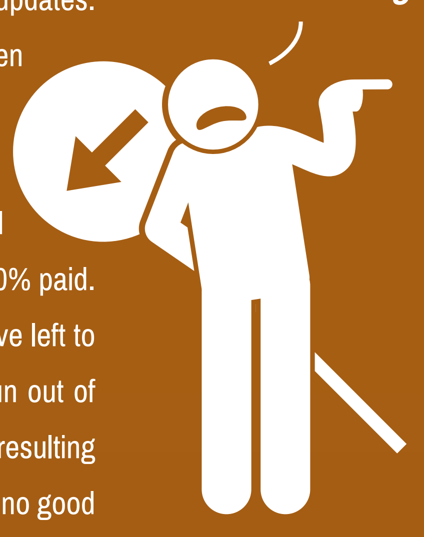
7 Mistakes to Avoid

If You Want to Be Successful Flipping Houses

In the last five years, we fixed and flipped hundreds of homes with projects in two states. While we have had many more successes than failures, it was the failures that taught us the most valuable lessons of what **NOT TO DO**. We're here to help you avoid the mistakes we've made as well as some of the mistakes we've seen our competitors and colleagues make. As Will Rogers said, "Good judgment comes from experience and a lot of that comes from bad judgment". We hope this information will help guide you on your journey to creating a successful and growing home flipping business that will provide you with the income level and schedule flexibility you want.

1

Not Making Frequent Visits to Your Property



Many of the horror stories we've heard are from flippers who don't make frequent visits to their project and rely on the General Contractor (GC) for progress updates. Once they do get to their project, they often discover the work that has been done is much less than what was represented and now you are seriously behind schedule. To make matters worse, that absentee flipper was probably making "progress payments" based on the work they were told was done and now your project is only 40% of the way done but you're 80% paid. That's a recipe for disaster! The General Contractor now has little incentive left to make your property their number one priority. The GC will most likely run out of money at the end of your project to pay the subcontractors or employees resulting in work stalling. Now you're between a rock and a hard place and there is no good outcome.

2

Not Having a Detailed Scope of Work for Your Remodel Project

Many new flippers we know will walk a property with a General Contractor and everyone is excited with brainstorming adrenaline and excitement. After the remodel bid is received (a general one page spreadsheet usually!) and the project starts, the ensuing conversation goes like this:

YOU: "When will you be opening that wall in the kitchen and adding the breakfast bar?"

GENERAL CONTRACTOR: "You didn't tell me to do that"

YOU: "Yes I did. We discussed it in the walkthrough."

GENERAL CONTRACTOR: "No we didn't. If we did, I would have spelled it out in my bid under kitchen remodel. If you want me to do it, that will be an extra Change Order for $2,100."

You are now in a no-win position since your choices are:

1. Risk the relationship with your General Contractor by questioning their integrity or negotiating the price down
2. Agreeing to the extra charge and setting yourself up for this to happen again the next time this occurs

Neither is a good option and this is how a project ends up being 50% over budget at the end.

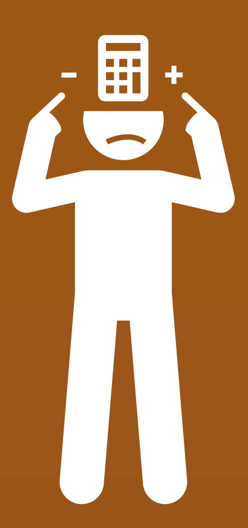
3

Making a Hefty Down Payment to Start the Job

You'll often hear from a General Contractor at the beginning of a job that "they need 25% down to get started." No, they don't! This is where you hear about a new flipper who pays 25% down and then never sees the General Contractor again. This "down payment" is often needed to get started because the General Contractor got behind on the last job. Now his subcontractors won't start a new job until they get paid on the old one and the General Contractor will do that with your "down payment for materials". Then the cycle starts all over again. Don't make this mistake. A small down payment is sometimes needed for good faith and materials but if the General Contractor you've chosen can't afford to buy the initial materials for a project, watch out!

4

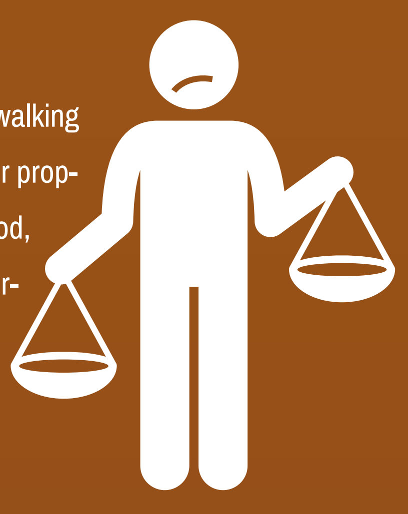
Not Calculating Your Own ARV Estimate



NEVER rely on the person who is gaining from the sale of the property for an estimate of the After-Repair Value (ARV). This is particularly true when working with wholesalers or a real estate agent who tells you the property will easily sell for X dollars after it's fixed up and it's a screaming buy at this price. A wholesaler will pressure you and might claim to have other investors ready to step in if you can't give them an answer in 15 minutes. Then after you realize the property will sell for $40,000 less than their ARV estimate. The excuse you hear from the wholesaler is "Well, I was assuming you were going to __________ and fill in the blank with finish the basement, add a master bathroom, put hardwood in the house, etc. There is so much good technology available today and competent real estate agents out there to help you with determining an ARV. The agent does this in the hope of getting the listing once you fix it up. Don't skimp on this part and do your own homework!

5

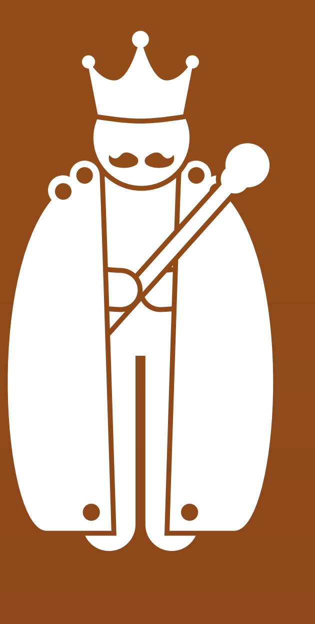
Over improving Your Property



When you are a new flipper, it's exciting to brainstorm design ideas walking through a new property and convince yourself how cool it will be. But, if your property is in a $250,000 neighborhood, there is no amount of granite, hardwood, soffits, Berber carpet or stainless steel that will turn it into a $325,000 property. Buyers have good real estate agents too and they will not advise their client to overpay for a home in a neighborhood where the previous comparable sales don't support the price.

6

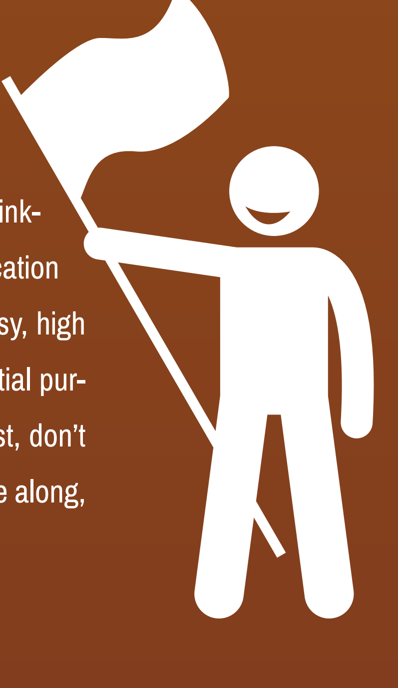
Being a Fashionista



When you are fixing and flipping properties, unless you are in an eclectic and generally higher priced area, you are trying to appeal to as many buyers as possible to sell your property quickly and move on to the next one. This means using color, tile, carpet and design packages that appeal to a lot of people. Buyers can visualize painting a master bedroom or a bathroom their favorite color, but they cannot visualize changing out art deco vintage light fixtures or mauve tile. While your design ideas may be fashionably cool, if it appeals to a narrower buyer pool, your property will take longer to sell and be less successful.

7

Thinking Location Doesn't Matter



Far and away the number one mistake we've made and we hear about is thinking a property is so great it will overcome a bad location. For us, a bad location is a property located next to power lines, a highway with road noise, a busy, high traffic street or being located next to a questionable neighbor. If the potential purchase price is attractive for an area and any of the bad location items exist, don't be afraid to walk away. Or better yet, run! Good properties will always come along, so be patient and don't talk yourself into a bad purchase.

We hope this information helps you start your journey towards financial freedom. We cover all of these topics in detail and more in the Fixters Academy and on Fixters.com. To learn more, check us out at Fixters.com.

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