3 Common Myths About Real Estate Investing Debunked



Opinions expressed by Entrepreneur contributors are their own.

Successful people know the value of investments. There are several ways to become extremely wealthy in life, but few carry the same track record as investing in real estate. Real estate investing is one of the best wealth generators in the world. There are arguably more millionaires in the field of real estate, than any other category of business. So what is a “real estate investor” and how can you become one?

The term “real estate investor” often refers to individuals and businesses that buy, sell and renovate houses. However, you don’t have to be a professional house flipper to hold the title of real estate investor. Anyone in any industry that actively chooses real estate as an investment option is a real estate investor. Some individuals choose real estate as an

alternative to stocks, bonds and mutual funds and others choose to *add* real estate to their existing portfolio of investments. The question often asked: Is it obtainable to everyone?

Here are three of the most common misconceptions about investing in real estate.

Related: 10 Reasons Why Every Entrepreneur Should Invest in Real Estate

You have to be wealthy in order to invest in real estate

When most people think of real estate investing, they think of mega-rich celebrities and their massive real estate portfolios. Just because you don't drive a Lamborghini or draw a salary from a multi-million dollar trust fund doesn't mean that you can't invest in real estate. There are numerous ways to start investing that require very little out-of-pocket expenses.

Traditional wholesaling and joint ventures are just a few methods that require little to no capital. Hard work and dedication are really all that is required to become a very successful real estate investor. With the right methods, you can flip your first property with very little money and possibly without ever spending a dime.

You need good credit in order to finance real estate deals

If you're applying for a traditional bank loan, then you'll need an adequate credit score for the approval process. However, there are a variety of other ways to secure financing for your real estate investments. Let's take a look at two of

the most common financing options that require little to no credit approval.

Transactional funding aka flash funding

Transactional funding is a short-term loan that is borrowed and paid back within 24 hours in most cases. This type of financing is common during a double closing that occurs back-to-back. It allows an investor to secure the A to B side of a real estate transaction. Then, once the investment is secured, the investor can sell the property on the B to C side. After they collect the funds from that closing, they immediately pay back the initial flash fund loan. In most cases these loans are secured by the asset being purchased and not the investor.

Hard money financing

Hard money financing is another popular strategy that real estate investors use to acquire investments. This type of loan is known as a bridge loan. It's a short-term loan that allows the investor to purchase a property without a lengthy application or approval process like the ones required from traditional banks. Hard money loans are asset-based, which means they are not contingent on the investor's creditworthiness. They are normally used in rehabbing projects where the investor purchases a property at a discount, then remodels the home and resells it at a profit, at which point they repay the loan. These loans rarely exceed a 24-month period.

Related: **3 Ways Entrepreneurs Can Save on Real-Estate Costs**

You need experience to invest in

real estate

The fact that you've never invested in real estate, should not stop you from investing. A little research can go a long way. Experience is gained by actions. After all, to become an experienced driver, you have to drive. That doesn't mean you should get into a sports car and hit the race track. It means you begin with driving around your neighborhood, your town, city, highways and eventually interstates, etc. It's no different with real estate investing. Your first attempt at investing shouldn't be a 500-room condominium with a 60-page purchase agreement. It should be an affordable single-family home in areas that you're familiar with.

There's no question that you can begin investing with little to no previous knowledge or experience. However, if you are looking to fast-track your learning curve, you may want to seek out the assistance of a seasoned professional as a mentor. A successful investor can not only teach you what to do but more importantly what not to do. Being able to bypass costly rookie mistakes is a huge benefit and will increase your chances of success. Many successful business professionals have mentors and real estate is no different. Just make sure you do your research to ensure that you're seeking counsel from a qualified advisor with years of real estate investing experience.

Conclusion

There's a reason so many people turn to real estate as a vehicle to generate wealth. Simply put, it works. Don't get discouraged by false information and myths about what is required to get started. The only thing stopping you from becoming a real estate investor is you. One of the world's most famous investors Warren Buffett once said, "*Be certain of your success, even when no one else is*". Don't procrastinate, do your research and begin your journey.

https://www.entrepreneur.com/starting-a-business/3-common-myths-about-real-estate-investing-debunked/444352