The Seven Habits for Highly Profitable Real Estate Investing With Private Hard Money and Bridge Lender Funding

HABIT 1- Successful real estate investors maintain a daily positive mindset and believe that investors can always make money, whether the real estate market goes up, down or sideways.

If you do not believe that, you will constantly undermine your own efforts and begin listening to naysayers. Naysayers will always have a negative spin on real estate investing, or stock market investing, or getting into your own business, for that matter. Successful real estate investors simply don't pay attention to those who have "negative" attitudes because they recognize that a trip to "negative town" is not only unproductive but it is also unprofitable.

Like anything else, real estate investing has it's own "numbers game". For example, baseball players who have a batting average of .300 are considered "superstars". A ".300 average" means that seven out of ten times, the player did not get a base hit. Basketball players who average a 48 percent shooting percentage are paid millions of dollars a year. And the fact is, many other even more talented players fell by the wayside because they allowed their mindset to sour and they just took themselves out of the game. Not every property is a good investment property. Not every property is fundable. Not every property will turn a profit. A positive mindset enables you to realize that learning how to "weed" deals out makes it easier to cultivate the excellent, profitable deals. The deals you "weed" out are as important to your real estate investing success as the deals you work on. Adopting this belief, as part of your positive mindset, will enable you to gain satisfaction from every deal you "weed" out.

When real estate investors go through the motions of real estate investing without having a firm belief that real estate investors can make money in any market, they are simply spinning their wheels. Primarily this is due to a lack of understanding about the current real estate market and what type of deals to focus on. As a result, frustration sets in and frustration usually leads to procrastination and inactivity.

Successful investors "feed" their positive mindset and success beliefs through education. They learn how to duplicate what other successful investors are doing and they associate with and network with other successful investors. Real estate club meetings can be a great place to meet and associate with other investors but after a few meetings you will quickly be able to decide what the "mindset climate" is there. If the meetings are full of people who are constantly complaining, making excuses and whining about the current real estate market, find a different club meeting or form a club of your own with others who share your mindset. Seek what Napoleon Hill, author of "Think and Grow Rich" called a "Mastermind Group."

As a real estate investor you can also bolster your positive mindset by reading motivational material, gaining more education, setting goals as well as pursuing enjoyable hobbies and activities. Achieving a balance with your real estate investing and other aspects of your life is also important and will help to reduce stress and make your investing more enjoyable. Whether it is exercising, listening to music, hiking, fishing or whatever activity you enjoy, find time for it on a regular basis because it will help keep you positively motivated.

HABIT 2- Successful real estate investors actively maintain a pipeline of deals and do not just sit on the sidelines.

Successful real estate investing is a process of building a pipeline of deals. By focusing on your "pipeline" you are an active investor. Each of your deals will be at various stages of your "pipeline". For example, your pipeline will consist of property that you have identified as "prospect properties". Once you have evaluated a property, you will know whether or not it should continue in your pipeline. Many properties will be "weeded" out of your pipeline because they are not the type of deals you want to work on. That is why it is so important to always be adding new "prospect properties" to your pipeline. It will keep your pipeline from "drying up".

When your pipeline is dry, you are on the sidelines because your investing business has essentially stalled out. You may not even notice. You may allow days, weeks, even months and years to pass before you again become active in your real estate investing. That is why it is so important to keep momentum in your pipeline. Having new deals to work on keeps you busy. It's good for your mindset and your bank account. When you only work on "one property at a time", you set yourself up for disappointment because if that deal doesn't work out for one reason or another, you have lost your momentum and find yourself back at "square one". With a pipeline, it doesn't matter if one deal doesn't work out because other deals will constantly be advancing through your pipeline. Finding properties, matching the property deals to suitable lender programs, submitting your deal scenarios to lenders, writing offers to property sellers, submitting completed loan packages to lenders, and closing are some of the various steps in your deal pipeline.

As an investor you will decide how much time you devote to your real estate business and how aggressive you want to be in terms of the number of properties you work on at any given time. For example, you may start out with 10 prospect properties but out of those only 1 or 2 make it all the way though your pipeline to the stage of funding and closing. However, along the way, you should always try to maintain your 10 prospect properties at all times to compensate for those properties that you "weeded out". It keeps your pipeline "flowing" and it's much better than putting all your eggs in one basket.

Of course there are many other reasons why investors sometimes find themselves on the sidelines.   It can be due to illness, a family crisis, financial problems, or other situations. However, if you are planning to generate your income in real estate investing it is best to realize that it is important to "get back on the bicycle" as soon as possible. For example, if you have a job and you become ill, you notify your employer and take time off from work, but as soon as you are well your employer expects you to return to work. In your real estate investing business you are your own employer. Life is full of interruptions of one kind or another however, with a positive mindset, you can manage those interruptions and keep your real estate investing business growing.

HABIT 3- Successful real estate investors invest their time productively in the fundamental deal making activities that lead to completing profitable real estate deals.

You can be successful in real estate investing whether you are working part-time or full-time.   Even 5 hours a week devoted to your real estate investing can be sufficient as long as you are consistent and put in 5 hours a week, every week. The main thing is to balance your real estate investing with your life so you can enjoy your investing business. By doing so, you will never feel overwhelmed or frustrated. Like anything else success requires your time.

However, dedicating time to real estate investing is not enough to succeed. Your success will be determined by how you are investing your time. Whether you are finding property deals, lender programs, buyers, sellers, the time you invest must yield results. For example, if you spend countless hours doing unproductive internet searches it is time wasted and time that is taken away from the other important tasks that are required to put deals and funding together.

Again, your mindset comes into play. If you truly have an "investor mindset" you will not waste your valuable time on unproductive activities. How much is your time worth? If you truly have an investor mindset you will realize that your time is worth more than "a few bucks" an hour.

Often times, when a real estate investor completes a deal, he/she doesn't realize how much money an hour has been earned for the time actually invested in the deal. For the sake of example, let's assume that you have made $30,000 profit on your deal. You count up the hours you've actually invested in doing the deal itself and you discover that it only took 15 hours of your time. If you divide $30,000 by 15 hours, you realize that you have earned $200 an hour.

Does it make sense for you to spend time doing non-productive tasks?   For example, if you're wasting a lot of time with countless internet searches thinking that you are going to somehow save money by "doing it yourself", you are actually losing money because your time is being wasted rather than invested in the actual deal you are working on.

There are numerous resources available for real estate investors. Some are free and some are not free. Resources that enable you to stay focused on your deal are worth the investment compared to free resources that sometimes just consume your time because they lack the real information, function, or detailed reference that you need.   The "free" resources usually only consume your valuable time

Is it better to try to fix your own car by watching YouTube videos or would you be better off by taking the car to a reputable and trusted mechanic? Most people do not make their own clothes because in terms of time they save nothing.

When people want to be trained on a particular subject they usually attend a training school, course, school, or seminar and utilize educational reference and training materials that are specially designed for that purpose. Students do not try to write their own textbooks or spend endless time trying to assemble their own information from the internet to save the cost of a $75 college textbook   For example, if you were a real estate agent and you had a choice to subscribe to the Multiple Listing Service for $300 a year, would you choose to have access to all of the listed properties that you could sell or would you think that somehow you could find all of that information by traversing the internet for hours every day? You wouldn't last long as a real estate agent if you took the later approach. Considering the potential profits you can make from each real estate deal you complete, stepping over dollars to save pennies is a "broke mindset".   If you have a broke mindset it is unlikely that you will be come wealthy.

Think of your real estate investing as a profession. If you are a real estate investor, you can benefit from real estate investing resources that enable you to invest your time directly on the deal you are working. Also when you invest in cost-effective resources or tools for your investing business, the purchase of these resources can be tax deductible against your real estate profits. Any type of business requires certain resources and tools that help make your investment of time more productive.

HABIT 4- Successful real estate investors use other people's money to fund their investing and establish business relationships with lenders.

If you have your own money to invest, then of course you can consider the option of "self-funding" your property deals where you become your own lender. However, most successful real estate investors use "other people's money" to fund their deals. There are about 290 private hard money lenders and bridge lenders in the United States, which are actively "in the business" of funding deals for real estate investors. These lenders have unique lender programs and the lending territory may be nationwide, regional or local. The lender programs focus on residential investment property and/or specific commercial income property types within their lending territories. Each lender has a unique lending program with specific loan program parameters regarding property types that can qualify for funding and property types that are excluded from the lender program, as well as lending limits, points, fees, interest rates, loan-to-value (LTV), after-repair-value (ARV), renovation or rehab guidelines, draw schedules, whether or not seller-carry backs are permitted, loan submission guidelines, contact persons, funding and closing timetables and other specifics such as fix and flip or renovation lending, refinance programs, non-recourse lending, cash out programs, equity participation and joint venture lending, distressed note and distressed property funding, transactional lending and flash funding, cross-collateral lenders, bankruptcy and foreclosure lenders, notice of default lenders, no seasoning requirement lenders, no minimum FICO score lenders, no credit lenders, no asset check lenders, stated income lenders, no pre-payment penalty lenders, no advance fee lenders, lenders for foreign nationals, lenders for individuals, LLCs, corporations, and partnerships, lenders for trusts, probate and individual retirement accounts, lenders who roll fees into the loan, lenders for back to back closings, and lenders providing proof of funds letters and letters of intent.

Obviously, a real estate investor has many lender program options, however most real estate investors do not know which lenders are offering these lending programs. Successful real estate investors realize that knowing all of the available lender program options is the lifeblood of getting deals funded and closed. Novice investors sometimes make the mistake of pursuing their investing without knowing which lender they will ultimately need to work with. As a result, they have no real plan for funding. "Lender lists" rarely provide any of the lender program details that investors really need. These lists are often comprised of broker-broker-broker chains and because they lack the detailed lender program information, investors who rely on these lists will ultimately waste much of their time making "blind contacts" with lenders, and it does not make a good first impression. Other methods of trying to find all of the available lender program options involve tedious, time-intensive Internet searches. Investors who try that method eventually discover that no matter how many searches they make, they never find all of the available lender programs and the detailed lender program information is never compiled into an organized resource.

Lenders expect investors to have "done their homework" with regards to the lender program and it's specific requirements and parameters. Because lenders consider their time valuable they do not feel that it is their role to educate investors. Instead, the lenders focus on those investors who have presented deals that are a "match" for the lender program and are ready for funding. Lenders can always spot inexperienced investors who ask "what type of loans do you do?" or "I'm just interested in 100% financing with no-out-of-pocket." Even those lenders who do 100% of purchase lending based on the property LTV/ARV, do not feel that they want to take on the added risk of working with an investor who neglected to even study the lender's loan program prior to making the contact and, as a result, takes the lender's valuable time asking questions they should have already known the answer to. Also never give the lender the impression that you expect the lender to take all of the risk. Even if the deal can be structured for financing up to 100% of purchase, focus on the LTV requirement choosing the right deal to enable the lender to maximize the loan amount rather than trying to convince the lender that you don't want to go "out of pocket". If the deal is good enough the lender will tell you exactly how much can be loaned and you will have to determine whether or not that works. Some lenders make a distinction in their lender programs that they loan a certain LTV based on the "purchase price" rather than the "property value". Lenders who apply LTV to purchase price will expect a down payment, although some may accept some type of cross-collateral property in lieu of down payment or a portion of the down payment.

Lenders appreciate both beginner and experienced investors who make contact based on a suitable deal the investor considers a "match" for the lender's program. All to often, investors do not realize that by presenting "deal scenarios" or "deal summaries" that it is easier to get the lender on the same page. Lenders do not "resent" investors for submitting deal scenarios, in fact, that is how you begin to "build" a relationship with the lender. Lenders may need to look at two or three deal summaries from an investor before giving the investor a "green light" on a particular deal. It is important never to be adversarial with a lender or try to "talk the lender into it" by asking that the lender adapt their lending program to the deal. Lenders don't mind giving you brief feedback on why your deal wasn't a match. However, the lender takes the time to give you that feedback to help develop the business relationship and expects you to use that feedback in a constructive manner to more accurately match future deals that you submit for consideration.

The best approach to developing a positive relationship with lenders is to carefully "match" your deals to the lender program. Often times real estate investors already have a deal under contract or under option before they even know which lender may offer suitable funding. Although the investor may "luck" into finding a suitable lender program, usually it is not the best approach. For example, if you already have a deal under contract before you know which lender is likely to fund the deal, you find yourself on a "time fuse" before the contract time runs out. You put a lot more pressure on yourself and as a result it might make you appear "desperate" to a lender. There is a much better approach. Begin by studying the lender programs and first matching lender programs to your investing strategy. Then match your "deals" to the specifics of the lender program. If you select a few lender programs that fit your investing strategy and then match your deals to the specific lender program you will get much better results.

Ultimately, what will determine your future relationship with any lender is whether or not you perform on the first loan. If the lender approves your loan and you abide by the payback terms, you will likely be able to have many more deals funded by the same lender. However, if you do not perform, it is unlikely that the lender will fund another deal for you. This is one of the reasons why it is so important to negotiate terms that are "longer" than you need so you have some degree of flexibility in the event that it takes you longer to find a buyer, tenants or a re-finance lender for the property. Many lenders offer "extension" terms, negotiable in advance. These extension terms can be a few months or even a year or more. Usually they require that you pay a higher interest rate during the extension period and sometimes may require a fee if you elect to extend the loan term. By giving yourself this option in advance, you don't find yourself trying to negotiate an extension at the end of the term, when your loan is actually due. Taking care of business goes a long way in developing a positive relationship with lenders. And, as you can see, knowing the lender program options enables you to facilitate better communication and mutual understanding with the lenders and ultimately help you to develop better relationships with all of the lenders you work with.

HABIT 5- Successful real estate investors adapt investing strategy to the current real estate market and duplicate what is working.

The lender programs give you clues about what is going on in your investing market. Lenders who are "in the business" of funding deals for real estate investors, constantly adapt their lender programs to the type of deals that are viable in their lending territory. This is actually very beneficial to the investor because by studying the lender programs the investor learns which types of deals are viable and in which geographical areas to focus.

Successful investors also monitor the changing market conditions for all property types to determine what is in demand and how it might impact investing. In some market areas, for example, office space is overbuilt, making it difficult to attract tenants. When it is difficult to attract tenants, a specific property type will have a higher than normal vacancy rate. Again, using the office space category for this example, a high vacancy rate means that the office property will not be able to generate maximum income, which will affect the value of the property. Lenders generally do not target their lending territories in real estate markets areas where higher than normal vacancy rates exist unless there is evidence of some new market condition that will cause the available office space to contract, driving up demand in the near future. The same applies to other property categories such as warehouse, single-tenant properties, and in some cases even apartment buildings.

Investing markets can be unique by nature. In the oil and gas fields there is usually high demand for worker housing. Texas, the Dakotas, and Wyoming are examples where companies pay for worker housing. However, in those same areas real estate prices rise quickly, driving speculation and land price increases which somewhat negates the net operating income potential for multi-unit properties after debt-servicing.

In residential investing, there are also market conditions in which there can be an excess number of vacant properties in a city, or in specific declining neighborhoods. For example Detroit has suffered from this problem for many years although there are still some excellent neighborhoods in the Detroit area that do not have this problem. When Detroit was the "automobile manufacturing hub" of the world, there was enough demand for properties that the vacancies were at "normal" levels. When the manufacturing jobs left Detroit, the people left Detroit, leaving the residential real estate market values in free-fall.

And in recent years real estate prices in many cities like Phoenix, Las Vegas, and Los Angeles have increased rebounded, driven by a combination of factors including population, weather conditions, and employment opportunity. In some cities, the mere location of a manufacturing center or industrial development can dramatically impact the local job market creating demand for housing and increasing rent and home values.
By carefully monitoring real estate market trends you can focus on the type of deals that other investors are doing successfully whether it is residential property investing, multi-units, or commercial income property. Knowledge of market conditions can also help determine your focus, whether it is buy and sell, fix and flip, or buy and hold. Other factors can influence the real estate market. For example, in 2002, the Winter Olympics was hosted in Salt Lake City, Utah, sparking a real estate market boom that lasted until 2007 when Salt Lake City became the number one market in the United States for home value appreciation. The Salt Lake City/Provo metropolitan areas have always ranked highly in terms of business climate ever since the Olympics, partially due to the availability of a highly educated work force and relatively lower wages.

The successful real estate investor will become knowledgeable about the changing economic and market conditions in his/her chosen investing area and make investing decisions accordingly. You can easily obtain specific real estate market economic and real estate reports from your local Chamber of Commerce office, your State Business Development and Economics Office, as well as Federal Government reports on metropolitan market housing and employment. As an educated investor, you can make better decisions about entry and exit points for specific real estate market segments and thereby avoid late entry into market "bubbles" that periodically form. By duplicating the type of deals that are working well in the current market it will be easier for you to obtain funding from lenders as well as easier to market your properties to end buyers or tenants.

HABIT 6- Successful real estate investors understand that carefully choosing the right properties will be a determining factor in profitability and success.

It is easier to obtain private hard money and bridge lender funding when you submit gem properties that have sufficient equity to comfortably secure the lender's first lien position. Choosing the wrong property is like going to a lender with two strikes against you. If you bring in an average or mediocre property that does not meet the lender's loan program parameters, you make a bad first impression. You soon discover that working on average or mediocre property deals feels like you're dragging an anchor.

Carefully matching the your property deals to the lender programs gives you a big advantage. Your deal scenarios are given more serious consideration because lenders immediately recognize a "match deal" when they see it. By submitting excellent deals you also facilitate better communication with the lender and pave the way for developing a good ongoing relationship.

Not only that, but by focusing only on gem properties, you will find that it is easier to attract mortgage approved buyers and credit tenants. Ultimately gem properties are easier to get funded, take less time, and require fewer lender conditions. And, if you are buying and selling property your end buyer will also have an easier time getting long term financing on gem properties.

HABIT 7- Successful real estate investors do "win-win" deals, understanding that the deal must benefit everyone who is involved.

Unlike stock market investing, real estate investing can be win-win. No one has to lose.

Everyone involved in a real estate deal can benefit, including you as the investor, your lender, your seller, your buyer, your agent, your contractors, the appraiser, the title company or closing agent and anyone else involved. A win-win transaction facilitates the deal being funded, closed and monetized.

After you have successfully funded the deal, your next step will be to monetize the deal by either selling the property or developing rental income. Therefore, the deal must benefit you as the investor, it must also benefit the lender by being a deal that has an acceptable level of risk, and it must also benefit your end-buyer, renters or credit tenants which enable you to monetize the deal. Your LTV and property values must be realistic to appeal to your lender. And, your property prices must be realistic to appeal to your sellers and buyers. There is a big advantage to use a real estate agent as your "buyer's agent" because an agent can be an important part of your team, giving you real estate comparables on properties sold and listed so you can position your property for a win-win transaction.

Whether your strategy is to wholesale property to other investors or to offer your properties for sale at wholesale prices, your deals will go much smoother with a win-win approach. When lenders evaluate your ability to complete your "exit strategy", evidence of a win-win approach goes a long way toward conveying to the lender that you can successfully attract buyers and tenants and market your property.