

## Building Your Team: Who the Seasoned Investor Knows

Succeeding as a real estate investor may appear simple enough: buy a property, rehab it and make a satisfying profit. What could be easier? The answer lies in what separates the “newbie” from the “seasoned” real estate investor—the team they have built to support their business. It is vital that you assemble your team before you make your first purchase. This team will include an accountant, attorney, lender(s), real estate agent, contractors and an insurance agent.

As an investor, you need to be able to count on honest and accurate information to support every aspect of your business plan. Attending a real estate investor group is a great way to start your networking with the industry professionals.

### **Business Structure**

It is pertinent to understand how best to protect your assets and interests by talking with an accountant and attorney. An accountant will help you decide which entity, if any, is best suited for you to create for your business plan. Numerous business structures such as Partnerships, Trusts, C-Corps, LLCs, or S-Corps each provide tax and legal advantages and disadvantages. The key is to not overcomplicate your life with numerous unnecessary entities. A real estate attorney will be able to advise you of the legal protection and pitfalls that each of these business structures would provide based on your investing plan. Having counsel available for any legal issues that may arise during the course of your rehab is advised.

### **Other People’s Money: The Lenders**

A lesson that is echoed by experienced rehabbers is the use of “other people’s money”. Explore borrowing relationships with several different lending sources and prequalify to determine your creditworthiness. Pick a lender that best suits your individual and project needs. Does your lender provide money for the improvements? If so, to whom and how are they dispersed? What is the LTV for after-repaired value? Will this require you to bring money to closing? How does the lender arrive at after-repaired value?

The more prepared you are with your financial documents while researching lenders, the smoother your investigation will be. Tax returns, bank statements, profit and loss statements, pay stubs that are readily available make the lending process go smoothly and easier to obtain a pre-approval for a specific loan amount.

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## The Project

After selecting a business structure and securing financing, you can begin to identify potential properties. A key professional to assist you with these items is an experienced real estate agent or broker. No matter what fiduciary arrangement that you make with your agent, you will find that their experience in negotiations, writing contracts and research will prove to be invaluable. Your agent can not only help you locate and assign potential value to your rehab, but also pull sales comparables for you to gauge what your property could be worth when it is complete.

Accurate sales comparables are critical to understanding your potential profit. An accurate sales comparable compares recent sales of properties similar in terms of bedrooms, bathrooms, square footage and condition. You and your agent will also be discussing how long it may take to sell or rent your investment property based on trends within the immediate area of your rehab. Doing your homework is necessary; you must scrutinize your data to ensure success.

## Who Completes the Work?

Even if you are completing the work yourself, it is always a good idea to have trusted contractors ready to step in and assist you with your project and any permit or code requirements that may arise. Be sure to be present for every bid proposal walk through. A contractor that understands your involvement with the project and your vision for the rehab will be able to give you a more accurate quote. Being present will also give you the opportunity to ask many questions about procedures and timetables for specific jobs. It is always a good idea to interview several contractors for each job. This will give you strength in negotiating a price for work as well as understanding the different methods available for the completion of your rehab. When the project has started your presence on the job site and your control of the repair funds will ensure that the contractors understand the nature of your professional relationship.

## Protect Your Project

Finally, possibly the most important group of key professionals for you to interview is insurance agents. It is important to review and understand your specific coverage for your property. There are several types of insurance offered to rehabbers. Unfortunately if you have the wrong coverage, often times it is not realized until it is too late. An insurance agent who understands your rehab plan and is able to provide protection for the liabilities that invariably accompany a rehab project will be one of your more valuable team members.

Building your team with professionals you trust will ensure success and a clear exit strategy to mitigate risk.

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