

The Pro Fund's Client Experience:

Flipping Properties with Zero Down

Pro Funds Mortgages is happy to announce a new article series, The Pro Funds' Client Experience. These articles will feature a variety of clients sharing their knowledge and experience in dealing with Pro Funds to accomplish their real estate focused endeavours. Here is Andrew Hines, a Mortgage Agent and borrower with Pro Funds who shares how he has utilized private funding to acquire and build and income property.

Rewind to May 1st 2015. Closing day. It was finally coming together. The results of 2 months of planning, due diligence and a whole lot of waiting were finally paying off. And I mean literally, my lawyer actually called me to let me know that I was getting a cheque for \$73 upon closing of my purchase of a beat up old rental. Wow, just when I thought buying real estate couldn't be any more rewarding.

The deal looks something like this: I buy a property with zero down, receive funds which are held in trust to pay for my renovations and expenses, and then I sell the property and get paid. Not a bad deal...?

"How is this possible", you might ask? Well real estate is a business. And like any good business, flipping requires a good business plan. From the beginning I made sure that I knew my numbers. When I found the property, I knew what it was worth, I knew what it could be worth and I knew what I would have to put into it to get that value.

So what did I do? With the help of Pro Funds, I found a few private lenders to lend me the entire purchase price and renovation cost, in addition to my interest payments for the 6-month period I allotted myself to do the work.

As anyone thinking about flipping a property knows... you don't get paid until you sell. So paying things like mortgage payments and property taxes during the process can become a burden. For me, being able to borrow the money to cover those items made it that much easier to get through the process and prevent any new grey hairs from forming just above the sideburns. There was some heavy lifting along the way and a few not-so-helpful contractors... But I think the memory of taking a chimney down piece-by-piece using a sledge hammer will always stick with me. That was fun.

So how can you structure your very own “zero down flip”?

1. **Know your numbers** - See a lot of properties, find out what they are selling for, both before and after the proposed renovations, and build yourself a buffer of 20% over and above what you think it will cost. Talk to contractors, get estimates and be ready to play hardball if needed.
2. **Back it up** – Start the process with comparable sales (your realtor can help with this) this is how you’re going to convince your lender that you can actually get the property sold for what you think you can sell it for at the end of the day. If they’re going to lend you money they need to know you have an “exit strategy”. Be sure that you’re very clear on what yours is. Good mortgage brokers will require an appraisal because they have an interest in making sure everyone is protected. You should expect to provide an appraisal for the property “as is” and “upon completion” of the proposed renovations.
3. **Work with a broker that focuses on creative financing** – I’ve worked for, and used Pro Funds Mortgages for financing for 5 years now. Knowing I can get real estate financed has allowed me to be a lot more aggressive with my real estate acquisitions.
4. **Be willing to give up other collateral** – my portfolio is an open book when it comes to getting new money. I put up one of my other properties to avoid putting any money down on this deal and I would do it again in a heartbeat. The ease and speed of operating this way allows me to do more than I ever could with a bank.

If you’re thinking about doing a flip of your own or are wondering how you can leverage your existing properties to purchase a property with little or zero down, contact Pro Funds Mortgages at **1-888-330-3866** or **info@profunds.ca**

Carmen Campagnaro

President

Pro Funds Mortgages