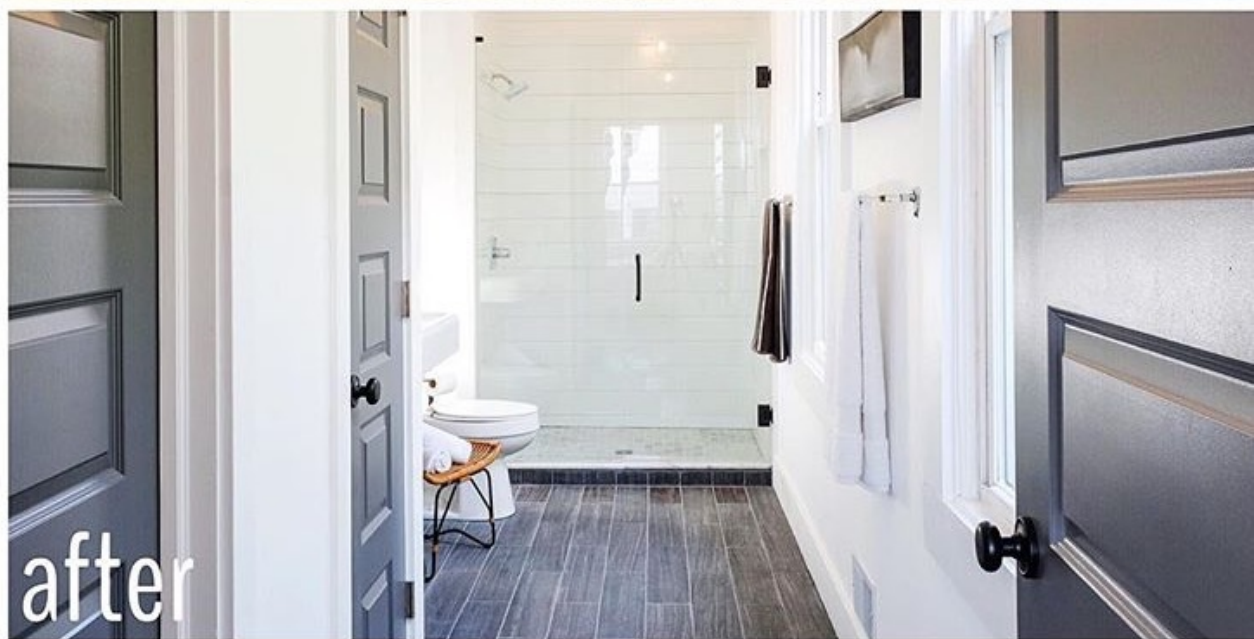
Not to mention, everyone needs some time to themselves, whether that’s a long weekend away, or even just a lazy Sunday where you eat ice cream for lunch and don’t get out of your pajamas all day. But, you have to know when to make that call for yourself. Remember when we said you are your own boss and you make your own schedule? Yeah, that includes giving yourself some time off. No one else is going to do it for you and no one else is going to pick up the slack when things start going wrong. Could be something little like forgetting to order a light fixture and you have to go out of your way to pick one out, or it could be something big like miscalculating flooring which has a 2 week lead time. The point is, take a step back every once in awhile and try and evaluate yourself from an outsider’s perspective. Ask your family and/or trusted friends what their opinion is - and LISTEN to them. They care about you and want to see you be successful, but they also want to see you happy and relaxed, not stressed out and cranky. This is supposed to be the fun dreamy job, remember?

PROTIP: your contractor also can’t stand when you are a cranky beotch.

The pains can be pretty stressful, as evidenced by our ramblings above. Can you tell we might be going through some of those things at this very moment!? If you’re like us though, you’ll get through the tough times, tell yourself you are going to take a break for a while, see

your masterpiece on the market, sell it and then feel an immediate emptiness that can only be fulfilled by buying another house.

Let's Talk About Money



If we haven't scared you away yet, Hooray! Let's figure out how to get you some money.

¹. After photo credit: Dusty Doris [↩](#)

How Do Flippers Make Money?

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Flippers Vs. Homeowners

Both are remodeling the home, but how does a flipper make a profit when the homeowner rarely does? The difference is in the approach. We'll outline how the two differ below.

Homeowners

A typical homeowner's approach, thought process and timeline usually goes like this:

1. I want to remodel my entire kitchen (this is different than just replacing a broken dishwasher or updating a light fixture, for example)
2. I want these things: x, y, z, a, b, c in my new kitchen
3. Get estimates. Meet with interior designer
4. Kitchen remodel cost is \$XX,XXX: twice that of a flipper
5. Upon beginning work, contractor finds issues that add an extra \$X,XXX to remodeling cost which was not a part of the homeowner's budget
6. Kitchen is remodeled and paid for either by HELOC, personal loan, credit cards, or savings
7. A couple years later, homeowner needs to sell for whatever reason
8. Listing agent recommends sale price of \$350,000 based off of neighborhood comps, condition of home, and market demand
9. Homeowner says "Oh that's way too low, we still owe \$275,000 on the house, we spent \$6k on a new HVAC last year, we just put \$35,000 into this kitchen remodel, we'll have to pay closing costs and your commission, and we need something to put down on the next house, plus we'd like to have some extra left over, so we need to sell for \$385,000"
10. House sits on market for months with minimal interest, agent finally convinces homeowner to lower price to \$370,000. While there may be offers, they are lower than the homeowner is willing to accept due to the above number that they "have" to sell for to cover what they have spent on their recent remodel. So the house remains on the market, with an angry homeowner, a frustrated agent, and a distant buyer pool.

In the example above, the homeowner did not consider how the investment they were about to make, when combined with the remaining balance left on their mortgage, related to the overall MARKET value of their home. A homeowner may not think "I need to be careful not to spend more money improving my home than will be supported by the market if I need to sell". They think "My kitchen is really outdated and I see all of these really cool things on HGTV/in my friend's house. I WANT THAT". Even if they are taking the home's value into consideration, they may have been thinking they were in their "forever home" and wouldn't have to worry about "covering the investment". A common scenario is that a homeowner didn't expect to get offered an amazing promotion that came with a relocation out of state, and therefore have to sell their "forever home". Bells and whistles have won out over the numbers. Then, when they go to sell, they want back what they put into the house, whether or not that's a realistic number compared to comparable homes in their area.

Flippers

To contrast, here is a flipper's approach on the remodeling thought process and timeline:

1. Views a rehab property
2. Looks at comparable homes for the neighborhood and evaluates what the value of this

house will be when complete

3. Comes up with rough budget for remodeling entire house
4. Adds a buffer to their budget for those unknown future expenses that will come up. Also takes into consideration eliminating something if necessary
5. Figures out what they can pay for the house: Final sale price - Renovation Budget - closing costs - desired profit = Max offer
6. If offer accepted: Buys house
7. Begins planning and executing remodel, gets estimates for all major components (roof, HVAC, tile layer, landscaper, etc)
8. Says "ok I have \$11k to spend on the kitchen - WHAT CAN I GET FOR \$11k?"
 - This is the major difference: **Flippers figure the budget first, then make the design fit into the budget. Homeowners choose the features they want, then figure out how much it's going to cost.**
 - Flippers are frequent purchasers, which earns them discounts at certain stores.
 - Flippers aren't married to an idea, material or design. We don't have to have quartz countertops or two ovens.
9. Remodel is finished
10. House sells for +/- planned sale price that they were using to figure out how much they should offer for the house.

There is a HUGE difference in the two approaches outlined above. This is EXACTLY why you see so many houses listed, that have recently redone kitchens or baths or gorgeous backyard firepits/outdoor kitchens, that are priced WAY over market value. The homeowner doesn't understand (or is not willing to accept) that the market is not going to make up for them spending more than they should have on a remodel that did not increase the value of the home by more than they spent. Yes, those are really awesome things to have in a house, and we have no doubt that the homeowner enjoys those amazing new features of their beloved home. But, you cannot expect the future buyer to essentially "pay you back" for what you put into the home.

So, overall, the reason flippers have a better "record" of making money is because they figure budget first, then design. Homeowners approach it the other way around and generally don't take into account the market value of their home after renovation.

Here's another reason. Flippers, due to their experience (largely from trial and error), can look at houses and see what needs to be done to make that house "feel" different. A lot of times, it's the exact same thing that happens to be the latest "trend" in homes; whether that's the open concept, white kitchen, outdoor living space, whatever is popular at the time. These things may not cost a lot of money but can make a HUGE difference in **how a house feels**. It's the difference between walking into a recently painted flip with coordinated staging and design or a homeowners home where every room is a different color and filled with random furniture such as a modern couch next to grandma's antique dining set. Both are just paint

and furniture. One feels more comfortable. You know that saying “you never get a second chance at a first impression”? Yeah, that’s true for houses too. If someone walks into a house that’s for sale and just loves what they see (and how they feel!) when they walk in the door, we got ‘em hook, line and sinker. NOTE: this “it factor” will be different for every house, and neighborhood. If you’re in a lower-end neighborhood, maybe that “wow factor” is having a half bath in the basement. Maybe it’s having a nice, new back deck in a neighborhood that usually doesn’t have them. In a higher-end neighborhood, maybe that’s a wired sound system with speakers throughout the living area and on the back deck that buyers hear as soon as they walk in. That’s saleability, baby; and is what we as flippers shoot for every time, every house, in every neighborhood.

Third, a flipper looks for value add. They look to find ways to change the composition and current potential value of the home. That might mean adding square footage, creating or eliminating a bedroom or finishing the basement. More on this later.

¹. After Photo Credit: RealTour Cast Photography [↩](#)

Make Money On The Buy



Most people don't understand that a flipper does not make money when they sell a house, they make money when they buy a house. It's important to realize that it doesn't matter how amazing the house looks at the end or how much money you put into it (and therefore want to make back) to make it the coolest house in the neighborhood. What matters is that the house was purchased at a price that allowed you to make those improvements, and still make a profit at the end. A well known flipper rule of thumb is: **don't EVER buy a house based on emotion**. Cold, hard facts is the name of the game. It doesn't matter how badly you want a house, or if you've already designed it in your head and can see how amazing it's going to be (both of us are guilty as charged), or if it's on the same street as the house

where you grew up. If the numbers don't work, or if you get into a bidding war and have to increase your bid past where you're comfortable, walk away. Do not up your bid by \$10k just to get it and think "oh I'll cut the budget somewhere". This NEVER works.

We've both lost out on some houses we really, really wanted because we got into a bidding war and it got too high for us to be comfortable upping our bid. Or, because another agent pressured the emotional seller into taking a \$10k lower bid less than one hour before our bid was submitted FIVE HOURS AFTER THE HOUSE WAS PUT ON THE MARKET (yes, this really happened and yes, clearly still bitter about it). The point is, think rationally in order to avoid starting out in the hole, and the only way to do that is to go strictly by the numbers. If the numbers don't work and you won't make your desired profit if you pay above \$X for the house, then walk away. Another one will come along, it's just a matter of when and where, so be ready.

Okay, so now that we've covered how flippers make money, let's get down to the nitty gritty. How much?

How Much Money Do Flippers Make?

Before



After



We're not sure if anyone has ever actually come right out and asked us this, but we know you're thinking it! We think people believe flippers make a lot of money because they show that on TV. It seems like most tales are those of success. They make it seem like it's all puppies, rainbows and unicorn sunshine. But by now you should know better. The producers of those shows cram 4 weeks (or months) of hard work and decisions into a 22-minute show. There's no way they can show everything that goes into a house flip. Plus, let's face it, the failures aren't going to get the network ratings. Who wants to watch a show that's about people working so hard on something and then losing money at the end? That doesn't sound very appealing.

The truth is that the amount of money you can make flipping houses depends on so many factors. Factors such as how many houses you complete, the amount invested, the profits on each house completed, how long you held a house, etc. Let's talk about how much you can expect to make and whether it's worth it to you.

Know The Numbers

At first glance, it is easy. You buy a house. You spend money on it. You sell it. You keep what is left over. Yay profit! You can do simple math! Unfortunately, the numbers you may be using aren't the only ones involved. One expense not typically shown on TV shows is your real estate agent's costs. Many of these flipping show personalities have their real estate license, therefore they don't have to pay a selling agent's commission (or a very small one depending on their set up with their broker). So, pay very close attention to those broker fees they show (or don't show!) at the end of the episode. Did they do for sale by owner? Did they list it themselves? Did they use a flat fee listing? Did they pay full 6-7% commission? Hard to tell sometimes.

Pay the Man

Something also not taken into account when discussing flipping profits is personal taxes paid. That \$30,000 in profit can become \$20,000 quickly once you set aside some for Uncle Sam. Of course, this depends on your income bracket and all sorts of factors that only you and your accountant can determine. Still, you are not taking home the full monty.

Sharing Profits

Paying partners will also eat into your big payday. If you've partnered with a cash cow with whom you'll be splitting the proceeds 50/50 (or whatever split you have agreed on), then you have just taken your \$30,000 profit down to \$15,000. Then Uncle Sam wants a piece of that \$15K. What if you only made \$20,000 or \$10,000? All of that work to split \$10K, walking away with only \$3K after sending some to the government. It goes fast.

Holding Time and Returns

Whether you're paying out 50% of the profits to a partner, putting up your own cash or taking on debt, the longer you have that house in your possession, the less **total money** in your pocket. Not only is profit affected, but also opportunity cost. If you have put up \$100,000 and

a house drags on for 9 months to finish, you lose your chance to do another house that year (with those funds). Let's look at two scenarios using real numbers from Wendy's flips last year.

Example Returns

House 1

Investment out of pocket: \$91,419.55

Days Held: 79

Profit: \$24,812.41

ROI: 27.25%

Annualized ROI: 204.47%

House 1 was great! Speedy completion. Quick close. Very smooth.

House 2

Investment out of pocket: \$126,665.11

Days Held: 216

Profit: \$19,357.91

ROI: 15.34%

Annualized ROI: 27.27%

House 2 had a fairly decent renovation time, but the sale fell through before closing on the third go around. Each time we had gotten to within a few days of the proposed closing date before financing fell through. The home was on the market or waiting for closing for 163 days total.

Returns

“But, Wendy, you still made almost \$20,000 on House 2.”

Yes. But let's think about a few things here.

1. The amount out of pocket was about \$35,000 more in House #2. Clearly we would have preferred House 1's total investment over House 2.
2. Funds from House #1 were “recycled” and put toward another house while House #2

sat there waiting for its new owner. We could have almost had 3 House #1's done in the same number of days House #2 took from start to finish.

3. While House 1 and 2's ROI's were not bad, check out each return annually. Had we done House 1 over and over that year, we'd be banking big time.
4. Had we only had enough funds for House 2 that year since it took so long, sure, \$20k would have still been a nice little side job. However, a decent full-time salary it does not make, especially when you're splitting with an investor.

In other words, profits are not the only thing to consider. How long did it take you to make that profit? What could you or your investor/partner have been doing with that money instead?

It's also important to understand that expected profits change from year to year depending on the state of the economy and real estate market. In 2014 in the Cincinnati area, it became apparent that \$20,000 profit on a home was the new norm when it was \$30,000 just a year prior. At first Wendy thought it was something she was doing wrong, which in all fairness, she could have been. However, after speaking to trusted advisors and other house flippers, she learned that they were experiencing similar results. That's not to say that every house yielded or was expected to yield \$20,000. But, \$20,000 was a common amount investors were seeing as an expected profit on lower end flips with a sale price between \$100,000-\$150,000.

In another example, last year there were more houses in the crappy house pool. This year it is much more difficult to hunt one down. But, on the positive side, there are fewer renovated homes to sell now. This has created a larger buyer pool than there is inventory. For the first time in a very long time, houses are selling before they are listed and selling at list or over list price. Both Brenna and Wendy have had houses under contract before listing day within the past year.

Real estate markets and trends change constantly, thus changing your profit potential depending on the current issues. As a result, you may decide to change your business model and maybe even the size, quantity, cost and area of the houses you choose, in order to maintain or boost the profit potential for the year. One year you might find yourself doing 5 small houses and the next year 2 large houses; but for roughly the same financial outcome.

Now that you know what to expect profit-wise, let's figure out how to get that money!

¹. After Photo Credit: RealTour Cast Photography [↩](#)

How The Heck Can I Know What To Spend?

Before



After



Let us assuage your fears foremost by saying you can NEVER know exactly how much. I don't care how often you flip or how many flips you've done, no one will ever come up with an exact budget figure and have it end up being 100% accurate when it's all said and done. There are many factors at play besides construction costs. Things like sales costs, carrying costs, inspection costs and closing costs all play a part in this total number. The best we can all do is take a stab at what all of these costs might be before we begin a project. Let's break it down so you don't forget anything major.

Construction Costs

This is an easy category to remember, but the most overwhelming piece for most people. “I have no idea what things cost!” is something we hear over and over and is a major barrier to entry. This is mostly true for everyone starting out. Unfortunately, this is where you have to dig your heels in and just get to LEARNING. Over time you will learn about how much a furnace costs, roofing, a new water heater (gas or electric?!), light fixtures, cabinetry, the whole shebang. A contractor is great help with this, however when first starting out, it is advised not to drag a hard working, time sensitive contractor around from house to house just so you can get an education.

Do this:

A good way to get your toes wet is simply to begin with your own house. In an afternoon, you can learn pretty quickly with Google how much most important things in a house cost. It doesn't matter if it is an apartment, house, multi-family, tiny home...start looking around. Let's practice with just one mechanical item in your home. Here are some steps you can take to find out the cost of just about anything. Some are not necessary but are good practice. Try them all.

You have hot water right? How much does that water heater cost?

1. Needs: First determine what you need. Look at the label on the side of it and determine what size it is and if it is gas or electric. (i.e. 50 gallon gas water heater)
2. Find: Find the model number and Google it. You'll likely find the cost of buying the tank itself. If your water heater is old and discontinued, simply Google the size and type.
3. Installation: Google how much installation of a water heater costs.
4. Verify: Call a reputable plumbing company that you see on billboards or commercials. Tell them what you have and ask how much would it cost to replace it. Don't have someone come out! Just tell them you simply need a ballpark so you can budget for when the time comes.
5. Verify: Do this again, but call a smaller company or one-man-show. Call someone you know, a recommended source, someone found at random online or through a service like Angie's List. You're not going to hire this person right now. You're looking for price ranges.

See how smart you are now?! If you feel like this isn't so scary anymore, keep going. Here's your assignment. Go crazy all at once or learn one item a day. Whatever floats your boat.

Find the cost of any or all of the following common house flip issues by using the previous step-by-step process:

1. Windows: Count up all of the windows in your house. Don't forget the small ones in your

basement. If you have a really large picture window, count that as two windows (trust us).

2. HVAC: is it a gas furnace, electric (heat pump) or swamp cooler? A/C?
3. Appliances: upgrade them all or simply replace them
4. Roof: Get that measuring tape out and measure the perimeter of your house, then use those numbers to arrive at a guesstimate of the square footage of your roof.
Alternatively, if you have friends who are homeowners and have replaced their roof recently, ask them how much they paid (if you are close enough to feel comfortable discussing things like that with them). True story: this is how Brenna came up with the budget estimate for the first roof she had to put on a flip house.
5. Paint: We all know we're painting everything in sight. Find typical painting costs online. Take those numbers and see how much it would cost to paint your bedroom. You may need to break out a measuring tape. How much for the whole house?
6. Lighting: Take note of all of the light fixtures in your home such as the ceiling fans, pendant lights, hallway lights and bathroom vanity lights. Search for replacements online or go into a store and peruse the options. It adds up!
7. Flooring: Measure out your entire house and replace the flooring. Choose a style, determine the cost to purchase the materials and have someone install. A flooring store will usually give you a rough cost per square foot for installing each type of flooring material.
8. Driveway: measure it and replace it with a new concrete drive. How about blacktop? Paved? Stick to what works for your neighborhood for now. Don't have a driveway? Use someone else's. Don't be lazy.
9. Doors: List all of the doors in your home. Measure each door width and height and price them out online. Don't forget your exterior doors, as well as any sliding glass doors! Also, don't forget someone has to install those bad boys. How much for installation + cost of doors? One more thing, will you be updating the hardware on each door? Don't forget handles and hinges! Will you use knobs or levers? Deadbolts, dummy handles, privacy, hall....

Bathroom: Getting tougher here. Hopefully you have a smaller bathroom you can work on to make it a little easier.

1. Measure the floor square footage (Length X Width = Total square feet).
2. Measure the shower square footage. Don't forget to include each wall and however high you want the tile to go. Take it to the ceiling if you want.
3. Measure the tub.
4. Measure your vanity or measure how wide and deep you could go for the replacement. Maybe you have room for a bigger one.

5. Take inventory of everything else you see. Toilet, light fixture, faucet, shower faucet....ALL of it. For simplicity's sake, let's leave out doors, drywall and trim.
6. Go to a big box store and price it all out. You may want to buy a light from another store or a vanity from another. Don't. You have a lot of work to do and right now we are just doing a bit of research. Everything you need is right there in one place.
7. Start your timer, see how long that takes you. We have been known to wander the aisles of these stores for hours. Count how many employees ask, "You're still here?!?".

Kitchen Cabinets: Toughest one of all simply due to all of the pieces that go into a kitchen.

1. Measure out all of your kitchen cabinets. (i.e. 2 x 30" base cabinets, 2 x 36" pantry cabinets, 1 x lazy susan....). Price those by going on Home Depot or Lowe's website and finding the in-stock replacements.
2. Take it a step further. Measure your room, note the location of the sink plumbing, appliances, windows and doorways, and go into a kitchen design store such as those just listed and have a designer whip you up a new kitchen. You'll quickly find the price will snowball with all of the trim pieces and specialty cabinets. You have expensive taste.
3. Measure out the counter and choose one (granite, marble, soapstone, laminate, what-have-you).. You can get some idea online how much these cost per square foot. Take it a step further and go to a stone yard. You've never known a love like picking out your very own slab!
4. Price out the other necessities like a sink, cabinet door hardware, lighting, faucet, flooring, backsplash, etc. Yes! More measuring!
5. Remember you need someone to install all of these things. How much to install a faucet? How much to install a backsplash?
6. Add in your appliances from #3 above and you have a priced out kitchen. Only thing you're really missing is if you decided to move the dishwasher or range and have to do some rough-in plumbing and electrical. Still, you have a good idea.

Knowing what the things in your own home cost is a good first step. Things get a little trickier when you throw in other variables.

Home Size

The expectations for a home in each neighborhood will differ. The bigger the homes get, the more installation will cost as there is more floor to cover so to speak. You'll also pay more in material costs.

Quality of Products

The greater the size of the home does not always equate to higher quality materials, though. You may find a newer outlying neighborhood where the homes are further out from main attractions, but much bigger and at a great price. That is what the buyer is paying for, a bigger home vs. better quality and prime location. On the flip side, you may encounter older, smaller homes near a city center where higher quality materials and neighborhood walkability help make up for the lack of living space. Your comps will help determine which direction to take.

Economy

As you may imagine, costs change over time depending on which way the economy is swinging. When oil prices are high, you'll find that the costs of petroleum products such as shingles and asphalt rise. An estimate you receive in April may differ from an estimate in October. In an economy where people are fighting to find jobs and construction has slowed virtually to a halt, you may find people coming out of the woodwork willing to work for pennies on the dollar. As you can imagine, the opposite is true (such as during the writing of this book) when construction is booming and finding a good (and available) plumber is like finding a needle in a haystack. Expect to pay a premium, as well as experience delays in scheduling or getting your job completed.

Let's not get too worried about those variables just yet though. It's likely you'll begin in a neighborhood you're familiar with and as you branch out to other neighborhoods, you'll begin to see the differences.

As you begin visiting crappy decaying homes, you'll start to see the things that need to be replaced or repaired. There is no way you will know or see everything, that is why we hire experts. Those experts are typically contractors, engineers and inspectors. Once you become serious about purchasing a home, you can call upon these experts to help you determine a more accurate construction budget. However, it is nice to have a good base of knowledge so you aren't completely reliant on these strangers you might actually hire.

Other Costs

You didn't think it was going to be that easy did you? Luckily the other costs are easy to determine, however also easily forgotten. How many times have you watched a flipping show on TV and they say how much the purchase and renovation costs came to but leave out the rest. Convenient, eh? That can turn that supposed \$30,000 profit into \$20,000 real quick-like.

Upfront Costs

It sucks but, you'll likely have to fork over some dough just to determine if you want the house. Fees for a home inspection, termite inspection, structural engineer report and sometimes an appraisal will arise. Additionally, if you are obtaining a mortgage, you'll have to pay for the application and a required appraisal. Add to that any costs to do the construction, such as having plans drawn up by a professional where needed (such as if you're planning an addition) and obtaining any necessary permits from the city.

Purchasing Costs

There are many costs just to complete the transaction of buying a home. Those could be:

- Closing costs: a title company or attorney will charge you for their work as well as make you cover the costs of filing your mortgage, processing the deed, etc. If you are buying with cash, the closing costs will be significantly lower than if you are obtaining a mortgage.
- Points: Some loans may require you to pay points up front. These could be a hefty cost of doing the deal.
- Title Insurance: It's often recommended to purchase title insurance since the past lives of shady properties are usually....shady.
- Home Warranty: If you want some peace of mind against older systems, fork over the dough. If even one of them needs to be replaced and is covered by the warranty, it's paid for itself.
- Seller's Closing Costs: If you are buying from a wholesaler or if it happens to be part of your agreed upon contract, you may be required to cover the selling party's closing costs. This could be thousands of dollars. Know before you sign on the dotted line.

Carrying costs

These are the costs that you will incur simply by owning the house. Things like:

- Insuring your property
- Property taxes: city/county and local, paid during the process and/or at sale closing
- Yard maintenance: if you hire a service

- HOA fees: if applicable
- Trash removal: curbside and/or dumpster delivery and removal/dump fees
- Sewage and water bills
- Gas and electric
- Security system: depending on the neighborhood and needs of the house. Also, does that system need a phone line or internet connection?
- Private Mortgage Interest: if you financed and put less than 20% down
- Interest on your loan: or line of credit, hard money loan, etc. - the cost of borrowing the money to get the property

Selling costs

You're done! The house is on the market! No more writing checks and paying bills, it's time to collect that big fat check and go celebrate!

Hold up, not so fast. When you go to sell the house, that doesn't mean you're done hemorrhaging money. There's still some things you'll have to pay and therefore budget for. Some of these expenses will come out of your pocket (OP) or will be paid with the buyer's funds at the closing table (AC). Some can be either, depending on what you negotiate. All of these will be taken into consideration when budgeting, but only the ones out of pocket will be crucial to the amount of funds you will need on hand to get the flip done.

- Realtor's Commission (AC): As the seller, you're responsible for paying the Realtor's commission. This varies by state, but it's usually somewhere around 5-7% of the sale price. This may sound like a lot of money, but your agent doesn't get to keep all of it - they have to split it with the buyer's agent, and then each of them has to pay out a (not small) percentage to their broker. Trust us, the good Realtors are worth their weight in gold and deserve this commission!
- Staging (OP): In order to help your property show better and sell more quickly, you may choose to stage it. See the "Staging" section for more details. But, for example, let's say you're electing to spend \$3500 on staging this house. This is a cost that many people forget to budget because it's not part of the actual renovation
- Repairs From The Buyer's Inspection (OP or AC): No inspection report comes back completely perfect, there's always a list of items to repair/replace. If you're lucky, there's no major items on this list.
- Radon mitigation: A common one in Brenna's area. Due to the age of homes, there is almost always a higher than acceptable radon reading, and therefore a request to install a radon mitigation system. These run around \$800-\$1000, and most buyers (and insurers) will demand this be taken care of by the seller due to the potential health hazards of radon gas.

- Termite treatment: If there is the slightest hint of past termite activity, even if it was 20 years ago, and the buyer is obtaining an FHA or VA loan, this is a requirement if you cannot provide evidence of past treatment. Let's face it, unless you had it done yourself, there's next-to-zero chance the previous owners did.
- Other: Some other (smaller) requests may include installing vapor barriers in crawl spaces, touching up paint, adding grading to slope away from the house, replacing normal outlets with GFCIs, etc. Repair lists usually look worse than they really are, but almost every buyer will have some requests.
- Disclosure: Areas of the country with different climates, housing types and landscapes, will require different repairs and treatments. Check with a seasoned real estate agent in your area to see what sort of things typically come up in an inspection.
- Home Warranty (AC): Many buyers will request for you to purchase a 1-year home warranty. We always agree to this request because this will give them peace of mind for the larger systems of the house, and typically means they won't instead demand for you to replace the "older" water heater/HVAC/what-have-you. These warranties are usually about \$400-\$500.
- Paying Buyer's Closing Costs (AC): In some areas it is common for the buyer to request that you pay their closing costs. They may not have the huge lump sum necessary (on top of their down payment) to cover this cost. This is the cost of doing business in some neighborhoods and should be expected at the get-go. If the buyer doesn't request them to be paid then HOORAY FOR YOUR CASH WINDFALL!
- Photographs (OP): Hire someone to take the best possible shots you can get. Sometimes your agent will provide a professional service as part of their commission. Even if they do, you may want to hire your own photographer for photos to use in marketing, to show greater detail in your work or for your own use if you do not have the rights to the agent's photographs.
- Appraisal (OP): Depending on the type of financing your buyer is obtaining, you may be required to pay for a second appraisal on your property. This is typical with FHA loans in the past few years. Check with loan officers to see what kind of things they are seeing pop up. These things change at the drop of a dime. Wendy was hit with this all of a sudden on one property. Surprise! Now, it is written into her budget for every property. If a buyer comes along with a conventional loan, you guessed it, \$400 CASH WINDFALL!
- Closing Costs (AC): Yep, hit with them again. The title company has to process items on your behalf with the city and county such as transferring the deed and eliminating any mortgages you used to obtain the house. They won't be as high this time, though. Talk to a title company and find out what is typical in your area.

- **Marketing Costs (OP):** This might literally be zero dollars if you use a full service agent. Zero as in zero lumped into this category, but of course you'll still be paying for those in the form of agent commission. Even still, you might feel like experimenting with Facebook or Instagram ads, an email blast to local realtors, or hosting your own wine and cheese night, a "sneak peek" for the neighbors like Brenna does. *That shit does not grow on trees*. Also, if you decide to experiment with selling the house on your own or using a flat fee listing agent, you'll likely shell out for marketing costs in the form of flyers, balloons for an Open House, yard signs, etc.

And... Still More Costs (aka Business Costs)

I know you want to punch us in the face for listing even one more thing. But, hey, we don't want you to be surprised when these things come along. These are the other things that are the cost of doing business but not necessarily linked to one particular property. These are the things you didn't think about and then wonder where all of your proceeds went. The good news is, some of these are up-front investments and some of them not necessary for a while or at all! You won't need to budget for these on every house. Think of them as "business overhead".

- **Becoming a business:** you may want to file a business name with your State and do work under that name instead of your own personal name. This includes incorporating as an LLC or S-corp to separate your personal assets from the risks of your house flipping business.
- **Paying Income Taxes:** set aside some of your profit to pay the man, and pay your estimated taxes quarterly to avoid underpayment penalties and interest.
- **Auto Expenses:** You're going to be sitting on your ass in that car a lot more often heading out to your house, hardware stores, etc. Pay for more gas, oil changes, maintenance. The fun stuff.
- **Professional Advisors:** such as a lawyer, an accountant, etc. When you start dealing with business and investment income, this is where it is wise to consult the experts instead of trying to get through it on your own. Paying a lawyer a few hundred bucks to set up your LLC(s) and do the correct filings with the state is a smart investment to make sure it's done right.
- **Banking:** You'll want to have your flipping funds separated from your personal funds. It gets too messy. You'll need checks, have business banking fees, etc.
- **Professional Development:** Once you've begun, the learning doesn't stop there! Take a class, go to a seminar, join a webinar to refine your skills, do some home or architecture tours while you're on vacation just to see some new ideas in a different area, pick up some books and of course those home magazines at the grocery store checkout. This book was your first investment in this category. You're already smarter than before. You

made a good choice.

- Tools: you may not be firing up a sander any time soon, but you'll probably want a good measuring tape, some paint decks and a good flashlight to venture down into those cavernous basements. You may make good use of some apps to help you design a kitchen or put together photos or videos for your social media posts.
- Networking: If you want to pick someone's brain, be prepared to shell out some money for drinks, dinner or to buy their product. It's the nice thing to do.

Clearly not all of these are necessary on your first house, but generally good ideas. Is it a good idea to flip a house under a business entity? Yes, probably (we aren't lawyers, yo). But, is it necessary? No (again, not lawyers). It is up to you (and possibly your investor) to decide what is best for your situation and makes you feel warm and fuzzy inside.

Going over each of these points and approaching the people associated with each cost will put you in great shape for running the numbers on your first flip!

¹. After Photo Credit: RealTour Cast Photography [↩](#)

How To Get Money



You've Gotta Pay For That Crappy House Somehow

This is it. This is probably the most important part of flipping houses. You must have money! Fortunately it does not have to be your money. Yay! There are lots of ways to get money and the bank isn't the only way. In fact, many flippers don't use a traditional bank loan to buy, fix and sell houses. Let's dive into the many ways you can finance your purchase. Between the both of us, we've used all of these forms of funding.

Borrow From A Private Lender

This could be, but is not limited to, your friends and family. Yes, we said it. In the startup world, this is called the “Three F’s: Friends, Family and Fools”. Obviously you’ll have to know someone who has enough money to do this, but that is just the start. Do you trust them to follow through? Do they trust you to make your best effort at “winning”? If you lose money, do they understand that this is part of the business? Don’t be an idiot. Understand this: **sometimes you lose money**. Both of us have lost money on properties. Shit happens.

Important: It’s imperative you have this discussion with your potential private lender. This **must** be understood from the beginning. Is this investor going to be okay financially if you lose \$5,000? If the answer is no, then don’t go this route. Does this investor understand that if you lose money on this deal, you will not be contributing financially to the loss (if that is the agreement)? Your time and energy put into the work is your form of currency! This is not rocket science. Discuss what would happen if you did lose money. How will that affect your relationship with this person? Don’t forget that if you had a loss, you would have worked for nothing. Fun times ahead!

The best thing about using a private lender is that they can usually move quickly! Also, there isn’t usually a qualification process. Often times you will have to submit proof of funds with your offer, which means that a private lender or CASH MONEY is really your only option. More on that in a minute.

Hard Money Lender

A hard money lender is someone who lends strictly for short term needs. For that reason the interest on these loans is generally high. At the time of writing of this book, Wendy is seeing rates from 12-15% annually. Don’t freak out. Not such a big deal because you are (ideally) holding for a short time period and making interest-only payments every month. Typically, a hard money lender can close quickly and have more lenient lending requirements than a bank requires, which is why many investors (especially those who are just starting out) find these appealing. Hard money lenders may also include all or a high percentage of renovation costs in the loan. In this case, lenders will typically require one of their people to come inspect the property to be sure the work has been done, at which time they will either reimburse you for what you’ve spent or pay the contractor directly.

Traditional Bank Renovation Loan

A renovation loan is a way to get the money to purchase and to renovate all wrapped into one package. This is the slowest of funding options, in addition to the one with the most requirements. You’ll need to fork over a boatload of documents for approval, as well as have

a lengthier time to close. If you're bidding on a property and you're going up against a bunch of cash buyers, you probably won't win with this route. The down payment required can range from 20-30% of the entire amount if it is an investment property, less if it will be owner occupied. If you're looking into renovation loans, call small banks, credit unions and savings and loans. Banks each have their own lending niche and way of processing loans, especially the smaller local institutions. Don't sweat it if you don't find what you are looking for after 10 calls. If one place does not have the type of loan product you're looking for, they can probably recommend another small bank that does. They pass customers around to each other. They're nice that way.

Let's look at how this scenario will play out.

Example Renovation Loans

Example 1

Mortgage Scenario:

Purchase: \$100,000

Renovations: \$30,000

Total Cost: \$130,000

Down Payment: \$32,500 (25%)

Total Mortgaged: \$97,500

Out Of Pocket:

Down Payment: \$32,500

Renovations: \$0 (paid by loan)

Total Out of Pocket: \$32,500

Looking at that you might think, "Ladies! Why would I give a bank more for a down payment than the amount of the renovations?" Well, because overall this will be less out of pocket. Let's not forget that if you do not go the reno mortgage route and decide to fund the renovation yourself, then you will still have to obtain a mortgage for the purchase. With this new scenario, you still have to come up with 20-30% of the purchase price. Let's look at it again.

Example 2

Mortgage Scenario:

Purchase: \$100,000

Renovations: \$0 (will be out of pocket)

Total Cost: \$100,000

Down Payment: \$25,000 (25%)

Total Mortgaged: \$75,000

Out Of Pocket:

Down Payment: \$25,000

Renovations: \$30,000

Total Out of Pocket: \$55,000

Clearly this is much more out of pocket than the renovation loan. Also, neither scenario includes interest OR other carrying costs like insurance and taxes, so the longer it takes you to turn around, the more it will cost you.

Note: this won't work for all properties, because some that are really good candidates for flips (which is a nice way of saying they're nice and crappy) require the purchase to be in cash, which is their way of saying that no banks will write a loan on that property. Properties like this will require a "proof of funds" letter with your offer, meaning you have to submit a letter on bank letterhead saying that you have a bank account balance (aka cash) of at least the price of your offer. You can't get a letter like this if you are purchasing the property with a loan, therefore making some property candidates ineligible for this type of funding.

Crowdfunding

Why not grab a group of people to fund your flip? Companies like [iFunding](#) will handle the process of putting together an LLC that will own the home. They'll then sell "shares" in the LLC, let's say for \$5,000 each, allowing people to own a portion of the LLC that owns the property. This way the investors don't have to shell out a hundred thousand bucks on one property. Crowdfunding sites will likely require that you have some skin in the game in the form of investing some of your own money, as well as asking for others' investments. They'll also ask that you have some flipping/renovating experience under your belt, or else they'll have difficulty having investors "buy in". Maybe save this route for when you've gotten your feet wet.

Fund Yourself

Borrow from your retirement fund. This only works if one or more people that you work with have the means to do this, and only if they feel comfortable with this option. It is a lot to ask.

For example, let's say that one of your business partners has had a long and successful career, resulting in a very healthy retirement fund. Usually, the banks or managers of these funds allow the owner to draw against it at a **very** low interest rate, less than any other interest rate you will get anywhere else. This is a good way of getting money fast, at a low cost. However, it puts the person whose retirement fund you're borrowing from at a way higher risk than the other partner(s). Remember how we said a minute ago that you're going to lose money at some point? Yeah, that could happen here, and it could mean that that person's retirement fund just took a big hit. No bueno. And that's definitely not something you want to have on your conscience.

One other factor is that it means the person whose money you're borrowing gets a little bit more say in things. All other things equal, even if you're equal partners in everything else, anyone with a conscience will probably take into consideration the additional personal risk that the funder is taking on in order to get the money for the flip, which may result in some awkward moments, difficult decision-making, or even worse, a serious argument. Only you can decide if this is an option to even consider - maybe it's an available option, but with a condition: only for houses under a certain price threshold, say, \$200,000 max total investment.

Borrow From Real Estate

If you already have real estate, borrow from it! If you have any rental properties or a personal home, use them to get a Home Equity Line of Credit (HELOC). This will be easy money to use to buy flip properties because it is easily at your disposal. Simply write yourself a check! Remember, this is a short term investment. It's not like you're out farting it away on cars or boats that will immediately lose their value. You'll likely make a profit and pay the line of credit back within months.

Borrow From A Business

This one is fun. Some banks won't give a business line of credit to those in the real estate biz. However, if you know someone who owns their own business that's not in real estate, they can get a line of credit. That person can then do whatever they want with those funds (a loan officer's words) including loaning the money out to businesses in the real estate biz! Did we lose anyone on this?

Example: Wendy's husband has a freelance computer programming business. His business was eligible for a line of credit through a certain bank. Wendy's was not eligible due to it being a real estate focused business. Her husband thought really hard about it and decided

his business **was** in the business of lending to real estate businesses. He approved her on the spot!

Make It Your Principal Residence

This is a great way to fund a flip, provided the home is in livable condition. Not only does it need to be in livable condition, it also needs to remain in livable condition... always. If you want to stay legit, that is. If you plan on gutting most of it, clearly this is not a good living situation and this option won't work. You'll lose your mind. Most insurance companies won't be too thrilled about it either. Also, if you'll need permits that will then require a final occupancy permit, you won't be able to live there until it is finished. If it's a relatively light, cosmetic rehab, then this is a great way to fund a flip. Owner occupied mortgages require far less in down payment.

Something to consider, however, is your quality of life. What will you be sleeping on (or in)? Will there be sawdust on your bed? Will you have to use your tub as your kitchen sink? Will your daily meals turn from healthy to microwave cardboard dinners? Some renovations drag on for months and months. Every person who has ever done this has a deep hatred for their home by the end. #fact

Opportunity: pair owner occupied status with a renovation mortgage product! Double dip the benefits with a low down payment requirement and renovation funds from the bank wrapped into the total mortgage balance.

Example: Owner Occupied Renovation Loan

Mortgage Scenario:

Purchase: \$100,000

Renovations: \$30,000

Total Cost: \$130,000

Down Payment: \$3,900 (3%)

Total Mortgaged: \$126,100

Out Of Pocket:

Down Payment: \$3,900

Renovations: \$0 (paid by loan)

Total Out of Pocket: \$3,900

Each bank will have its different products.....a different percentage down, a cap on funds for renovations, how they calculate the down payment, etc. Check around before you start shopping for houses.

Hybrid

Smash several of these ideas together and make sweet funding babies. Do any of the following work for you?

- Borrow \$25,000 from your spouse's business line of credit to use as a downpayment on a hard money loan.
- Borrow \$75,000 from a HELOC on your personal residence to buy the flip house, then cover the renovation costs with the funds from your Mamma's business line of credit.
- Have your Great Uncle Milt loan you \$10,000 for the downpayment on a renovation loan.

The possibilities are endless.

Note: there are times a lender won't allow the down payment to be a loan. It may need to be "gifted". You don't need this kind of negativity in your life. The good thing is, there are also times when the lender (hard money, private money) doesn't give a rat's ass where that down payment came from. Not their problem. Call around. Ask lenders and other real estate minded folks in your area, until you find something that works for you.

Okay, so now that we got you the money, let's talk about spending it!

¹. After photo credit: Revival Designs, Home of Wendy's Flipping Client: Primetime Real Estate [↩](#)

Getting Started: Time To Buy A House!



¹. After photo credit: Dusty Doris [↩](#)

How To Find Good Deals on Crappy Houses



before



after

The next step is starting to look for your first flip property. Yesssssss.

The problem is, there are a lot of people that do this, or want to try and do this, and that means that the crappy houses are in high demand. For both of us, our market for distressed properties (read: good flips) is pretty hot right now, so we have a lot of competition when trying to purchase our next project.

First Stop: Official MLS Listings

You've probably already been looking through your local listings. If you've attempted to snag even one home from the MLS, you'll probably quickly realize that so have 30 other people. You likely lost. Unless there is something wrong with the home that most people don't want to deal with (i.e. foundation issues or mold) or if the property is priced ridiculously high (given its current condition), then any decent flip-worthy home will fly off the market before you can even step foot in it to check it out. So, yes, keep looking on the MLS, one might drop in price to where it's attainable and everyone else has forgotten about it. But, not likely. Sorry, there isn't going to be anything easy about this flipping business. Not even finding a house.

What most beginners don't realize is, many really good deals never make it to the market. They are bought and sold privately, either directly from a deceased person's estate through an attorney, from the bank's REO inventory, by knowing the neighbor who put you in touch with the owner who is sick of being a landlord, whatever. This doesn't even begin to touch on wholesalers who have a network of investors that they reach out to to sell a property they just acquired.

Some ways to get private leads

So, how do you get the leads on these properties so you don't have to fight the masses on the public listings? Here are some ideas to start, there are a ton more ways but these are some of the lesser-publicized ones that we have used.

1. *Estate sales*: The sales for all the stuff left in the house after the owner passes away. Most other people are interested in the stuff, but you want the house. If it's through an estate sale company, explain to the rep on-site that you're an investor and interested in the house, and ask for an email or contact information for the person handling the estate. Alternatively, have your attorney look up the probate attorney for the address.
2. *Mail Carrier*: Open your eyes, tear them away from your electronic devices, and talk to people. In an established neighborhood, the mail carrier is the person to know. He knows exactly what's going on, which house is vacant, which has an elderly owner, and who just went to assisted living.
3. *Drive For Dollars*: Driving for dollars simply means driving around neighborhoods looking for the crappy rundown house. Knock on the door! See what's up. If it is abandoned, talk to the neighbors and offer to remove the headache. Chances are they hate living next to an ugly piece of shit house just as much as you want said piece of shit. They'll gladly give you the scoop and maybe put you in touch with the owner or the owner's kids in case of a deceased or elderly owner.
4. *Go to town meetings or HOA meetings*: Explain to them that you're interested in helping them. You're a "residential redeveloper" and you are on a mission to fix up some of the neglected homes and help bring new families to the area.

5. *Post Property Signs*: Have a sign made (like roofers/plumbers/painters etc) that say "Improvements in Progress" or "Coming Soon" and your company name and number, and stick it in the ground of the front yard of your project houses. People will call you, maybe asking if you're renting it or selling it (this is a great possibility for a private sale if they are a legit buyer), or maybe they are an estate attorney wanting to talk to you about a property they have. This is how Brenna got one of her flips last year. You may not have your own property yet, but even if you are simply updating your own home, throw that sign out there.
6. *Concierge Service Company*: Talk to a concierge-service company, the ones who do "moving management" for elderly people moving into assisted living. They've got great leads on properties that are outdated, and chances are they'd gladly turn them over to you to purchase for a small kickback, or an exclusive agreement that they will stage the property for you when you're ready to list. Brenna's gotten a few leads this way.
7. *Party!*: Before Brenna lists a completed flip, she puts flyers in the neighbor's mailboxes inviting them to an exclusive "sneak preview" of the finished home before it hits the market. It's usually a casual "Wine & Cheese Open House" on a Tuesday or Wednesday night. Three of her last four flips have been on the same street (and the 4th is one street over), so the neighbors know her well. The head of the HOA loves what she is doing for the neighborhood and they are all telling their friends and coworkers about her houses. The open houses are packed! As a result of all of this partying, one neighbor is trying to get the heir of the vacant home next to them to sell to Brenna. These neighborhood parties are also a great way to find a private buyer.
8. *Ask Facebook*: Chances are, somewhere in your extended circle of friends and family, someone knows someone else in need of help. You could be that person to save the day! Someone you know might even have a house in their very own neighborhood that looks like holy hell. Can't hurt to ask.
9. *Wholesalers*: This is how Wendy buys the bulk of her homes. Get to know wholesalers. Just like anyone you work with, some will be a little less trustworthy than others. Some could be your best source for houses. Wholesalers are people who buy houses, mark them up and then resell them to house flippers. You may think, "Why would I want to buy a house from someone who is just marking it up and reselling it? They're taking some of the profit!" This is true of course, but they are also the ones sending out hundreds of offers per day. They are the ones working the neighborhoods, sending out marketing to potential sellers in distress, and reading the city and county records. They're spending a whole lot of energy getting leads and finding the houses. We don't want to spend time on all that, if at all possible. When you put an offer in on a house listed on the MLS, you're going up against 10 wholesalers and 10 regular buyers. Wholesalers have built up the relationship with the agents selling the foreclosures. Wholesalers get in there before you wake up in the morning. Let them do that work. It's worth it in the end when you can sit back (or work on other houses) and wait for the

wholesaler to contact you with a gem of a house. Let them!

10. *Ask Bankers*: Wendy recently financed a home and during the closing, was told by the loan officer about one of their clients going into retirement and wanting to unload their rental properties.
11. *Ask _Lawyers*: _Wendy found out that a friend of her sister-in-law became a probate attorney. She checks in regularly to see if any estates need to sell a property.
12. *Be Prepared*: Always carry business cards with you. Everywhere you go. You can have some printed for \$15. You never know when you'll meet that someone who knows someone in desperate need to sell. You don't need a logo, just digits and email address.
13. *Ask Nextdoor App*: join the next door app and ask your neighbors if they have or know of a home that needs help in your area.
14. *Craigslist*: check periodically for anyone posting a home they need to sell pronto.

MOST IMPORTANTLY: if anyone ever sends you a lead, and ESPECIALLY if it closes, make sure to thank them appropriately. Give them a finder's fee, take them out to dinner or send a gift. Show them that you appreciate them helping you. They'll remember this and keep an eye out for you in the future. Don't take these people for granted - chances are, they have several people trying to get their help, and they chose to send this lead to you. The saying "it's not what you know, it's who you know" is king in the real estate world. The more people you know, the more tools you'll have in your toolbox to become successful in real estate.

Speaking of knowing people, let's talk about some of the different types of people to have in your network.

¹. After Photo Credit: RealTour Cast Photography [↩](#)

The Network



Listen, you just can't do this shit on your own.

Let's talk about some of the people you'll want in your arsenal. Some you'll definitely need. Some depend on the project. Some jobs can be shared by one person depending on the price point of your home and job size. These relationships are VERY important. At first you may get a marginal discount, but over time your repeat business will return many benefits. Not only in discounts, but in moving you to the front of the line! After a few projects, these contractors and vendors will also get to know your style and how you work, making the whole process infinitely easier and quicker.

There's a long, LONG list of people so let's get to it...

Realtor

This one is easy, but let's not pretend there is only one. There are TONS! All are ready to work with you! You will develop relationships with some who will learn exactly what you are looking for and deliver it to you on a platter. Some will offer discount listing fees for buying through them or simply because of all the listings you bring them. Some are really in tune with certain types of properties such as foreclosures or short sales. Some are just starting out and, nothing against them, they just don't have the experience that you need to know what an acceptable "discount" is for a property to be worth considering for you. (On the flip side (ha!), they are hungry and eager for business, and likely have more time to dedicate to you since they probably don't have as many clients yet. Tread lightly with new agents.) Get to know the ones that know your area, the types of houses you want to work on and are active sales people.

Photographer

Yes, you'll need one! Many times you can find a real estate photographer through Realtors. Be sure they specialize in real estate. Not all photographers know how to shoot homes properly. Also, be sure that you get the rights to use the photos for however you'll want to use them. It may seem silly, but what you thought was just house photos for the listing is not necessarily meant to be shared on your Facebook page. Additionally, someday you may be asked to be featured on a vendor's Instagram account or in a news feature, etc. These photos will be used over and over, in different forms and on different media channels, if you continue this gig. Make sure you have the rights to use them freely, which depending on the photographer, may mean that you need to pay them an additional fee for unlimited usage rights. Also, make sure they are good! Once the home is sold, you can't go back. Well, you can but the house will never be the same.

General Contractor

A general contractor can be a God send! He or she will be your go-to on the job site. They can make or break your timeline, renovation quality and your sanity. Choose well! A GC usually has a bunch of people that work under them or that they pull in for special projects. Depending on the job, they may pull in a licensed plumber or just do the light plumbing themselves. Your GC will tell you what parts of the job they are comfortable with and others they wish to "sub out".

Note: anything that will need to pass an inspection will need to have a permit prior to doing the work. That permit will need to be obtained by a licensed professional plumber.

- **Wendy:** One of my GCs does “everything but sand floors”. So, I hire someone separately to do that job. I also have relationships with an electrician, plumber, etc., so I pull them in if needed. If it is a small electrical job such as replacing lights and outlets, the GC’s crew will do it themselves.
- **Brenna:** My dad is a licensed mechanical engineer and has a lot of experience in smaller-scale building and “handy” things. I call him a cross between Yoda and MacGyver because he knows everything. He acts as our GC and we have a carpenter who also has his contractor’s license, but doesn’t act as the GC. He doesn’t want the headache of being in charge of all of that stuff. He just wants to execute the physical work and help us reshape the house into our vision. So, Dad and I work together on what we want the end product to be, Dad draws up the plans and gets the permits, and is also the one on-site daily communicating with all of the subcontractors. Remember how I said I work full-time and do this on the side? Yeah, I’m not there every day, and usually not at all while our contractors are there. My job is running errands for our flips on my lunch hour, in addition to designing and doing other work for our houses after work and on weekends. This is balance of duties works for us.

Plumber

A plumber is one of those obvious choices for a contractor you may need to hire. That said, it may depend on the job required. Many small plumbing jobs can be done by a general contractor. Some jobs may require a licensed plumber, especially if you’ll need to pull permits. It’s always a good idea to have a licensed plumber on hand, if not two. These folks are busy!

Electrician

Just the same as with a plumber, a good electrician you can trust is very important. Your GC’s crew may be able to install light fixtures and outlets, but a licensed electrician may be needed on bigger jobs such as upgrading service and rewiring your home, or if you’ve changed the layout significantly or done an addition. Anything that will require a permit needs to be done by a licensed, professional electrician.

Roofer/Siding/Gutter Work

Again just like the other trades, your GC's crew may be able to run new gutters or re-roof the house. However, be careful when allowing a GC to take on so much on one job. If they don't have a big crew or if you'd like to have more control over the job, you'll want to have a roofer and/or sider who can be running that piece of the project, while a different crew is working elsewhere. You also must consider time. A crew that does roofing as their main focus, can rip an old roof off in no time. The job runs more seamlessly for people who do this day-in and day-out. Mistakes may be fewer as well.

Landscaper

A landscaper may or may not be needed depending on the price point of the home, as well as the condition of the grounds. In the lower price point, it may be sufficient to list on Craigslist that you have free shrubs available to anyone who comes and rips them out. You could then have your Mom (or anyone who wants to) come plant some hostas (or agaves for the desert people) and pretty flowers, dump some mulch and call it a day. This could be a good thing to do yourself and save some costs. In the beginning you do these sorts of things. On the opposite end of the spectrum, on a higher end property, you may need to hire someone to draw up a landscaping plan, bring in the heavy machinery to regrade and bring in a crew to do some heavy lifting. If the property is majorly overgrown, you may need some brute force to cut back the jungle. Hiring a landscaper will be on a case by case basis. Like all of the other professionals, it is always a good idea to meet/connect with people you may be able to use in the future.

Designer

This is one of those jobs that most flippers think they can do themselves. This is not true. The design is a big part of what potential buyers "connect" with. It's the first thing people are drawn to (or not). It's all a gamble with combining trends and staying within a budget. Many people are excited about designing until they realize their own home's kitchen budget was the same as their flip's entire renovation budget. If you are not certain you can come up with a winning design on a budget, then don't. Let someone do it for you.

- **Wendy:** I've been hired by other house flippers to do design work. They know they don't have the eye for it, so they bring me in. I tell them what "look" to do (that's appropriate for the neighborhood and the most likely buyer), color choices and what finish materials to use. They then implement the design.
- **Brenna:** While I think I have a pretty good eye and can take on most aspects of the design myself, there are certain things that I instantly call a professional designer for. For example, in our last flip, we knew we wanted to rearrange the flow of the kitchen

and also make it bigger, but every potential layout I was coming up with just didn't feel "right". And, the price range of that house was going to be somewhere around \$450,000. In that price range, and specifically in that neighborhood which is on the conservative/traditional side, things can't be "off". I can confidently say that the layout the designer came up with is something that I would never have thought of myself. So, the few hundred dollars that we paid the designer was well worth the investment.

Window Installer

This is pretty obvious. Get one. They do the job fast. They can get good prices on windows because they buy a shit ton of them. They can install windows in one day while tons of other things are going on simultaneously.

Finish carpenter

A finish carpenter might be necessary for special projects such as building built-ins, barn-doors or a custom vent hood over the range, etc. Unless you're doing a higher end home that "requires" these sorts of features, we wouldn't say this is a necessity. Although, it comes in handy to know one that can build you something special to help your lower end home stand out from the rest. This will be a case by case basis.

Brick Mason

You will need a brick mason for any repairs on brick homes, chimneys, tuckpointing, things like that - or if you change/remove/add a window or exterior door anywhere.

Brenna: To be perfectly honest, I can't tell you what to look for here, because when we needed one, we happened to know a family friend who is a very skilled brick mason. He's actually our electrician's brother-in-law. What can I say, sometimes you just know a guy. But, as with anything else, ask for referrals from others in your network. Ask architects, contractors who specialize in historic homes, friends who have recently had some work like this done on their home, etc.

Concrete and Paving

More than just laying a driveway, these artists can make beautiful stamped concrete patios or pour retaining walls.

Hardscaper

This person will probably be more suitable for a higher end home, but even in some of the lower price points, you may feel like splurging on a paver patio. In higher end homes it will be expected to have a well manicured lawn with hardscaping features. At any price point, there may be an existing hardscaping feature that needs to be repaired.

Blacktopper

You may be in need of a blacktopper to pour a driveway which is less expensive than concrete. This will depend on the expectations of your buyer. Some areas this is acceptable where others it is not. Check your comps.

Painter

Depending on the size of the job, you may need to pull in a painter to take care of the entire house at once. A good painting crew that shows up on time and doesn't need to be constantly micro-managed is one of the best subcontractors you can get. The good ones are FAST. Alternatively, if you are wanting to put a lot of sweat equity into a flip, this is a good one for you to do yourself and save some money. Make sure you bring a Bluetooth speaker for music! Protip: Prep work is key to the quality of the finished job.

Tiler

If you don't trust your GC's crew to lay tile absolutely perfectly, hire someone to do the tiling. The last thing you want is crooked tile. It instantly makes your home look sloppy. They will also be much more efficient with the materials, leaving you more left over to take back for a refund. Refunds are awesome and possibly our second-favorite part of a completed flip.

Pro Desk Rep

These people can make or break your job. They are your personal shopper at one of the big box stores. You send them a list and they'll put the order together and get it out to your job site as quickly as possible. A good one can get instructions from you to send out a 5' left hand soaking tub and get it right. If it comes out broken or a right hand tub by accident,

they'll get it handled rather than you or your contractor running to the job. Your rep is also going to get you your discounts. YES DISCOUNTS! You do not pay full price. NO YOU DO NOT.

Cabinet supplier/installer

Again, this will vary depending on the price point of the home. With some homes, you can get in-stock cabinets from a big box or discount store and have your GC's crew install them. It will be a huge asset to the buyers that the kitchen is brand new at all. But on the other hand, some price points call for something a little bit more high-end and custom. In this case it typically sticks out like a sore thumb when someone puts in inferior materials. This is when having a go-to cabinet supplier/installer with whom you work consistently is a HUGE asset.

Brenna: Without a doubt, the single most time-consuming piece of the design process in our higher-end projects has been communicating kitchen designs with 3 or 4 different cabinet suppliers to get multiple bids, and meeting all of them individually and going over specs, comparing the bids to make sure they're apples to apples, then negotiating and/or selecting one from the pile. If you can email ONE PERSON, who already knows you, a drawing with the dimensions of the space and the cabinet color you were wanting, maybe with the layout you had envisioned and your ideal budget: they'll put something together and submit it to you for review. Often they'll have two options or come up with something even better than you had. You meet them once to review and pick out hardware, they come measure, you put down a deposit, and they take care of the rest from ordering to scheduling to installing (even installing all the handles and drawer pulls!) and any needed repairs or adjustments. Depending on who you use, they may even coordinate all of this for the countertop measuring and install, too. The peace of mind and time savings that come with having a go-to person are WELL worth the few hundred extra dollars you might be saving per job by shopping around on each and every job.

Countertop supplier/fabricator/installer

These are frequently more than 1 person/company. After your cabinets have been ordered and you have an install date, you will most likely go to pick out your slabs at a warehouse-type place that has thousands of full slabs of granite/marble/quartz/soapstone. Once the cabinets are installed, the fabricator will come out to template for the countertops, which means they'll measure exactly what size the countertops need to be to fit on your new cabinets like a glove. Then, the fabricator will pick up the full slabs from the warehouse, and get to work making your countertops. When they're finished, they'll bring your countertops to the house and install them.

Note: smaller countertops like bathroom vanities or wet bars are usually small enough that you can pick a remnant, which is a piece of stone that the fabricator has left over from a previous job. If you can find one the right size that will fit with your design, this can be a huge cost savings for you because you don't have to buy full slabs from the warehouse. Always ask the fabricator if they have a selection of remnants that you can look through to see if there's one that you'd like to use instead of a slab. Make sure you do this before the fabricator is scheduled to take delivery of the full slabs you had reserved. Brenna typically does this the week after she's put full slabs on hold, while all of the design is fresh in her mind and while she still has flooring/tile samples in her car.

Lighting fixture source/store (if specialty)

Wendy: much of my lighting in the past has been purchased from the big box retailers. Lately I've been obsessed with lighting and making sure my fixtures don't look like they walked out of the builder supply store down the street. Now, I order from places like Pottery Barn, West Elm, Shades of Light or scour stores across my city for vintage lighting. Some retailers will also give you a trade discount if you are eligible. Lighting definitely helps a home feel more special, so that it doesn't look builder grade and cookie cutter. This is an area I'll still splurge on even if the home is in the lower price points.

Brenna: What she said. Lately we've been doing homes in higher price points, so most of the light fixtures (anything except for ceiling fans and laundry/storage room fixtures, or outdoor floodlights) I've been getting from my favorite local specialty lighting store. Keep an eye out for warehouse/inventory clearance sales. You can get some great light fixtures cheap, OR pick out something really really awesome that you would never have been able to fit in the budget otherwise.

Appliance Rep

Many people will buy from the big box store. That works perfectly fine.

Wendy: I found a local appliance store, when I was in the Cincinnati market, that I loved to work with. I went out the first couple of times to take a look at their stock. They had the best prices, often beating everyone else by hundreds of dollars for a fridge, range, dishwasher and microwave. Now (I live in Phoenix, but have clients in Cincinnati), all I do is tell them what I need, i.e. stainless steel set of 4, gas range, 30" wide fridge and the owner lets me know what great deals he has at the moment whether rebates, closeouts or scratch and dent. I have not been to his shop in years. We have such a great working relationship that there is no need. He tells me the model numbers and I look them up online. He delivers for free and fixes any issues if they arise. This is why I don't buy elsewhere.

Brenna: We get our appliances from several different places, depending on what's available at the time. Big box stores can have some great deals on floor samples that are being replaced by newer models and cleared out, or ones that have a dent on the side. If a fridge is going to have end panels/cabinets on either side, who cares so long as it works properly? You can get these pieces at a steep discount and they deliver for free. But, it's hit or miss. Just run through the aisle where they put out the clearance appliances to see what's available every time you walk through the store. If there's nothing available in your price range, look somewhere else. We've been able to get fridges that were originally \$2,800 for \$1,300. Another option that I use sometimes is a GE-owned scratch and dent place near me. I can get great prices, but the downfall is that this place doesn't deliver, we have to go pick them up. No big deal if it's just a dishwasher or range, those fit in our Suburban, but if I buy a fridge from them then we have to rent a flatbed to go get it. You can decide if this is worth it. If you have free access to a flatbed to use, a store like this may be a great option for you.

Shower or Specialty Glass Shop

If your home requires a glass shower door and you're looking for something higher-end-looking to fit the neighborhood, or it needs to be custom for size reasons, you'll need to call upon a glass shop. A word of warning, glass install takes some time. Measurements can't even be made until the tile is set. Then they'll measure, then order the glass and install 10 or so days later. The whole process will likely be 2 weeks, starting after the tile is finished. Not only that, the prices can be quite a bit higher than a stock door from the big box retailers. Take this into consideration when designing your shower, keeping in mind price and expectation from the potential buyers in your market. It might be in your best interest to design the shower around a standard-size door that you can buy off the shelf, instead of having to order custom. This could save you major bucks and your buyers may never notice the difference.

Insurance Agent

You'll need to insure that bad boy. BUT, a flip house is likely a vacant home which is different than insuring your personal home. Also different than insuring a rental property. Not all insurance agencies will cover a vacant home. Ask other investors or an agent. They can either offer a product or will refer you elsewhere if they can't get it done. It's also helpful to have one who knows you so you can quickly get a new project insured. Foreclosed or bank-owned properties tend to close quickly, so you don't have a lot of time to get the insurance worked out, it needs to happen fast.

Bank

As discussed in the section about funding a house, you may need a bank to help fund a project. At the very least, you'll want a separate business account for your projects. Don't work out of your personal account. Just don't. You'll want one with a quick turn-around time: a lot of times, if your offer on a property is accepted, you need the funds available to you to close in a matter of days. You don't have time to wait for some two-week transfer process, or holding funds due to a large deposit.

Private Lender

This is that person you may or may not know that is lending you money for your flip. They could be a friend, family member, colleague or simply someone who is into this sort of thing. Those people that have a lot of money and want to put it to work. These people exist. Find one. Help them help you.

Title Agency

You'll need someone to close these deals. If you work with a title company often enough, they will give you discounts on your closing.

Attorney

Hopefully, you won't need a lawyer on every house you buy. Hopefully, you won't need one at all. But, when you need one, you REALLY need one. Make sure you have an attorney with experience in real estate transfers, and stay in contact with them. When you find yourself in a situation where you need them, it's likely to be at a moment's notice. You can also find good deals through probate attorneys. Wendy has kept in contact with one she met through her network, checking in periodically to see if they have anything they need to sell from an estate.

Wholesaler

As discussed in the "How To Find A House" section, a wholesaler is someone who finds houses, whether through the MLS or through their own marketing, and resells them to investors like us. They spend a lot of time sending out offer after offer and finding the deals

so you don't have to. This is not a prerequisite to finding deals. Brenna finds most of her homes through an agent, while Wendy finds most of hers through wholesalers. In both situations, it is due to the great relationship we each have with those people.

Deck Builder

Since this is considered a structural change/addition to a house, it's likely that you'll need a permit for this. A great deck or outdoor area is a huge plus to lots of buyers, especially when it's not typical to have one within a certain price point. If your GC's crew doesn't handle this, they can probably recommend a good carpenter for you to contract for a deck. Or, maybe the hardscape company also does decks. Just don't get a group of your buddies over and pay them with a couple cases of beer and some pizzas. Buyers can tell when it's not a professional job, and most insurers will ask to see a permit for a deck addition when you go to sell the house.

Basement Waterproofer

This may not be someone you'd need to know right away if you decide to shy away from leaky basements or foundation issues. However, it is so much easier to feel comfortable with this issue if you already know someone to do the job, should it arise.

Wendy: Meet one for an estimate at a potential property. Maybe you are not sure whether you want to tackle this sort of thing yet, but learning more may help ease your fears. It never hurts to learn more, especially on site. It is clearly much easier to learn with a property in front of you instead of simply Googling it. Don't waste their time for hours and hours or bring them out to multiple houses when you know you aren't going to buy. There's a fine line. If there is a sliver of hope, and you truly are wanting to learn, whether for that project or one in the near future, then go for it. BONUS: basement waterproofings come with a warranty, that is transferrable to the new owners. Buyers love warranties. Warranties equal peace of mind.

Mold Remediation

Mold is one of those words that makes potential buyers run, run away from a house as fast as they can, and not without reason. Serious mold problems can cause serious health issues. But, most instances of mold aren't nearly that serious, and typically it's not nearly as difficult or expensive to remediate than most people think.

Wendy: For years I never wanted to tackle a home with mold. One property I worked on was fine when I saw it, after closing I went in and realized the basement had flooded since then and now had significant mold growth. Now, I was forced to deal with it. Talk about being thrown in the deep end! All of a sudden I had no choice. I'm actually really glad this happened because I was forced to tackle this really big issue. Once the mold had been remediated, the home seemed like new. I was still suspect that the mold wasn't truly gone, though. We ended up moving into this home temporarily and it was as if the mold was never there to begin with. A miracle!

Professional Cleaning Crew

If you wanted to, you could clean the house prior to listing yourself and save a few hundred bucks. It would take you much longer to do it than it would take a professional cleaning crew, though. They will do everything. All the nooks and crannies, the windows, the vents...plus they will bring all of their own supplies and equipment. Having a great cleaning crew is a huge asset. When hiring a crew, be very specific what you are looking for in a cleaning. Most cleaning crews aren't normally asked to vacuum out the cabinets and vents, for instance. Be very clear so you are not disappointed and doing more work yourself once they've gone.

Professional Stager

This could be you if you want to collect furnishings over time and move them from house to house, keeping it in a storage unit or garage when you're in between houses (more about this in the [Staging](#) section). This has the potential to be very time-consuming if you do all of the moving yourself, but could also save you a significant amount of money. If you have no clue what stylish furniture is, then please don't bother. Hire this out. The last thing you want to do is take a brand new renovation and ruin it with staging that doesn't enhance the renovation.

Carpet Installer

Many times this is the same place that you buy the carpet. Find one that is easy to work with, has good product in-stock, understands your need to find suitable, affordable carpet for each of your projects and and stick with them.

Hardwood Installer and/or Refinisher (aka Artists)

Depending on the location and price point of your home, you may want to install hardwood floors. Some houses won't need it. For instance, if a typical home in your area usually has original hardwoods that can be sanded. Or, maybe in your area it is more common to install carpet. No hardwood needed. Sometimes these are two different people (separate people to install new and refinish), sometimes they are the same person. Sometimes the vendor you purchase the material from will also have an installer crew. Also important to note that sometimes a GC's crew can handle this job. If you are debating whether you can get the original floors in good enough shape to keep them, usually you can. The right person (aka artist) can make your beat up cat pee floors look new again. Seriously, it's amazing what the good ones can do. If you remove a wall, you'll likely need patchwork done as well.

Brenna: Sometimes you have great existing hardwood floors that can be refinished, but you may need to patch some places where you've removed walls or moved vents. In a case like this, many flippers will elect to just replace everything with new flooring (which is usually lesser quality) because they "can't salvage the original floors". To that we say, WRONG!!! Find a true artisan/craft hardwood person who can feather in and patch with existing flooring, for jobs like this. Ask a realtor or designer who does a lot of work with historic homes for a referral, they will usually know someone.

Alternately, your city's historic preservation society most likely has a list of vendors who specialize in or excel at restoration work.

Glass Block Installer*

People like this in their basement windows. It gives them the warm, fuzzy feeling at night.

Brenna: WTF do you mean, glass blocks like from 70's bathrooms?

Wendy: Yes.

Brenna: Really? is that a thing? Apparently I am missing out on a design trend.

Wendy: Lady, I mean for the basement windows in a \$100,000 house. Keeps the burglars out!

Brenna: OOHHHHHH interesting. Well shit. I guess I need to get a different buyer pool to be privy to this glass block stuff.

Wendy: Perhaps.

* Prime example as to what you may or may not need in a home. If you are in Phoenix, you may never see a basement in your life. If you work in higher end suburban neighborhoods, glass block basement windows may not apply.

Too many people?

Don't worry, you won't need them all at once. You'll find them as you need them. Sometimes you find people when you didn't need them, but keep them in your back pocket until the time is right. You may not have needed a finish carpenter, but then a property comes along that screams "BUILT-INS!". Hey, you know a guy or gal for that! This makes shopping for houses so much easier. For instance, you see a crumbly chimney and you're not sure how to handle that. Snap a pic of that chimney and send off to that brick mason you haven't yet found a job for. Suddenly a scary looking, potentially costly issue is no longer a big deal.

Now how do you hire these people? Let's discuss...

¹. After photo credit: Allison's Images [↩](#)

How To Hire A Contractor And Not Get Screwed



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One of the scariest things about doing a renovation is finding the right type of people to do it. Whether you're doing a one room reno or trying to flip an entire house for the first (or twenty-fifth!) time, after hearing so many horror stories about contractors, it's no wonder. There are several things you can do up front to keep from getting screwed. Wendy has over 30 full renovations under her belt, and she says "I've seen the good, the bad and the UGLY. I've hired, fired, been stolen from, been left with an unfinished home, had a home vandalized a day before going on the market, you name it."

Don't hire the duds! Duh. Finding a good contractor is not difficult if you're looking for the right signs.

The Search

First we need some contractors to screen. This isn't the hard part. Ask around.

- Ask your friend who flips houses! :)
- Ask a Realtor.
- Ask a wholesaler. They often have a list of contractors.
- Post your request on Facebook. You'll get plenty of responses. Pick through these carefully.
- Find one on Angie's List and/or check reviews of ones that have been referred to you.

--If they aren't on Angie's List, this doesn't mean they aren't good.--

You'll probably end up with a nice list to start with just by doing one of these options. Ask the people who referred them what they liked and didn't like about them. Remember, we all have different requirements. We'll go deeper into this later. For now, we've got a number of people to call.

Requirements

The next step is figuring out your requirements before you interview anyone. Remember, this is an INTERVIEW.

Do not hire a contractor just because someone recommended them.

So many times we have recommended a contractor and the friend or family member hired them on the spot only taking price and the fact that we recommended them into consideration. We all have different expectations. Figure out what yours are before they get there. Our expectations as a house flipper will be different than a typical homeowner's. We are not living in the house where the construction will be taking place. This person won't be painting near my bed, so I don't much care if they aren't the cleanest individual. Also, I can deal with someone not being able to get to my fence until 3 weeks from now on a Saturday evening. On the flip side, my cabinets must go in on X date or else the entire project down to the listing date will be affected. We have different requirements depending on the job we're hiring for. You will have your own requirements.

There are three criteria you'll consider when hiring the right contractor. You can't have it all. Ever. Always at least one of these three components will be sacrificed. Always. They are...

Price, Quality & Time

We all want great prices, great quality and speedy service, but sorry, you can't have it all. For instance, if you want the job done as cheaply as possible, no doubt you'll find someone that is willing to do it for nuthin'. But, not paying much will get you a contractor who squeezes you in when they can every other week for 4 months. Something must give, and in this case, it's time. If you want to have the job done yesterday, you'll either pay more OR receive lesser quality as they try to satisfy the time expectation.



You'll have to decide what is important to you, as well as consider that of the person who recommended the contractor in the first place. You may not be on the same wavelength. If your coworker is referring their brother-in-law who has a full time job and does this as a side gig, expect time to be the first thing you'll be sacrificing. Great pricing might be in your favor, however. For which part of the equation are you willing to lower your expectations?

Meeting

So, now you're going to meet them. You'll want to evaluate them on a few key points.

1. Availability
2. Qualifications
3. Interest In the Job
4. Price
5. Money Up Front
6. Contract
7. Expectations

So, now you've called some candidates and are waiting to hear back. If they don't call you back immediately, don't write them off just yet. The good contractors will be busy...WORKING. High demand individuals are usually excellent at any of the three job factors we previously discussed. If they don't call you back in a timely manner however, don't waste your time. Take this as a sign that they are too busy or disorganized and move on.

When you do get them on the phone, check their availability. Why waste anyone's time if they can't fit you in. Remember, contractors will be working at breakneck speed during high times, such as the summer in many areas. The good ones will only take on what they can actually do and do well. The bad ones will say they can take on anything ("Oh yeah sure! No problem!") and then....you guessed it. You're screwed. Pretty soon you have one guy showing up a couple times a week to satisfy you enough to not fire them. On the other hand, if time is not one of your priorities, then you may choose to deal with a delay. Or, perhaps you are willing to wait until the winter when their schedule dies down.

Qualifications

Ask for their license information if it is required for the job. In Ohio, it is not necessary to have a general contracting license. Specific trades are a different story. The requirements are different in each state. Secondly, ask for a copy of their insurance and workman's comp. They should be able to provide these pretty easily. If not, you decide if it is worth the risk.

Interest in the job

Now that you've deemed they can fit you into their schedule and they are qualified to do the job, invite them over to take a look. During your interview, you'll want to assess a few things. The balances of their Yes's and No's to your requests. Too much of either is a red flag, in our opinion.

Let's say you're doing a kitchen remodel and you're listing all of the changes you want to make. If the contractor continues to say, "Oh no you don't want to do that." or "You sure about that?", don't hire that downer. Do they see a problem that is justified or do they just not

like your idea? Don't get us wrong, you should listen to their reasons why something won't work. Perhaps they'll have a good reason. But, too many negative remarks is a bad way to start a job. Wendy has stopped in middle of a contractor meet up and said, "Listen, I've been doing this a long time and I know what I can do and I know what I want." In her head she was thinking, "Bye." Don't let yourself be treated like a doormat.

Girl boss. (Or boy boss.) Either way. You da boss.

On the flip side, you don't want a contractor who YES's everything saying, "Sure! I can do anything! Weeee!" That's the sound of money pouring out of your pocket. They should be looking out for the integrity of the home. So, if taking a wall out is a bad idea structurally, they should be pointing that out. A good balance of enthusiasm and warnings makes for a good contractor.

Price

At this point, you've met with a few contractors and you have some estimates. You're ready to choose. Odds are there is one you are drawn to just because of their demeanor. Maybe they were a good listener, had great ideas and you just got a good vibe. If their price isn't exactly what you had in mind, don't count them out just yet. Contractors will almost always negotiate their price in order to earn your business. Let's hope they gave you a detailed estimate. If not, ask for one. (If they will not provide you a breakdown of costs, do not hire them. You have the right to know the details of what you're paying for.) Go through each item on the estimate and decide whether or not you are willing to pay what they are asking. Check the Google results you got earlier for "labor costs tile floor install". Talk with them about how they came up with that number and if they can come down a little. Be fair. Remember, this is how they make a living.

If the cost is still way off, consider changing the scope of the project. Maybe it's you, not them. Maybe you're expecting too much. Maybe you can use a different material that is easier and more quickly installed. Maybe you can paint your cabinets instead of purchasing new ones. During your initial interview, ask for cost projections for different scenarios such as laying new hardwood flooring vs. refinishing the old.

Money Up Front

This is the scariest part! You like a certain contractor, but they want some money up front. This is not uncommon, but we would still shy away from it. They will need to purchase some materials for your job. This is the truth. But, will they? Who knows. There are two ways to go about protecting yourself.

1. Have the contractor put a material order together at the supply house, then you pay for it yourself. Purchase all of the materials and have them delivered to your house. Clear some space in your garage or rent a storage container for a month.
2. Purchase just the finish materials such as cabinets, vanity, mirrors, faucets, etc and have them delivered to your home. Have your contractor pick up the building materials needed for the project. This should greatly reduce the cost they will incur. Reimburse them for the materials after they have brought them to the project. Promise to pay them at the end of each week, and do so. Any decent contractor should be able to foot the bill for a few hundred dollars in materials. Don't expect them to have to pay for too much, though. Most contractors are not rich, although their nice truck might fool you into thinking otherwise. Be fair.

*Large projects such as additions or new builds are a different story. If you are just starting out you are likely not taking on something of this caliber. So let's not worry about that just yet.

If the materials are taken care of, then what do they need to be paid for upfront? NOTHING. If they haven't done anything yet, then they SHOULD NOT GET PAID. Labor SHOULD NOT be paid up front. If they claim it should be, then this is a huge warning. It's likely they are trying to pay this week's payroll on another job with your money. Sadly, they're in the hole and trying to make up for it. This will only snowball and turn ugly very, very soon.

Contract

Sign a contract! Signing a contract is not just for legal reasons. It also explains the expectation for the job. So much goes into a remodel that it is easy for a contractor to forget that you decided to put a fan in the master bedroom instead of just a light. "Install fixture" is not specific enough. A good contract has a detailed scope of work and spells out everything that will be done. Make sure it is specific so there is no discrepancy. Dedicate some time to this so mistakes are minimal. Getting a contractor to come back and fix things is incredibly frustrating and time consuming, not to mention will usually end up costing you more because your contractor charges by the hour. Double work = double charge. Specific trades like plumbers and electricians also usually have a set trip fee, on top of their hourly rate, that you get charged each and every time they have to come out to your house. Better to get it all done right the first time, than have to pay extra for them to come back and fix it.

If any changes to the plan are made during the renovation, put them in writing. You may discover some plumbing had to be fixed unexpectedly and were not told how much it cost until the final bill shows up. Surprise bills at the end are an easy way to go over budget. You, as the homeowner or investor, should know how much you are going to spend beforehand

so you can accept a fair price. Get all changes in writing before the work begins. Plus if you are worried about a contractor padding the numbers, an undocumented change would be a good place for them to hide it.

Expectations

We've already touched on this in the contract, but let's take it a bit further. We don't want to insult the contractor, but we need to let them know our expectations. They work hard and are proud of their work. That's not to say their crew is, though. Sometimes corners are cut, whether it is known by the general contractor or not. If you are a neat freak about straight grout lines or you're especially worried about the hinges on your doors being painted (this happens), let them know. Start this conversation out like this: "I'm really worried about a few things because I've seen it done before and I want to make sure we're on the same page. I don't want the hinges or door knobs painted." They might give you a look like, "WTF? Who would paint those things?" to which I say, "I know, I know. You probably wouldn't do that, but I needed to say it just in case." Remember, you are the boss. Be sure you get what you are paying for. Fixing things after mistakes have been made is infuriating for both parties.

Ready, Go.

Start asking around for some referrals. You don't need to be ready to tear your place apart tomorrow or even a few weeks from now. Give yourself some time to find the right candidate for the job. Give yourself the time to make a decision, as well as find a good time slot for your contractor to schedule you in.

¹. After Photo Credit: RealTour Cast Photography [↩](#)

How To Determine What To Update



To the beginner house flipper, this may seem like an arduous task. It is not. Knowing what to update is as easy as knowing what similar houses in the neighborhood look like and what features are expected by buyers. Simply look at your comps, the homes with which buyers and their agents will compare your finished home, and determine from there what your home needs. If the higher priced comps have beautifully remodeled kitchens, and you're looking to sell for top dollar, then yours should have a beautiful kitchen. These comparable homes show exactly what sells in this neighborhood. Don't try to get by with something cheap to save money thinking you know better than the comps. You won't fool anyone.

For instance, you may look at some cabinets and think, “Maybe I could get away with painting these cabinets instead of replacing them.” Maybe you could. If you are in a neighborhood where that is acceptable and homes with painted cabinets sell, then go for it. If homes in the target price would never have painted cabinets, then you know your answer. Don’t do it.

This is how you know what to update.

1. Look at your home in a side-by-side comparison to homes you want to emulate.
2. Determine what they have that yours does not.
3. Price that out.
4. Determine if these updates fit into a budget that will allow you enough in profit.

Kitchens may be easy. The HVAC system and roof may be another story. Or is it? Let’s walk through some scenarios to show you how we think these things through.

Q: Should I replace old wood windows?

Look at the comps. Drive up and down the street. Even better, if there’s a home for sale in that neighborhood (especially if there’s an Open House!) - go check it out for yourself, all up-close-and-personal-like. Do most homes have replacement windows? Do buyers in this neighborhood expect replacement windows or do they love the charm of the older wood windows? Agents who do a lot of sales in the neighborhood would be a great resource to answer some of these questions as well.

Q: Should I replace a gas furnace that is 12 years old and working?

Unfortunately, sometimes you just have to take an educated guess. For instance, according to Google, gas furnaces have a lifespan of up to 20 years. Your furnace is older, but working. Your comps make no mention of newer furnaces. Your agent says that in their experience, the buyers they’ve worked with in that neighborhood haven’t bought a home solely because of an updated HVAC system. It’s nice, but not necessary.

A: Don’t replace it. Have a qualified professional come out and inspect it, clean it and do any necessary maintenance. Offer a home warranty. Done. Unless....

A2: If someone comes out to do some maintenance that is going to cost \$400 but a new furnace will cost \$800....well now. Things are looking interesting. Adding a new furnace will only be an added cost of \$400 above maintaining the old one. If you add one, you can then boast “New furnace” on your marketing material. You have room in your budget for this (or you’ll make room). You go for it. Tear it out.

Q: Should I replace a roof if I don’t know how old it is and it has two layers of shingles?

This is tricky. Sometimes you have no idea how old something is and if it is functioning properly. You see some water spots in the house from what is likely a leaky roof, but are they old spots that just weren't painted over? Were the spots from before the second layer of shingles was added? Your inspector or contractor can't tell either but they might be able to guess. The only way to know is to see it when it rains. It's not raining and you have to put in an offer today.

A: In this case, assume it will have to be replaced. Many times you don't have the luxury of waiting to find out the answer you need. You'll have to make due with your observations and err on the safe side. If you don't need a new roof then good for you! Money saved.

Clear as mud? Let's make this even more confusing.

Adding Value

This is where it gets trickier. Your brain starts to think, "How can I make even more money on this house? I know, I'll add a deck. Everyone likes decks." Come on now. Simply adding things does not automatically add value. There is no hard and fast rule that if you add X feature, you will get Y return on your money. We know they show you this on TV.

It is a lie.

Wendy asked one of her Realtors, "Do you think a deck could boost a home's value?" their response was, "In general, yes. Or so we are taught. A wood deck, when done correctly, usually has a higher ROI (return on investment) than other improvements."

Aaron Binik-Thomas is a go-get-em, super Realtor with Keller Williams in Cincinnati. He'll try just about anything to market a home, within reason of course. No shady business! Prior to becoming an agent, Aaron was a sales person for a local wholesaler. His previous experience selling fixer-uppers has helped him to be familiar with many neighborhoods, allowed him to evaluate many crappy houses and taught him to know what features are good to add to homes to increase value and saleability. Aaron knows that not all houses and neighborhoods are created equal, though. In general, yes, a deck will bring a higher return. Is that always the case? No. Had we taken this information out of context, we might believe that this seasoned pro is telling us that all decks are a good idea for a house and one should always add a deck. Be careful what information you digest from the TV. Entertaining programming does not always equal the whole truth.

Value is in the eye of the buyer.

The buyer is going to rely on comps. Any additions you bring to the home will bring you one of these three things: added value, saleability or a loss. Let's break this down.

Actual Added Value

Only some updates will bring value above and beyond the current possible sale price to your home. You can't add just anything and expect it to boost your sale price. The only things that add value to a home are square footage, increased number of rooms and bonus spaces.

Increased square footage could mean adding an addition to your home, of course. Another way to add square footage would be to finish the basement in a home. An unfinished basement is not counted as square footage since it is not a livable area of the home. So, finishing it off could significantly add to your square footage without changing the existing footprint of your property.

You could increase the number of rooms in your property without changing the square footage. Below are some examples.

- Turning a pantry into a half bath.
- Taking one large bathroom and breaking it up into two bathrooms, thus increasing the number of full baths in the home.
- Taking over a dining room to create a third bathroom.

Clearly some of these may be detrimental, such as in the dining room example. If dining rooms are important to buyers in this area, then this is not a feasible option. If you were able to relocate or add a dining area in another part of the home, then win-win. If your home is in an area where the buyer couldn't care less about a dining room, then you're good to go.

Finally, you can add value by adding bonus spaces. This might be in the form of a garage or deck. They won't add to your square footage or room count, but the increased functionality and desire for the home is at work here. If in your neighborhood, some of the houses have garages, but yours does not, then your house would only compare with the houses without garages. Adding a garage to yours will simply bring your home's value up to the same level as the homes with garages.

Saleability

Some upgrades will never add value no matter what you think. Wendy was once asked by a family member, "How much did this water feature add to my home's value?" She was sorry to report that the answer was ZERO. It didn't increase the value of the home at all. What it might add is saleability, making the home more attractive to potential buyers. But, it did not add square footage or increase the number of rooms or bonus spaces.

Things that increase saleability are a bonus and not the norm for the neighborhood. Perhaps your home has a more beautifully manicured lawn or a larger than average pantry. These things do not meet the value adding criteria, but certainly do add saleability. Buyers may

swoon at these features, but they won't pay more. They'll just like your home more than some of the others. Sellability really helps with moving your house quickly with fewer days on the market.

Loss in Value

We're sorry to tell you, it isn't just as easy as adding stuff and counting your profit. If you take 3 bedrooms and create 4 smaller bedrooms, you may have just shot yourself in the foot. Conversely, taking 4 small bedrooms and converting them into 3 bedrooms, one being a master suite with a walk-in closet, may actually work in your favor. It all depends on what buyers in your neighborhood love or expect.

Some upgrades may not lessen your home's actual value, but will affect the perceived value. For instance, in Ohio, pools can only be used a few months of the year. In many neighborhoods, pools are seen as a maintenance nightmare; thus making the home less attractive, not to mention they come with increased liabilities. Some lenders will even require a homeowner to purchase more insurance if the property has a pool. Here is a big bummer: you add a \$30,000 pool and it actually makes your home less attractive. You've just spent a ton of money on something people don't want. Loser.

Disclaimer: we're not saying water features or pools are always a negative. It all depends on the neighborhood and comps! In some areas, like Phoenix, pools are an attractive feature. In others they are a hindrance. Know your customer, people.

Do Some Math

Now, take a common scenario and do the simple math...

Let's say homes with a garage in your target neighborhood tend to sell for \$10,000 more than similar homes without them, then that is how much value you will bring to your home by adding a garage. If adding a garage costs \$5,000, then BOOYA. Build a freaking garage. That's a 100% ROI on the garage.

There is no magic number. The next time you see someone spouting off that renovating your kitchen will add \$15,000 in value to your home, call BS. Do not take this at face value. Now you know that determining value adds is a process of researching surrounding properties, not hard and fast rules.

¹. After photo credit: Allison's Images ↩

I'm Going To Lose Money



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Now What?

We've said it before and we'll say it again- **YOU WILL LOSE MONEY ON A HOUSE.** It will happen. It may be the third, it may be the fifteenth. Hopefully it's not a huge loss. It may be something you could have mitigated (delays of materials as a result of not understanding lead times), it may be that a calculated risk turned out to be worst case scenario (foundation issues) or it may be totally out of your control (natural disaster or drastic change in market

conditions). Regardless, it will suck. But: The quicker you make it through and dust yourself off, the quicker you can move on to the next project and find your next crappy/awesome house.

What are my options?

What do you do when the shit hath hit the fan and as a result, you KNOW you're going to lose money?

Some investors will list the house at a ridiculously high number (compared to the current market comps), in hopes that that one very special buyer will come along and actually pay that unjustified price, so that they barely make it out in the black.

DON'T DO THIS.

We promise. It is a bad idea. We'll explain more later, but know that this is the worst way to get yourself out. Let's discuss better strategies for getting out as quickly and with as little financial impact as possible.

Wholesale It

This might only be possible if you've realized a problem relatively early on... say, city zoning or permitting issues or significant foundation issues requiring extensive and expensive repairs. Based off of your planned budget, the house may no longer make financial sense for you to complete the remodel, but for someone else this may be a great opportunity. Maybe there's an investor out there who owns a foundation repair company and can get that work done at half the cost you could. Talk to your Realtor about listing the house in AS-IS condition, and be honest in the disclosures about the work it needs. Passing a problem off to someone else without them understanding the issue isn't cool, not to mention could be illegal. You could also approach other house flippers or wholesalers about buying it. With a little luck, you'll be able to get out of the house with a minimal loss or possibly break even.

Wendy: I wholesaled two properties for these reasons. One I didn't have time for. Closing was pushing 3-4 months and the window to complete the house had passed. The other was more recent. I purchased a home not knowing it was zoned commercial. This is a silly mistake on my part. I should've checked, but then again it was a house in a neighborhood. No red flags. Getting the home rezoned would take 4-6 months, not something my private investor and I wanted to go through. I was able to sell it to a wholesaler.

Find other places to cut the budget

You ended up having to spend \$11k on the roof, \$5k on HVAC and \$10k on basement waterproofing. That means maybe your real hardwood flooring in your budget now needs to be engineered hardwood flooring, or the bedrooms get carpet instead. Your \$10/sq ft budget for bath tile just became \$5/sq ft. You had budgeted for C grade granite in the kitchen, but now can only consider A grade. While replacing the existing chain link fence with a tall wooden privacy fence would have been really nice, sorry, not in the budget any longer. You can make small changes like this that don't impact the value or sellability of the home and save yourself money against the original budget.

However, BE CAREFUL. Notice we suggested things that don't affect the value or sellability of a home. If you cut something for budgetary reasons that also affects the end value of the home, you're not saving anything. You are just creating a bigger projected loss.

For example: You decide not to turn the existing half bath into a full bath. Yes, that greatly decreases your expenses, but now you have to comp your house against homes with only 1.5 baths instead of 2 full baths. Cuts like this will most likely have a negative effect on your end sales price, meaning that even though you're spending \$8k less, you're selling for \$12k less - making your end loss even greater than it was projected to be in the first place. Watch what kind of decisions you make and always consider the end result.

FSBO (For Sale By Owner)

If you have a solid social media following, try to leverage it as much as possible. Maybe you can find a private buyer, and therefore avoid having to pay for staging and realtor fees. If you're lucky enough to be in a super hot market, you can list it yourself as FSBO (make sure to add it to Zillow, Trulia, etc). You'll save half of the commission, since you will still likely have to pay the buyer's agent's commission. Alternatively, you could list it with a flat-fee listing service in your area, like Redfin, but only if it has a solid presence in your market. Otherwise, this may hurt you more than it will help you.

Don't stage

Yes, we know we recommend this (in fact, the next section is all about staging), however, we're doing damage control here. This is an especially appealing option in hot markets where not staging a house is less likely to affect your ability to sell it quickly and at the listing price. If you had it in your budget to hire a stager, borrow some items from your personal home for any awkward areas, spend a hundred bucks or so on bath towels and other accessories for key areas and call it a day. Bam, you just saved \$2500 from your budget.

Consider the possibility of ADDING something

Maybe there's a way to add something to the scope of your flip that will be a positive ROI, meaning it will increase your sales price by more than it costs to do that thing. Maybe you can frame out an additional bedroom and half bath in the basement or finish a previously unfinished basement. Maybe you find a way to borrow space from a bedroom and turn that upstairs half bath into a full bath. In extreme cases, maybe it's an addition onto the rear of the house that will cost \$70k, but will enable you to sell for \$100k more than you had originally planned. If you explore these options and find one that A) is a positive ROI, B) you have access to the funds to accomplish it and C) it doesn't cause another negative "domino effect" such as pushing out your timeline another 2 months when that isn't an option for your investors, then seriously consider adding something to the scope. It could enable you to break even, or maybe even make it into the black.

What Not To Do

We've discussed some options for things that can help you either get out more quickly, or for less monetary loss. Those things being said though, there are things which any flipper definitely should NOT do when trying to minimize a loss, as they won't help the situation.

Put a high price tag on it in an attempt to break even

We mentioned this before. This is the worst of the very bad options. It's possible the person who has more money than sense that will actually pay an above-market price and has a 50% down payment (so they don't have to worry about appraised value) may come along. However, what is more likely to happen, is that the Realtors will advise their clients that the house is overpriced. Even though it may be within the buyer's budget, it will not appraise for that amount resulting either in more money down or negotiating the price down near appraised value. So, they probably won't make that offer. The house will sit on the market. The Days On Market will rack up making it appear as though there is something wrong with the house. Meanwhile you, the seller, continue to rack up carrying costs, not to mention having money tied up in that project instead of being able to put it into the next project. Of course there's also continuing risk that something bad could happen to your vacant home: vandalism, a heavy thunderstorm that requires expensive roof repairs, or a rise in interest rates that negatively affects the qualified homebuyer pool.

Take shortcuts

Just don't do this. Not only is it dishonest and speaks poorly on a flipper's reputation, it can actually be dangerous to the end buyers. It could cause them issues or hazards further down the road, both in the expense required to repair them correctly, or health and safety risks.

Use inferior materials

Don't do things like using cheap cabinets, hiring the tile installer who's quote is half of the others but whose grout lines are uneven and sloppy, or buying used appliances in questionable condition off Craigslist. Buyers notice these types of things, and will wonder why part of the house is freshly repaired and redone, and other pieces appear to be older and of lesser quality. This is especially true when the finish materials are not of the quality that is expected in a particular neighborhood and price point. For example, the last four houses Brenna has flipped have sold for between \$450k and \$515k, and are in a traditional neighborhood. In this price point, if we used pressboard cabinets or laminate flooring, buyers would consider the house inferior and wouldn't give it a second look.

Bottom line: when you go to sell your home, list at a fair price for the area, market conditions, and comps and be realistic about any incoming offers. It is in your best interest to get out as quickly as possible so that you can move on. Maintain your brand identity. At the end of the day this house will still be in your portfolio.

¹. After Photo Credit: RealTour Cast Photography [↩](#)

Stage It



Stagers and designers will tell you things like “Staged homes sell for x% more and in y days less than similar homes that aren’t staged!” So, are they just trying to sell you on their services, or is there truth to what they’re saying?

Here’s a couple of our experiences with staging. This isn’t necessarily going to be the same for every market - for example, in crazy-hot markets like San Francisco and Portland, 1br/1ba/800sf condos in bad shape will sell for 10% over asking AT THE OPEN HOUSE, just because the demand exceeds the housing inventory. On the contrary, in other areas such as in the rural Midwest, it is more likely that a property will not sell in less than two months. There is not an extensive buyer pool in those areas.

Different ways to approach staging

1. Hire it out
2. Do it yourself
3. Hybrid of both

Brenna on Staging

What we've learned over the past few years is that potential buyers can't "see" themselves in an empty house. They don't understand how they'll arrange their furniture. It might feel cold and impersonal, and as a result it's hard to picture their family living there. This is where staging comes in. It helps someone see how the house will "live", and how it will feel with furniture and decor in it. We hire a stager to do this for us, and the few thousand dollars we spend on it per house is well worth it - since we do believe it helps the house sell more quickly.

Here's an example to illustrate. We had a house in 2014 that we put on the market right before Thanksgiving. I know, I know, the worst possible time. The option to just sit on a \$400k investment for 7 weeks until after the first of the year was not one we were willing to pursue. Additionally, if anything around our area is going to sell at that time of year it was in this neighborhood. We had good traffic at the open house and a few other showings, but no offers. People were extremely confused as to what to do with a bonus area off the kitchen which was in addition to the other existing living spaces: a large living room, basement family room and an office or play area in the basement .

After the first of the year, we had a few rooms in the house staged with furniture and accessories for a cost of \$2,300, including the "bonus" living area that people were confused about and the basement office/playroom area. We also updated the listing photos with pictures of the rooms that now had furniture/staging in them. Within three days after the open house, we had competing offers and had the house under contract at full price of \$485,000.

Yes, the time of year had something to do with it. But, we didn't change one thing about the house itself, just brought in staging in 3 rooms. The vast majority of people (aka buyers) cannot envision spaces like real estate investors and designers can; you have to help them see it by putting an example right in front of them. What we paid for staging was .47% of our list price, literally less than half of one percent, and it was worth every penny.

We also had another house, literally two houses down from the one I just described, that we listed in early April of 2015. This one was even nicer than the \$485k house, open concept, and ~500 square feet bigger. We spent \$3,900 on staging, house was listed at \$515,000 which was at the very top of the comps for the neighborhood. We listed it on a Thursday,

had an open house Sunday, had competing offers the next day and by Tuesday it was under contract at full price. We closed in early June at the list price of \$515,000. Staging was .76% of list price.

Those were the first and second houses we did staging in, and we budget for it on every house since. In our opinion, it's well worth the investment.

Wendy on Staging

For a while I didn't stage homes. I thought it was a good idea but by the time a house is done I just wanted it on the market. It's almost impossible to keep yourself from throwing a sign up once the last hammer and paintbrush have been swung. I didn't have any inventory, I didn't want to store things and I certainly didn't want to pay someone to do it. It's MY money! Plus, moving heavy things. Then the market started to suck. I didn't want to leave anything to chance. The only homes that were on the market were flips and dumps people were bailing on. I started staging some areas of homes in order to outshine the other flippers' empty homes.

Investors began asking me to stage for them when their home wouldn't sell. I'd place sofas and tables in areas to help buyers see how a small or strangely shaped room could work. This extra practice (additional research!) with other people's homes was eye opening. My homes were already staged, but now I could see how empty homes already on the market fared after staging. Those homes sold or rented almost immediately. To show the dramatic difference, look at the room below with and without staging.



Now, I stage almost every room. I have an inventory of furniture and decor. I just reuse the same stuff in every house. Every once in awhile I'll pick up something special for a certain house to cure a problem area. It's an investment, but being able to "recycle" these pieces from house to house makes it worth it.

An additional benefit of staging is that it makes the photos look better. Obviously. But, what I didn't think about at the time was that these photos are something I'd have as part of my portfolio FOREVER. When you're on your first or maybe even fifth house, you may not think of this.

You are building a BRAND.

When Instagram became huge, I realized how many houses I had done without any staging. Most of the photos were useless after the house had sold. Buyers may have been able to find them interesting because they were in the mood to buy a house at the time. Potential future buyers getting to know my brand would likely find my empty house photos dull and lifeless. Kitchens were sometimes usable, but that empty living room is just an empty painted room. Snoozefest. Now, I make sure that my photographer not only gets the all important real estate shots, but also gets styled shots that I can use for marketing and social media. As a result, I've now gained interior and renovation design clients, met a contractor, gained followers who are potential buyers, gained the attention of production companies and met my co-author! You may not sell a house through social media, but your credibility and presence grow.

¹. After Photo Credit: RealTour Cast Photography [↩](#)

Your First House



Everyone has to start somewhere, right? We're no different. We talked a little bit in the Introductory Q&A that choosing your first house depends on a lot of different factors. We'll explain those factors in more detail here, plus talk about our own first houses - and how we (barely) made it out alive. Ok, so that's an exaggeration. We're still here and still going, aren't we?

Important Factors to Consider

Like we touched on a bit in the Introductory Q&A, there's hundreds of factors to consider when deciding on whether or not to make an offer on a potential property. Especially when it's your first project, you're going to have a lot to think over, and check "yes" or "no" on a lot of different boxes.

Money

There's a couple of different pieces to this.

Number one: Do you have the funding readily accessible to enter into a project of this cost? Know at what price level you're comfortable investing, and don't waste your time considering anything that's outside of those parameters (a note: it's likely that this level will change or increase as you get more experience under your belt). A house outside of your given parameters might have a ton of potential. It might be really tempting and you might wind up trying to convince yourself that you can handle it.

Protip: If it feels like you're having to force it, that's usually a sign it's not a good idea. Best to walk away.

Number two: Do the numbers work? Is there enough margin for you to buy the house, complete the necessary renovations and make it look good again, and to resell it - and still make a decent profit? Don't forget to factor in taxes, interest, insurance, closing cost, the realtor's commission and selling costs. Also let's not forget a contingency for the unknowns, because something is going to come in higher than you budgeted, and something else that you didn't expect will come up - and there's no way around these. Better to plan for the unknown than to be surprised by it. Also, be careful not to buy emotionally.

If both of the two money factors above aren't good to go, not one or the other, but BOTH, then walk away. These are the number one and number two most important factors when evaluating a potential flip.

Neighborhood

This is probably obvious, but start in a neighborhood you feel comfortable in. If you can't afford the neighborhood that you know well, find another. Stay as close to home as possible. You'll be there often. Learn this neighborhood through and through. Learn what buyers are looking for in that neighborhood. Check out what your potential comps are like, lots of times by going to open houses of other listings. Learn what kind of finishes are expected in that neighborhood. What level of "completeness" is necessary? You may not actually have to remove that random toilet in the basement. Stone countertops may not be the standard for the neighborhood. A one-piece fiberglass shower surround may be fine, and then you don't

have to worry about the expense of tiling the shower, not to mention it's quicker. How much money will your buyer be bringing to the table? As discussed previously, in many lower price points and depending on area of the country, you may have to pay for a buyer's closing costs in order to seal the deal. This is important to know beforehand so you can budget appropriately.

Expert Level

"But I've renovated my kitchen before!"

Your first project is going to be a lot of testing the waters. Even if you have done a bit of renovation in the past, don't let that fool you into thinking you know how to run an entire flip from the get-go. It's different. We often hear from people that they think they could definitely do a flip since they've remodeled their kitchen or bathroom before. Yes, these people have seen someone swing a hammer.

This is not the same as running a job site.

You may have gone through the frustration of ordering cabinets and picking out tile in the past. Maybe you hired someone to install something or did it yourself. This does not prepare you to flip a house! What you are prepared for is learning how to learn more.

Choose a project that you are somewhat comfortable running.

You want your first project to be as smooth sailing as possible. That's more easily said than done, but a lot can be said for simply choosing the appropriate house for your current skill level. For example, you've renovated a kitchen. Great! Tackle that. But, tackling foundation issues, mold, bee infestation and fire damage all in your first house is a bad idea. Maybe find something you can paint, throw on some new counters, update the flooring and call it a day. This will be hard to find of course but you get the gist. If you've dealt with something like bees on your own home in the past, or if your best friend's college roommate is a beekeeper, then BOOM! Bring on the bees!

Now, we realize we need to acknowledge that we keep saying that you're never going to feel completely comfortable, you just have to jump in and do it and also that you will figure it out as you go. True story.

"But guys, then why did you just tell me that tackling all that was a bad idea? Pick one!"

What we mean is, do your homework and try to get a sense of just how much you're getting yourself into. There will always be surprises, and there's only so much you can do to anticipate them. Try to only take on what you're slightly uncomfortable with, and gradually take on more as you gain more experience. You cannot know or research it all, but there will

come a point when you feel like it's now or never. You have learned enough to be dangerous. Unfortunately something will rear its ugly head eventually on a house that you already own, then you really have no choice but to put on your big girl (or boy) britches and figure it out. You can't exactly hide from it or say, "Oh no, I don't feel quite ready to deal with that". You have to, otherwise you'll never finish the house and sell it so you can move on to your next one.

Go for it!

But, not all of it all at once.

Wendy's First Project

My very first renovation was my own home, a small 1,000 sf ranch in need of an updated kitchen and bath. I fixed it up a bit, painted, landscaped and then I met my future husband. When we moved in together the next year, I sold the house and was mortgage free. Since I had a regular salaried job, I could still afford a mortgage on my own. So, I bought a house strictly for the purposes of fixing and selling. I found a small home, in the same neighborhood as my first home and about the same size. Compared to the homes I tackle now, it was in great shape. All it needed was some paint, landscaping, some minor kitchen and bathroom updating and refinished floors. Between my family and some friends, we were able to do most of the work ourselves. We did the demo, interior and exterior painting, ordered appliances, laid some flooring, did the landscaping and swapped out the outlets and switches. I hired out the hardwood floor refinishing and tiling (oh 2006!) the peninsula countertop. This took six months. Had I hired someone to do all the work, it would have been done in 2 weeks. That said, I'm not sure I could have afforded someone to do the work, at the price I paid for the property, and still made a profit. Despite the lengthy timeline and long days and nights painting, I was able to make \$16,000. Had I failed on this first attempt, I'm sure I wouldn't have continued on to another property.

Brenna's First Project

Our first project was an 1100-square foot 3 bedroom/1 bath ranch home in a somewhat sketchy starter neighborhood. This house needed EVERYTHING. It had been a foreclosure that a wholesaler had bought at auction, and we bought it from the wholesaler. It had NO flooring, except for the tile in the kitchen. The kitchen and bath needed a complete gut, the floor in the utility and laundry room was rotting through from an old water heater that had leaked for who knows how long. There were electric boxes hanging out of the walls by their wires. The deck had been ripped off of the back of the house by the bank, leaving a 12-foot drop out of the sliding exterior door in the den. There was a huge hole in the ground at the

front of the house where we later found out the bank had ripped out a DIY koi pond. The ceiling had 2x4's nailed up where the drywall was sagging. The whole thing SMELLED. We later found out from the neighbors that the previous owners had 3 dogs that they never let outside, so there had been dog waste all over the house. Also, they told us that the bank had sealed off the whole house and fumigated it for FLEAS because of these irresponsible pet owners. We planned to do all of the work ourselves - I was in grad school at the time and it was a night program, so I was free during the days.

We jumped right in and started attacking the worst things first, and learning as we went. We hired a carpenter to do the outside repair work on the soffits and gutters, since my dad does not like being on top of tall ladders. That ended up being a really good thing though, because that carpenter worked with us for over 3 years and was a huge contributor to our success. He also ended up building the new deck on the rear of the house, since he got it done way faster than we ever could have. Everything else, we did ourselves.

It took us over a year, but we finally finished the house and listed it, sold it for more than we had expected to and ended up making a small profit, somewhere around \$7,000. Which, if you compare that to all of the work and sweat equity we put into it, is honestly pretty crappy. BUT: It set us up to be much more successful on future projects. I learned so much on that first one that I am constantly applying to our flips now, and I can easily spot when something is done incorrectly and can usually trace the root cause of a specific issue and what the needed fix is. If we hadn't had done the work ourselves on the first flip, I would be way less knowledgeable today. Plus, while our profit wasn't that great, at least we didn't lose on our first one - in a lot of ways, we got paid to learn.

These are our two stories which are imperfect and not quite what we had planned or what would recommend for you. As you can see, both of our situations kept us in our houses for far too long. That said, you can see here that you can deviate from the original plan and still survive. You will learn on each project. You will make mistakes and learn from them. This is your form of tuition, if you will.

Your First House

Time to figure out what you're ready for. Answer these questions to help locate any gaps in your knowledge.

1. Do you still want to flip houses? If the answer is no, that's cool. The purpose of this book was to help you decide. Congrats if you've decided. If you do want to flip houses, proceed...
2. How much money do you have to work with?
3. Will you have to borrow money?

4. How much will you have to put down?
5. How much money do you feel comfortable spending This is not the same as how much money you have. You may have \$300,000 but only feel comfortable working with \$100,000.
6. Name the neighborhoods near you that have houses in this price range.
7. What neighborhoods/areas/price points/buyer pools do you feel comfortable designing the end product for? Say for example your personal style is super modern and contemporary - that's great, but it might not be a great idea to do your first flip in a neighborhood in which buyers are traditional-home seeking seniors who are downsizing.
8. Do you have the balls to deal with the difficult discussions (i.e. firing someone). If you don't, then this may not be the business for you unless you have a partner who is comfortable being the bad cop.
9. Will you have a partner?
10. Is this worth doing if you have to split the proceeds?
11. What kind of renovations are you looking forward to tackling?
12. Which repairs do you want to shy away from initially?
13. Who do you know already that can help you with certain areas of this project? List these people.
14. How many friends do you have that will work for beer? Enlist these people for landscaping day. Maybe even demo day. Depends on what you're destroying. Keep your idiot friend away from any electric and plumbing. Especially if you've already given them the beer. RULE 1: Don't pay someone before they've completed the job. You've already failed. I mean made a mistake. Learn from it.
15. Who should you NOT invite to help? Not everyone you know is good at what they do or even a good match to work with you. Exhibit A: the ones who always think they know the best way to do everything, and don't do well with taking direction. Exhibit B: some friends will want to help you, but then decide they'd rather watch the Bengals game than paint.
16. What areas of renovation do you feel you have a lot more to learn?
17. Who will help you find a house?
18. What areas of the process do you feel the most stress over and how can you help alleviate that.
19. What local resources can you use to help learn more about the process? i.e. local real estate club (REIA), agents who work predominantly with investors, wholesalers with connections, bankers, etc.
20. Do you think you can handle designing for an end buyer rather than for yourself?
21. What will happen if you lose money? Will that put you in danger of not being able to afford your lifestyle? Will you have to share the burden with someone else? Will that ruin your relationship? Maybe nothing will happen. Maybe you'll just move on.

22. Do you have room for additional stress in your life? This will add stress! Wendy does CrossFit and binge watches Scandal. Brenna helps her sister on horse show weekends, and works out and drinks wine (not at the same time). We also both try to make the conscious decision to do something fun for ourselves every once in a while. Being an entrepreneur can become a 24/7 gig.
23. Are you excited to flip a house?
24. Have you secretly already started checking listings for ugly houses and designing bathrooms in your head?

¹. After photo credit: Queen City Vignette [↩](#)

Resources

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If you've made it this far, you must still want to flip houses! Clearly we've been hammering home that you need to shove massive amounts of info into your brain. We've put together some sources for you to get started. Some of them will be easy. Open up your computer. Others will require you to actually speak with other humans. All are baby steps to not only flipping houses, but also getting comfortable being uncomfortable. Good luck!

House Specific Info

To learn more about a certain house, check out these sites: [Zillow](#), [Trulia](#), your local MLS and your friendly, yet hustlin' Realtor.

County Auditor's Site

A good place to find out square footage, last time the house was sold, who the current owner is, current tax obligations and other public records.

Bigger Pockets

This site offers forums and podcasts as a good source for learning more about different areas of real estate, how to conduct specific transactions or ask a question in the forum on how to proceed with a house. You'll get lots of questions answered there.

REIA

This real estate group is a good local source for all areas of real estate from flipping to subject-to, rentals to wholesaling. There are local REIA groups specific to your area. This makes for great opportunities for networking with people you may soon do business. You'll also learn what others are doing around town and how you can apply it to your business.

Note: some cities have great, active REIA groups, and in other cities, not so much. This may or may not be a good source of information, depending on your area. But, check yours out to see if you have one of the good ones!

TV

Not kidding. We're not necessarily saying you should watch flipping shows for tips on how to actually flip houses. A lot of flipping shows don't show some of the really important sides of flipping, such as when they conveniently leave out the fact that they still have to pay thousands of dollars to a real estate agent with all of that "profit" they claim they earned. However, we do find benefit from soaking in design ideas from any of the shows. Some people may poo-poo the importance of great design when it comes to flipping. Many flippers will just throw in the cheapest cabinet and granite choices they find. To us, the design is what a buyer is expecting. Buyers watch these home shows. Buyers expect these standards. Give it to them.

Sheriff Sales (sometimes called County Auctions)

You've seen them on TV and they do actually exist. Even if you have no intention on buying a house here, go watch a sale unfold. It's exciting and shows you what you'd be up against should you one day want to join in. You'll probably see some wholesalers there, too. To make it even more interesting, choose a house you'll be pretend buying for the day. Do the research, drive by the house and check it out (be careful not to disturb anyone), see how the auction pans out.

- Brenna: In my county, these take place every other Friday. The list of properties that is in line to go to the auction block is published about six weeks ahead of time and updated every couple of weeks. They have the address, a handbill containing the amount to be raised, and sometimes a current "arms-length" appraisal published for each property on the list. You can look at this background information to educate yourself as much as possible on the properties ahead of time, and then combine that with other resources (like county sale and/or tax records) to get an idea of what the house might sell for in a standard MLS situation. Do this for two or three houses, and see how they play out once they actually get to the auction block.
- Example: In Brenna's city: [Jefferson County \(KY\) Upcoming Property Auctions](#) - click on "Upcoming Sales"

Design Books and Home Magazines

For the same reason you might watch a design show, pick up some design books and home magazines to feed your design obsessed needs. Don't just look at the pretty pictures.

Actually read the print! You might not find a particular style pleasing to you but the reasoning behind the design may super helpful. All it takes is one interesting idea to turn a dud house into a perfect flipping specimen. Additionally, you'll get some great staging tips.

- Wendy: I visited a house this year on a street that I've been stalking for years. The kitchen was in the back, separated from the rest of the house by a stairwell. There was no way to make this an open concept without some major rearranging of the stairs. Not only that, the third bedroom was only accessible by walking through the second bedroom. I didn't even bother crunching numbers. Stupid house. Later that night laying in bed...it came to me! Move the kitchen to the dining room, turn the old kitchen into a bedroom, turn the walk through bedroom into a hallway, master bath, walk-in closet, laundry room and spiral stairwell up to a rooftop deck. See!? So easy! But seriously, this is how it happened. Nobody wanted this house. But, now I did. Wahahahahaha. I can't directly correlate this Ah-ha moment to a certain magazine or book. I've read so many! But, file this info away in your brain and it will present itself when the time comes. You never know when you'll pull things out of your bag of tricks. Sometimes when you're lying in bed.

- Brenna: I lie awake at night thinking about how I would “fix” a house. Sometimes I figure it out the first night, sometimes it takes three, sometimes I never figure it out. Having that base knowledge from all of the research comes in handy, but sometimes when you least expect it.

Your local market

Pretend like you’re buying or selling a house. You need to know what you’re up against, in both cases. So, familiarize yourself with the neighborhoods that you would want to either buy or sell a flip in - and try to get a good feeling on what is “expected”, and at what price.

- On the buy side, go to look at properties that are on the market as “fixer-uppers”, or estate sales, or whatever you can find. Go to Open Houses. Try not to drag a Realtor with you too much until you are ready to actually buy. Make a list in your head or on paper of what you would do to the house and put rough numbers together. You’ll hopefully have some notes to draw from when you did your research in the Budgeting chapter. Chances are, you’ll start adding things up and realize just how quickly the budget becomes bigger than you expected. Then you’ll understand why it can be difficult to find a property that is projected to be profitable.
- On the selling side, you’re going to want to know how much a property in a certain neighborhood will realistically sell for once it’s updated - and, more importantly, what the “standards” for the neighborhood are. For example, in one neighborhood a true master en-suite with a double vanity might be the norm, and if you don’t have one you’re going to have difficulty selling. But, in a different neighborhood, it might be the norm for houses to be 3 bedrooms and 1 shared bathroom in the hallway - so if you can figure out a way to add even a half bath, you’re automatically a step above the other houses in the neighborhood, therefore making your property have great appeal to buyers.

Wholesaler Group Functions

Some wholesalers have seminars and networking get-togethers. They can be good learning opportunities as they deal with a lot of flippers, sometimes on both the buying and selling side. Their networking events will often include not only other real estate investors, but also investor-friendly vendors. Have a beer, pick the brain of another investor and gain your new granite installer all in one fell swoop.

Coffee Shop Meet-Up

If you've noticed someone at any of the above events (an auction, an REIA meeting, etc.) who seems to know their stuff, introduce yourself! Say that you're interested in getting started, and ask if you could buy them coffee and ask them a few questions (see our views on this in the Q & A section). Let them pick the time and place for this! Make it as convenient for them as possible. If they live across town from you, then go to their side of town, not the other way around. They are the ones helping you, you need to make the extra logistical effort here in order to make it easier for them.

Have some specific questions and a goal for your discussion, not to just sit down and ask this person "so tell me about flipping houses". That's way too vague and indicates that you haven't done any research and don't really know anything. That may or may not be true, but that's the impression that you just gave, and neither of us would be inclined to take time out of our day to talk to a person that comes across like they have just watched a lot of home shows and thinks flipping houses is really cool. We always have a list a mile long of things we need to do, and if that's as specific as you're going to get, you're wasting our time. So, have specific questions. Be respectful of the person's time. Take notes.

If you have done your research on this person and can find information online (their website or Facebook page) about some of their previous projects, ask them specific questions about those projects. Questions such as: why they decided to rearrange the kitchen, what was involved to add that second full bathroom, what did it take to resolve certain issues or how did they decide on that approach? It's like a job interview. You want to show that you're prepared. If you make a good impression on this person, they may offer to walk you through their current projects. Take them up on this! This is how you will learn the most, by seeing it in person! Again, be respectful of their time and show them that you appreciate their effort. A thank-you gift of a small Starbucks gift card goes a long way.

If they seem like an incredibly busy person, try just emailing a specific question. An answer to one question is more likely than an accepted invitation to coffee. There's nothing more annoying to a busy person than someone who just wants to make them more busy. That's like saying, "Hey. I know nothing. Can we sit down for a while and you tell me everything you know? I'll decide afterwards if I want to do this or not." Yay. Can you see how this book was born?

Take Classes

This may seem ridiculous but try taking some classes. Search for vocational or informative classes near you. Some Realtor offices have classes on faulty foundations or marketing. Find a vocational school near you and learn about plumbing. If you're wanting to buy a house to live in and renovate it as you go, the big box retail stores offer TONS of classes on

things like installing a tile backsplash, installing dimmer or 3-way light switches, selecting the best plants for landscaping in your climate, and so many more. These classes are FREE and can greatly improve the quality of your work!

- Wendy: There's pretty much no class I wouldn't take. I love classes! So many opportunities to ask questions! So much room for activities! I've taken HVAC, electrical and solar energy classes at a local vocational school. These are classes that people learning the trade take. My goal wasn't to actually be able to install a furnace, just to have a little bit of knowledge on the subject. It helps while researching a property, knowing how to tackle a problem and knowing if you're being taken advantage of by the people you hire. I've gone to an informative workshop on becoming a Realtor. No offense, but not for me! Now I know. I've gone to an interior design and a real estate class at the University of Cincinnati. I did not attend to receive a piece of paper saying I attended or to receive a grade. I went to learn things. Mission accomplished.
- Brenna: My day job is as a project manager at a digital marketing agency. As the PM, I manage the budgets, timelines, and resource assignments of the projects for the clients I work with. Over the past year, I took some prep classes through the University of Louisville, with the end goal of studying for and passing my PMP (Project Management Professional) exam and becoming certified. Although this certification is for my day job, it's not industry-specific: meaning that you are taught and tested on the theory and process of project management and are then able to apply it to any project or industry, like (gasp!) flipping a house! The more I sat in class or read the book, the more and more I could see how it applied to house flipping. So, even though I'm not doing this for our flipping business specifically, the information is proving invaluable.

Find A Mentor

This is perhaps the most helpful option, but maybe not the most realistic. Flippers are busy people. They are running around town getting things done. The last thing they may be able to take on is the responsibility of another person and their education. A way to get by this is to offer to be their intern. Now there is something in it for the flipper as well. You may be stuck running to the flooring store to grab a few pieces of tile for a job, running to one of the houses to change out a lockbox or spending hours pricing out door knobs. But, guess what? That's learning! Take what you can get.

Your time is your tuition.

If you don't have time to do these sorts of things, you don't have time for flipping houses. We're not going to sugarcoat that. End of story.

Go To It

By now you should have a good idea whether or not flipping houses is something you'd like to pursue. The real question is how much time, energy and (sometimes) money are you willing to devote to gaining the knowledge you need to acquire your first house?

If you have even more questions than before, that's understandable. This is a business with never-ending questions. One final resource you can use is us! We are available for one-on-one consultation, design services, and group meet-ups. Find out more by contacting us through our respective channels.

Brenna Brooks

See Brenna's current homes for sale and stay up to date with her by visiting her on Facebook and Instagram. Connect with her for remodeling design consulting and assistance, as well as house flipping mentorship.

Email: brenlowproperties@gmail.com

Website (Coming Soon!): www.brenlowproperties.com

Instagram: [@brenlowproperties](https://www.instagram.com/brenlowproperties)

Facebook: [Brenlow Properties](https://www.facebook.com/BrenlowProperties)

Wendy Doris

See past projects and currently available homes on Wendy's website. Stay up to date with her current shenanigans on Instagram and Facebook. Book a stay at her Phoenix vacation home on Airbnb. Connect with her about renovation design and consultation, as well as house flipping mentorship.

Email: wendy@dwellingstudio.com

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Facebook: [Dwelling Studio](https://www.facebook.com/DwellingStudio)

Airbnb: <https://www.airbnb.com/users/show/522896>

¹. After Photo Credit: RealTour Cast Photography ↩

