Foreclosure ID™

Winning Strategies for Today's Real Estate Investor

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Disclosure for Foreclosure and Equity Sharing Techniques

The following Foreclosure Training course is intended to provide broad-based experiential real estate foreclosure and pre-foreclosure training techniques that are applicable in the majority of geographic regions where we conduct our classes. This information is in no way intended to provide legal advice or detailed guidance on how to properly conduct foreclosure and/or pre-foreclosure activity in your state. As with any regulated activity, we strongly recommend that you consult with an attorney.

There is currently a growing group of states [*] which have enacted legislation that could impact how you participate in foreclosure and/or pre-foreclosure activities in those states. Generally speaking, such legislation may regulate both consulting activities and activities where you in fact purchase the property and/or re-convey it back to the owner. The laws tend to impose detailed contractual requirements and disclaimers along with a right of cancellation for a mandated time period. It is not uncommon for these laws to curtail certain conduct and limit the compensation/profit you may receive in connection with foreclosure and/or pre-foreclosure activities. Finally, many of these laws could be interpreted to prohibit you from taking an interest in a property under certain circumstances, and as such, could hinder techniques we teach to protect the investor. Violations of these laws typically result in both civil and criminal penalties, including multiple damages, fines and terms of imprisonment.

**As of July 19, 2007, we are aware of 12 states which have enacted legislation: CA, CO, GA, IL, IN, MA, MD, NV, NY, MO, MN and RI.*

Links to State Legislation Websites for Information on Foreclosure Laws

The links provided below are being provided for educational purposes only and are intended to serve as a resource to assist in finding legislation which might be relevant to conducting foreclosures in states that have passed such laws or are considering enacting such legislation as of November 16, 2007.

This information is not intended to provide a complete resource of states with current or proposed foreclosure laws as such information can change on a daily basis. Nor is this information intended to provide you with any legal advice or detailed guidance on how to properly conduct foreclosure and/or pre-foreclosure activity in your state. As with any regulated activity, we strongly recommend that you consult with an attorney.

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California

California Civil Code § 1695.0-.17 and California Civil Code § 2495.0-.11:

http://www.leginfo.ca.gov/cgi-bin/calawquery?codesection=civ&codebody=1695

Colorado

Senate Bill 06-071 was signed by the governor on May 30, 2006 and went into effect immediately. The enacted Law can be found at the following website:

http://www2.michie.com/colorado/lpext.dll/Infobase4/1/955c/957e/9580/9b1a?f=templates&fn=fs-maindoc.htm&q=foreclosure%20protection%20act&x=Advanced&2.0#LPHit1

District of Columbia

The District of Columbia introduced a bill to regulate foreclosures on February 16, 2007. The bill is currently pending but has been passed by the DC Council. For the bill to be final it must be signed by the Mayor and then be approved by the United States Congress. To see the engrossed version of this bill, visit the following link:

http://www.dccouncil.washington.dc.us/images/00001/20071016163558.pdf

Georgia

Georgia. Code Ann. § 10-1-393 (b)(20)(A)-(D). The law can be found at the website listed below. Once there enter 10-1-393 in the search field. Click "Unfair or deceptive practices in consumer transactions unlawful; example" and go to the appropriate section.

http://www.lexis-nexis.com/hottopics/gacode/default.asp

Senate Bill 2349 was passed by the Illinois Legislature and became effective January 1, 2007. The enacted statute can be found at the following website:

http://www.ilga.gov/legislation/ilcs/ilcs3.asp?ActID=2795&ChapAct=765%26nbsp%3BILCS%26nbsp%3B940%2F&ChapterID=62&ChapterName=PROPERTY&ActName=Mortgage+Rescue+Fraud+Act%2E

Indiana

Senate Bill 390 was introduced in January 2007. The bill became effective on July 1, 2007. Visit the website listed below. Once there, click "Latest Printing PDF." This will take you to the final printing of the enacted bill. The law had not been updated into the web version of the Indiana Code at the time of this printing.

http://www.in.gov/apps/lsa/session/billwatch/billinfo?year=2007&session=1&request=getBill&docno=390

Maryland

Maryland Real Property Code Ann. § 7-301-321. To view the Statute, select "Real Property" in the Article field and enter 7-301 in the Section field at the website listed below:

http://mlis.state.md.us/cgi-win/web_statutes.exe

Massachusetts

The Massachusetts Attorney General permanently enacted emergency regulations that will prohibit certain foreclosure transactions and create limitations on certain foreclosure related services.

http://www.mass.gov/?pageID=cagoterminal&L=3&L0=Home&L1=Government&L2=AG's+Regulations&sid=Cago&b=terminalcontent&f=government_940CMR25&csid=Cago

Minnesota

Minnesota Statutes Ann. § 325N.01-.18:

http://www.revisor.leg.state.mn.us/data/revisor/statutes/2005/325N/

The Minnesota Foreclosure laws were amended on May 21, 2007. The amended laws went into effect on August 1, 2007. The amendments had not been updated into the web version of the Minnesota Statutes at the time of this printing. Please go to the following website to see the amendments:

http://www.revisor.leg.state.mn.us/bin/bldbill.php?bill=S1533.3.html&session=ls85

Missouri

Missouri. Ann. Statutes §407.935-.943. To view the statute, enter the section number separated by a dash into the Search field (e.g., 407-935). You are required to view each section separately.

http://www.moga.mo.gov/statutesearch/

Nebraska

Legislative Bill 123 was introduced in January of 2007.

http://uniweb.legislature.ne.gov/Apps/BillFinder/finder.php?page=view_doc&DocumentID=228

Nevada

Assembly Bill 440 was passed and went into effect October 1, 2007. The law had not been updated into the web version of the Nevada Revised Statutes at the time of this printing. Visit the link below to read the legislation.

http://www.leg.state.nv.us/74th/Bills/AB/AB440_EN.pdf

New Hampshire

New Hampshire House Bill 365 passed and went into effect on July 16, 2007. Visit the link below to read the new legislation.

http://www.gencourt.state.nh.us/rsa/html/xlviii/479-b/479-b-mrg.htm

New Jersey

New Jersey introduced Assembly Bill 4214 and Senate Bill 2876 to regulate foreclosures on May 24, 2007. The bills are identical and are currently pending. To see the bills click the following link and type in "Foreclosure Rescue Fraud Prevention Act" in the Search by Keyword Field.

http://www.njleg.state.nj.us/bills/BillsByKeyword.asp

New York

On July 26, 2006, New York enacted Senate Bill 04744-A, which took effect February 1, 2007. The enacted law can be found by going to the website listed below. Once there, click "Laws of New York," then click Real Property (RPP), then Article 8, and scroll down to 265-A.

http://public.leginfo.state.ny.us/menuf.cgi

Rhode Island

In July 2006, Rhode Island enacted House Bill 7650A and Senate Bill 2777A. The bills took immediate effect. Laws on Foreclosure Consultants are under Chapter 5-79-1 through 5-79-9. Laws on Foreclosure Purchasers are under Chapter 5-80-1 through 5-80-9. Both can be found at the following website:

http://www.rilin.state.ri.us/Statutes/TITLE5/INDEX.HTM

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Small opportunities are often the beginning of great enterprises.

— Demosthenes

Introduction: An Investment in Your Future

What separates some real estate investors from the crowd? Besides their natural entrepreneurial characteristics, like determination and dedication, and their drive to succeed in reaching their financial goals, there is the critical factor that gives them an edge over the competition: They have invested time and energy into gaining specialized knowledge about real estate opportunities.

Through education and hands-on training, they have expanded their ability to spot, react to, and profit from the opportunities real estate provides. They have learned how and when to react to circumstances that arise when making deals and how to make money investing in real estate regardless of the housing market, the area where they live, or their personal financial circumstances. In short, they have learned to overcome obstacles and create opportunities.

The good news is you can easily do the same. Gaining specialized knowledge about locating, purchasing, and profiting from foreclosure properties is a great place to start if you're a beginning investor and an extremely profitable place to turn if you're an intermediate to advanced investor. That's because regardless of where you currently are in your investing path, investing in foreclosures can be one of the most important steps you will ever take toward substantially increasing your net worth, building and preserving wealth, and gaining financial independence. And it creates rewarding opportunities to help others at the same time. Which brings us to yet another thing that separates some investors from the crowd: their genuine desire to create win-win situations.

What exactly is a win-win situation? Just like it sounds, it's making a deal where the parties on both sides of the negotiating table win. For example, if an investor is able to make a profit from the purchase and sale of a home in foreclosure while stopping foreclosure proceedings and preventing a foreclosure from appearing on a homeowner's credit report, that's a win-win. In fact, the chance to create win-win situations when working with foreclosures is one of the things that makes pursuing them so rewarding.

We will discuss these types of win-win situations in greater detail later, but for now let's take a look at the investor's side of the equation. Why is getting involved in real estate such a potentially profitable choice for investors?

Real estate is the ideal investment opportunity. It's one of the fastest and best ways to start a business with limited capital and limited risk.

The answer is simple. Real estate is the ideal investment opportunity. It's one of the fastest and best ways to make money with limited capital and limited risk, and it can help you become independently wealthy. The success stories bear witness to this fact all over the country. You've

Win-Win Situation: Making a deal where the parties on both sides of the negotiating table win.

probably heard some of these stories first-hand and are realizing that now, more than ever, people just like you are making substantial amounts of money buying and selling real estate and enjoying the fruits of their labor: financial freedom. So why can't you?

The fact is, you can! And our goal is to show you how.

Chapter 1
Investing in Real Estate

You have to recognize when the right place and the right time fuse and take advantage of that opportunity. There are plenty of opportunities out there. You can't sit back and wait.

— Ellen Metcalf

Chapter 1
Investing in Real Estate

Before we go into the details of locating and evaluating foreclosure properties, negotiating deals, and making the most out of some of real estate's best opportunities once we've secured properties, let's take a brief look at the real estate investment market in general to see why it provides so many avenues for building wealth. Additionally, we will discuss some of the fundamental information that will assist you in making informed decisions about foreclosure property investments.

For the beginning investor, this will help give you a better understanding of the benefits of real estate investing and why it's the right opportunity for you. For the intermediate to advanced investor, it never hurts to remind yourself of why you have made the right choice to invest in real estate. Then we will move on to the specifics of investing in foreclosures, one of the greatest opportunities today's real estate market provides to serious real estate investors.

THE PRIMARY ADVANTAGES

The benefits of investing in real estate are many, but the following are some of the primary advantages.

Anyone, Anywhere Can Do This

No matter where you are in the United States, you have the potential to make money investing in real estate. No matter what your location, there is a community nearby where investors are turning properties into profits and you can do the same.

This also means that the knowledge you apply where you currently live can be repeated in other locations of interest to you… perhaps where you want to retire, neighborhoods around the country where you know you'll achieve greater profits, areas you like to vacation in, or other states you may have to move to in the future for job purposes or other reasons. In other words, the knowledge you gain about real estate and the strategies you learn to employ can benefit you regardless of where you live now or where you live later. And you can apply your moneymaking strategies to purchases for your investment portfolio or your personal needs, such as getting the best deal on your own home, vacation home, or retirement home.

Access to Multiple Profit Channels

When you become educated about your market, the real estate values in your area, and how to evaluate properties and compare them to others in the neighborhood, you will be able to react quickly when the right deal comes along, instantly knowing the right strategy to employ to maximize profits.

Exit Strategy:
How you exit the deal to make your money.

You will prepare yourself to be able to respond quickly by understanding the avenues of profit available to you and learning about the many exit strategies you can use to make your money. What is an exit strategy? It's the real estate technique you will apply once you have a property to generate your profits. In other words, it is how you will exit the deal to make your money.

In fact, one thing that makes real estate such an attractive investment vehicle is all the things you can do with the property after you've made your investment. You can improve it, live in it, rent it, sell it, or even assign the deal to another investor and take a profit without spending any of your own money.

The more exit strategies you are able to master and employ, the more open you can be to opportunities and the more deals you will be able to close. So as you expand your real estate investing activities and hear about additional exit strategies available to you, we suggest you learn all you can about the specifics of each to make the most out of every opportunity. We will highlight some of these exit strategies in this book.

Income Generation

Another attractive aspect of real estate investing is it gives you the opportunity to hold properties and generate positive monthly income (i.e., cash flow) by using them as rental investments. As part of their efforts to create wealth, real estate investors employ this strategy not only to generate a steady residual income, but also to provide themselves with additional funds they can use to invest in more properties.

Besides providing income and investment cash, another reason this strategy can be so appealing is that in the vast majority of cases, the amount an investor can charge for renting a residence exceeds what's referred to in the industry as PITI: principal and interest (mortgage payment), taxes, and insurance. In other words, the rental payment he receives exceeds the money he has to spend to keep the property, so this income provides a funding source with limited risk. Meanwhile, the property is also appreciating in value, our next primary advantage of real estate investing.

Appreciation and High Returns

With real estate investing, some of your profits will come from natural occurrences in the market, such as appreciation. Real estate appreciation occurs when home values rise naturally because of things like neighborhood growth, businesses and professionals being drawn to the area, and the desirability and popularity of the location.

In any location you plan to invest in, you will want to know the average annual appreciation rate for the types of properties you're considering. You can find this information by searching for statistics online, reading about local statistics in your newspaper's real estate section, or by asking several real estate agents what the average appreciation rate is in your area. This information will help you calculate your total profits based on your plans for the property.

Some of your profits will come from natural occurences in the market, such as appreciation.

And remember, this appreciation rate generally takes place as part of natural market growth, essentially, without you doing anything. It's why some people are making money with real estate who never even intended to be investors. Consider homeowners who purchased their homes 20 years ago and now find themselves with $150,000 in equity in their homes, something they never thought about at the time they made their purchase. Now imagine if they had simply purchased just one more home and had rented it out all those years. That would be an amazing source of capital to tap for their retirement. And that's not even counting the potential income holding an extra property could have generated for them over the years. The substantial profit on the home we're talking about is just what came from appreciation.

The best part of the equation is that the appreciation on a property applies to the value of the property plus the increased value of the property, not just the initial investment. This very profitable aspect of real estate investing is called compounding appreciation.

To illustrate, let's say you purchased a $90,000 condo. During the first year of ownership, it appreciated 4%, or $3,600. Now your condo is worth $93,600. During the second year of ownership, if the natural appreciation rate continues the same course, your home will appreciate 4% on that figure (its current value of $93,600), not your original purchase price of $90,000. And each year thereafter, this compounding trend continues with the appreciation rate being applied to the increased value of the property, not the previous year's value. Over the years, the effect can be dramatic.

The formula below can be used to help you calculate the increased market value of a property over a period of five years based on the appreciation rate.

Property Appreciation

% (Appreciation rate)	**x**	**$________**	**(Market value)**	**=**	**________**	**yr 1**
% (Appreciation rate)	**x**	**$________**	**(year 1 value)**	**=**	**________**	**yr 2**
% (Appreciation rate)	**x**	**$________**	**(year 2 value)**	**=**	**________**	**yr 3**
% (Appreciation rate)	**x**	**$________**	**(year 3 value)**	**=**	**________**	**yr 4**
% (Appreciation rate)	**x**	**$________**	**(year 4 value)**	**=**	**________**	**yr 5**

Using our $90,000 condo as an example, the following illustrates how you would plug in the numbers. The formula for the first entry is entered into your calculator as follows: .04 x 90000. = 93600. These are the numbers you should get:

4%	**x**	**$90,000**	**(Market value)**	**=**	**$93,600**	**yr 1**
4%	**x**	**$93,600**	**(year 1 value)**	**=**	**$97,344**	**yr 2**
4%	**x**	**$97,344**	**(year 2 value)**	**=**	**$101,237.76**	**yr 3**
4%	**x**	**$101,237.76**	**(year 3 value)**	**=**	**$105,287.27**	**yr 4**
4%	**x**	**$105,287.27**	**(year 4 value)**	**=**	**$109,498.76**	**yr 5**

So, the value of the $90,000 condo at the end of the five years is almost $109,500.

Also recognize that since natural appreciation is just the average market appreciation that takes place regardless of what you do, it doesn't take into account forced appreciation, which is appreciation you forcibly build into the property by fixing it up, making cosmetic improvements, or even changing the way the property is used to make it more valuable and profit-generating (for example, splitting a large single-family residence into a rooming house or duplex). We call forcing appreciation through renovations or cosmetic improvements rehabbing properties, which you will learn more about later.

This forced appreciation is also sometimes called forced equity buildup or sweat equity since the instant increase in value it brings to the property is often created by manual labor. Using forced appreciation, you can increase your profits dramatically. Often, you can start enjoying a return on this type of investment immediately, even if you plan to hold the property long-term.

Forced Appreciation: Appreciation you forcibly build into the property through cosmetic improvements, repairs, or changing its use.

For example, if a duplex in decent shape is purchased for $80,000, and it creates $650 per month in expenses and mortgage costs and rents for $500 per unit, you net a positive cash flow of $350 per month ($1,000 total per month received in rents on both units, less $650 per month in costs to hold and maintain the property).

Now let's say you evaluate the property and the things that need to be done to put the duplex into excellent shape instead of just decent shape. You also evaluate what similar properties that are in more up-to-date shape are selling for and renting for in the neighborhood.

You find that a small investment of $2,000 in cosmetic improvements to the property will raise the property value to $115,000. If you make those improvements and sell the property immediately, you would profit $35,000 less the $2,000 it took to make the improvements. That's an instant profit of $33,000!

Moreover, let's say your analysis shows that those same cosmetic improvements will make the property more desirable for renters and will allow you to charge a comparable market rent rate of $650 per month per unit for a total of $1,300 in rental income. Each month, the forced appreciation you built into the duplex with just $2,000 will have increased your positive cash flow by $300. It will only take you three months of rental payments (which are now $650) to pay yourself back the money you invested in the improvements.

So let's run the numbers and see just how good a deal this is. With just $2,000 invested in forced appreciation, you will now have positive cash flow of $650 per month instead of $350. You will also have the peace of mind that if one unit in the duplex is empty for a short period of time between renters, you will still be breaking even ($650 in rent for one unit, less $650 in costs = $0). And better yet, you will now have a duplex that is worth $115,000. This means that in your first year of ownership, the annual appreciation rate is added to the value of a $115,000 duplex, not an $80,000 one. Imagine the profit potential over time!

Built-in Profits

The educated investor knows how to buy properties for well under their fair market value (FMV), which is the price an informed buyer would likely pay for the property. This allows the investor to instantly take advantage of the built-in profit in the property, or equity, which is the FMV of the property, less any debt against that property, such as a mortgage, second mortgage, or other type of lien.

Equity has been built into the property because as the value of the property increased over time (through inflation, appreciation, and compounding appreciation) and the mortgage debt decreased (mortgage payments were made), equity was building.

Now the investor has the choice of immediately selling the property and taking the profits of the built-in equity (because he purchased it under FMV) or he can choose to hold the property and rent it. If he chooses the latter, as the property continues to increase in value and the mortgage debt continues to decrease, someone else will be paying for the investor's equity growth in that property by covering all his costs of holding it.

Fair Market Value (FMV): The price an informed buyer would be willing to pay and a seller would be willing to accept.

Moreover, the equity in that property is available for the investor to tap in order to finance additional investments.
This is why we stress that the smart way to invest in real estate includes doing the following:

- Pay not only as little as possible for the property (the purchase price), but also as little as possible to secure it (the down payment). You've probably been told that the more money you put down on a property, the lower your payments will be. But remember, the more you put down, the less your return on investment when you sell. In addition, the more you put down on investment properties, the sooner you'll run out of your investment capital.

- Evaluate the deal thoroughly and accurately ahead of time. Know that if you sold the property immediately, you have enough built-in profit to make it worth your while. Or if you plan to hold the prop-erty, be certain you can rent the property for more than it will cost you to hold it.

- Do whatever you can to boost and accelerate the appreciation process, such as making cosmetic improvements and minor repairs or replacements.

As you can see, real estate by its very nature can automatically build profit into your investment, but each of these strategies above will work toward increasing your profit margins at the time of sale.

The more you know about finding appreciable properties, purchasing them below FMV, and increasing their value through small efforts, the more profit you can make. Apply this same knowledge to purchasing multiple properties and the potential profits grow dramatically.

Ability to Profit Regardless of Market Fluctuations

Even in depressed markets, there are still great opportunities for investing in real estate. And educated real estate investors have prepared themselves to react regardless of changes in the housing market and the circumstances that surround them. For example, they find that in depressed markets, foreclosure opportunities tend to increase substantially, so they focus on foreclosures in that area. They also know that in most housing markets there are opportunities to profit by holding onto properties and generating cash flow. And they know in some lower income neighborhoods, they can find rundown properties and either rehab them for profit or sell them wholesale (also called quick-turning) to another investor. You will learn more about rehabbing and wholesaling properties later.

In short, they have learned that fluctuating market cycles don't have to concern them because regardless of what the market is doing, they are well armed with the right knowledge and negotiating skills to react appropriately. They can make money regardless of what the market is doing because they know the right strategies to employ at the right time… strategies you will learn about in this book.

Using Leverage

Real estate investing is an opportunity open to anyone, regardless of the market and regardless of current financial situation. In fact, you can even start investing in real estate with minimal or even no capital. How? By taking advantage of leverage. Leverage is the ability to use other people's money (OPM) to secure properties and make money.

Leverage provides a way for you to control large assets (in this case, properties) with little or sometimes even no money out of your own pocket. Even if you only have small sums to invest, you can increase your average annual return dramatically because leverage makes your money work harder for you. It makes it possible to control a lot of money with a little money and let things like appreciation, equity growth, and cash flow work in your favor. And it frees you up to secure properties you might otherwise have been unable to secure.

Even if you have to rely completely on leverage, the profit potential can amazing. For example, you could work with a money partner who would front the money to secure the property and then split the profits with you when the property sells. And that's just one of the creative financing approaches you can take. We'll discuss additional financing strategies in a later chapter.

Profit from Repeatability

Once you learn the basics of real estate investing, learning advanced skills, exit strategies, and real estate techniques is even easier than you might realize. You can use the knowledge you build about real estate investing to repeat the process over and over again, on multiple types of properties and in multiple kinds of scenarios, increasing your profits considerably without working harder to do so.

Potential Investments Abound

Finding investment properties and opportunities is easy. With real estate investing, opportunities are all around you. You can make a simple effort, like driving through neighborhoods looking For Sale By Owner (FSBO) signs, or you can do everything from establishing relationships with

Realtors to placing your own ads to generate leads. What's nice to know is that regardless of the time you have available, there are many ways to find the opportunities that will help you succeed.

Marketing Can Be Simple

Marketing your investment properties or to generate leads is not complicated. In fact, there are several simple marketing opportunities available to you. Everything from a For Sale sign in the front yard of a home you have renovated to an ad or direct mail campaign can bring in prospective buyers or those needing your services. Some investors have netted thousands of dollars in profit on deals simply because someone called them from a car magnet ad on the side of their vehicle or from a flyer they posted on a community bulletin board.

We'll teach you several marketing strategies in a later chapter, and you'll see for yourself just how simple it can be. We'll also be providing you with sample marketing materials to make the process even easier.

Leverage: The ability to use other people's money to secure properties and make money.

Tax Breaks

None of the already long list of advantages we've discussed so far takes into consideration the added and sometimes unexpected benefits of real estate investing, such as tax deductions and the ability to write off certain business expenses.

For example, the interest portion of mortgage payments is tax deductible, which is one of the big incentives behind buying property rather than renting it. Additionally, there are a number of other tax-sheltering advantages for the real estate investor, most notably depreciation, which is a loss in value of a business or income-producing property over time. Depreciation helps the owners of rental property save money at tax time. And certain expenses can be deducted from operating as a business entity or from managing your property, such as gas or car expenses for driving to and from your rental properties, maintenance costs, cleaning supplies, bookkeeping supplies, forms, and administrative materials.

It is wise for any real estate investor to consult with a professional tax advisor to be certain they are not only paying the appropriate taxes associated with buying, holding, and selling properties, but that they are also receiving the appropriate tax breaks.

Help Others

Last, but certainly by no means least, there is the very real opportunity to help someone else in need, and that truly is a primary advantage of investing in foreclosures. Consider someone who is struggling with debt and now the bank is going to foreclose on their home. You could help them save their credit and move on with their lives. You can help them keep some of the equity they've built up in the property, equity they would surely lose in a foreclosure. You can allow them to take that life-changing job in another state because you are helping them sever their financial ties to their current location.

Of course, being able to help someone out of a bad situation isn't limited to foreclosures. In fact, most real estate transactions can result in win-win situations. Consider someone who has a distressed property because they live in another state and they're trying to manage it long distance. You could help alleviate that burden. Or what about the landlord who's tired of maintaining a property or the elderly couple who expected to be able to retire to another state but can't move because of health reasons? The possibilities for helping others are endless.

A MARKET FULL OF OPPORTUNITIES

There are not only many benefits associated with real estate, but also many opportunities for success. For example, with real estate, there are both short-term and long-term investment strategies available to you, giving you the flexibility to make investment choices that fit your lifestyle and investment goals.

Short-Term Strategies

A primary example of a short-term investment strategy is wholesaling or quick-turning properties. With this strategy, you purchase a distressed property well below FMV and sell it immediately to another investor who will do all the work improving the property. Or you negotiate a substantial discount on any type of property (regardless of whether or not it needs work) and you immediately assign that property to another investor.

Investors have been able to use wholesaling strategies like this to make quick cash to pay down their debts, generate extra income to supplement a full-time job, start their own business slowly and with limited risk, and set aside cash for future investments. They've made fast profits of thousands of dollars on just one deal in wholesaling a property and you can learn the very same strategies they used!

Another example of a short-term strategy is rehabbing a property for immediate profit. In this strategy, you purchase a property below FMV, rehab it by fixing it up with minor repairs and cosmetic improvements (such as painting, carpeting, and landscaping), and then turn around and sell it quickly for profit.

Long-Term Strategies

An example of a long-term strategy would be to buy a home below FMV and then live in it yourself for several years before selling it, or rent it out for any number of years, which, as we discussed earlier, allows for someone else to build the equity in your property for you and pay off your mortgage. Repeat this process by holding multiple properties for rental income and you can use property management to its fullest advantage.

For long-term investors, most of whom have favorable financing arrangements in place, holding a property is a good thing, as it gives inflation, appreciation, and appreciation upon appreciation (compounding) time to work in their favor.

But how long is long-term? For some investors, it is as short as two years. For other investors, long-term means long-term, such as 5, 10, 15, 20, or more years. Inflation, appreciation, compounding, rental income, and tax savings can make the owners of multiple rental properties quite wealthy.

To illustrate this point, let's take into consideration the average homeowner today, a homeowner who is not a real estate investor and doesn't know anything about real estate investing. This person bought their property to live in it, not giving any consideration at the time to the potential investment it might be years down the road. They fell in love with a house in their price range, bought it, and have lived in it for 15 to 30 years.

Today, they find themselves bombarded with messages about tapping their home equity and taking out loans, or even cashing out on their home because their home is worth two or three times what they originally paid for it or more. Some homeowners, especially those in highly profitable markets where available land is scarce, have found themselves being offered $350,000 to $500,000 for a home they paid $30,000 for 30 years ago. It's not uncommon in certain markets.

However, for some, selling the home and tapping that profit simply isn't an option. They may be retired and are living on Social Security. They may have grandchildren nearby that they don't want to leave. They may be unable to afford the same type of home elsewhere in their community, or even in another area, because property values have risen everywhere they would consider living. Or, they are emotionally attached to their home.

Consider this: What if they had just one more home available to them that they happened to have purchased years ago when someone told them about real estate investing and they rented that home to someone else to pay the mortgage on it? Now that home is paid off and perhaps worth $200,000 or more. They are fully capable of selling it, taking the proceeds, and enjoying that money in their retirement.

That's the kind of profit a long-term investor who holds properties for longer periods of time has at his disposal. Now imagine that type of profit at your disposal multiplied by any number of properties.

Opportunities in All Areas

Whether your strategy is short-term or long-term or any combination thereof, you can make money regardless of the area you live in or are looking to purchase in.

For example, in low-income areas, you can find several great opportunities where you can apply wholesaling and rehabbing strategies. Wholesaling can be very lucrative in low-income areas, bringing you instant profits without a lot of effort. And rehabbing in these areas allows you to provide affordable, clean housing for low-income families, while generating positive cash flow through highly profitable weekly or monthly rentals.

In moderate-income areas, you can profit from excellent resale values and work with a large market of first-time homebuyers who may need special financing options to purchase their home. Moderate-income areas can also provide good cash flow opportunities.

Middle-income areas provide excellent opportunities for using lease option strategies, which you will learn about later, and for buying and holding properties short-term for resale profits. Moreover, properties in middle-income neighborhoods tend to be easier to sell as this is where the median sales prices are and where the masses are buying.

And upper-income properties, while not for the beginning investor, can give experienced investors the opportunity to invest when tax shelters are the priority.

An Abundance of Foreclosure Properties

Besides the good news that every income area offers some type of opportunity for real estate investors, there is great news for those investing in foreclosure properties. That's because nationwide, in every income area or market, there is a continuous stream of foreclosure properties to choose from.

Of course, there are more foreclosure opportunities in some markets and income areas than others, but people from all walks of life, in all kinds of financial situations, and in every neighborhood, can find themselves in unexpected situations and financial crises. And that makes focusing on foreclosures a truly profitable venture with an abundant supply of investment possibilities regardless of where you apply your strategies.

We will learn more about the link between income areas and finding ideal foreclosure investments later.

IT'S YOUR TURN

With all of these benefits and opportunities for profit, it's easy to see why people just like you have been turning to real estate investing as a means for generating income, building wealth, and preserving wealth. Now, it's your turn.

Are you ready to commit to improving your financial future? Do you really want to be a successful real estate investor? Will you take the time to learn the skills taught here and follow through by securing your first investment property?

Whether your strategy is short-term or long-term or any combination thereof, you can make money regardless of the area you live in or are looking for.

If you answered yes to these questions, start looking forward to making money buying and selling real estate. All it takes is that first good deal to get the ball rolling. And one of the best places to look for exceptional deals is in the extremely profitable area of foreclosure investing.