How to Make Money Flipping Houses

Want to make some serious money this year? While there are plenty of ways to achieve that goal, flipping houses is one surefire way of earning cash. And quickly. The problem? Most people have pre-conceived notions. They think that in order to flip a house you need plenty of capital or great credit. Well, you don't need either. And I'll tell you exactly why and how you can pull this off even if you only have a few hundred dollars to your name and a poor credit score.

Clearly, if you're hurting for cash, you can still make money online, while you sleep or do it fast when you're in a bind. Yes, it depends on your skillset. It's true. We do live in a virtual world. Yet people overlook one of the most viable and lucrative endeavors for making money. Why? It takes some legwork. Sweat equity, if you will. But the best part? Making money flipping houses isn't just a viable option, it's a lucrative endeavor when you know what you're doing.

The problem? Most people live with a scarcity mindset. They think that there isn't enough money to go around. But not just money. Time. Resources. Connections. Credit. And anything else for that matter. Well, not only are people making incredible amounts of money in real estate, they're quite literally crushing it by flipping houses. But not just flipping houses in the traditional sense. I'm not talking about buying a home and upgrading the kitchens and bathrooms. Not about replacing the flooring or pipes.

No. Not at all. I'm talking about making money, not just by flipping houses, but by flipping the contracts themselves. We're talking about arbitrage. Buy low, sell high. Merchants do this every single day. They'll buy low in one market, then turn around and sell it in another market for a higher price.

Think import-export business. The beauty of this? You can replicate this in the real estate market simply by bringing a motivated seller and a cash buyer together. That’s it.

Investors have made a fortune with this specific method. And if you don’t believe me that you can do this without cash or credit, just look at the story of Kent Clothier. Clothier has built a proverbial empire out of flipping houses. No. Scratch that. By flipping the underlying contracts. He arbitrages his way forward to the tune of nearly 1,000 contracts flipped each and every single year.

But Clothier didn’t start out successful. In the very beginning, he was broke. Close to bankruptcy, in fact. Credit, shot. At the end of his rope. 18 months prior, he had left a successful grocery business. And he was down to his last $4,000 in his bank account. While he understood arbitrage in the grocery business, he was nearly destitute when he saw a late-night infomercial about real estate. That “system” cost him $1,000. It was 25% of his net worth at the time.

Fast forward to today and Clothier’s family now owns and operates Memphis Invest. A behemoth in rental property management. With roughly 5,000 properties under management, not only is Clothier well-versed in flipping real estate contracts, but also in managing properties themselves. He also hosts an annual event that helps educate entrepreneurs on how to implement this specific strategy.

As one of the largest aggregators of MLS data in the United States, Clothier organizes, cleanses and desiminates all the relevant datapoints for people using the platform. And it’s fairly epic. The best part? Clothier’s Real Estate Worldwide has developed a SaaS platform for people looking to specifically do this. That platform is used by over 60,000 real estate entrepreneurs across the country. It provides instant, real-time access to every dataset you’d possibly need to flip contracts.

But from the outside looking in, it seems a bit bewildering. How can you possibly making money in real estate simply by flipping the underlying contracts? It’s just a matter of finding the right sellers in the right neighborhoods and bringing them together with the right buyers. That’s it. Easier said than done? Maybe. First and foremost, you need to understand how to analyze and extrapolate the data to make the right decisions.

Related: How Millennials Can Reach Financial Freedom

How to Make Money Flipping Houses

Here’s exactly what you need to do to make money flipping houses. First, a lay of the land. Understand the market forces and the playing field, and you can capitalize on it. Your goal? Find a distressed seller on one end. On the other, a cash buyer. Why a cash buyer? Because you want the transaction to close quickly and be able to turn around and sell your interest in a property fast. And, of course, you want to profit in the end.

How do you do that quickly? Find the right cash buyers. In other words, you need investors. If you know rich people or you’re friends with people who’re already investing in the real estate market, then great. If not, scour the web. There are several marketing methods you can use to ensure that you find the right buyers. You could build a full sales funnel devoted to that end. You could run Facebook ads. You could even do a webinar.

But if you want to save yourself some time and aggravation, all you need to do is comb through county records. That’s where you’ll find a gold mine of data. A treasure trove of information is just waiting to be hand-picked. All you need to do is to analyze county records for all the cash transactions, and locate the relevant buyers. Sure, it takes some effort. But it’s the easiest way to find the money.

It would be futile to identify distressed and motivated sellers without having cash buyers lined up. The only way you can flip the contracts is if you have both parties at the ready. That’s what it takes. But that’s not all. There’s an entire 5-step process for you to execute this strategy. Yes, you can make money flipping houses, but you need to ensure you execute each and every single step meticulously. Once the systems are in place, just automate. That’s it.

1. Identify the right markets

First and foremost, you need to identify the right markets. Maybe your local market isn’t the hot market right now. Maybe it’s a market in another county or state even. Search for the right market. The goal? Figure out where cash buyers are putting their money. That’s the key. While you don’t need a system to help you identify the right markets, it certainly helps.

But at the end of the day, the right markets are crucial. It could make the difference between flipping a contract and being caught holding the bag. Why? At the end of the day, if you take on a contract to purchase a house, and you can’t flip that contract to a cash buyer, you could end up being liable. Clothier says you have to be careful and know what you’re doing. One quick way to solve that issue is to tackle the right markets.

Related: 5 Ways to Make Enough Side Money to Eventually Quit Your Job

2. Identify the right price

Not only do you need to find the right market, but you need to identify the right price. We’re talking about the price that not only you’re going to pay for the property. But also, the price that someone is going to be willing to pay to buy it

from you. What's the right price? There are proven algorithms in place that will help you identify and justify this. Clothier explains it like this.

- Take the last 30 days of transactions that were all cash for a particular neighborhood or block where you're looking to buy a property.
- Punch in those addresses into Zillow, Trulia, RedFin or any other website online for estimating the retail price. Get the difference.
- Now, take the average of all those differences. You've just identified the gap. That gap is the average markup (or markdown) from retail for any given property in that market.
- When you find a listing, use the average gap to estimate the price that a cash buyer would be willing to pay for that property.
- Ensure that whatever home you secure as a contract, that it's lower than that gap. How do you do this? You'll have to ensure you have a motivated seller and an all-cash offer. That's it.

Related: 7 Quick Ways to Make Money Investing $1,000

3. Identify the right property

Now that you've identified that gap, you need to find the right property. Scour the MLS. Or, search online through retail channels. Look for distressed homes. Vacant homes. Possibly homes that are on the verge of falling into repossession or short sales. Going about this isn't a simple task. Again, it's easier to have a system to do this. But even without one, you can learn. You just have to start somewhere.

However, it isn't always about using retail channels. Talk to real estate agents. Ask friends or neighbors. Go to local bake sales or PTA meetings and simply talk to people. Once you put your intentions out there, you'll be surprised at just who

comes out of the so-called woodwork.

Related: 8 Ways Real Estate Is Your Smartest Investment

4. Identify the right buyers

You need to line up your buyers. Keep in mind, that when you secure a contract to purchase a home, you usually have about 30 days to close on it. You'll need buyers lined up that you can flip those contracts to. Without cash buyers at the ready, you'll need to do all the legwork once you've secured the contract, and that could turn into a major hassle for you. Clothier says you don't want to be scrambling to find those buyers when it comes to crunch time.

Here's how you do it. Send out letters to every single cash buyer you can find in the past 30 to 60 days. You can usually locate their addresses from county records. Introduce yourself. Tell them who you are and what you intend to do. Try to schedule a call and figure out what they're looking for. Develop a relationship. Find a way you can add value to the exchange.

Related: He Went From Being Broke to Selling More Than $1 Million a Day in Real Estate

5. Identify the right sellers

Clothier says that this is a bit more tricky. You have to identify the right sellers. Finding a vacant home isn't always simple as 1-2-3. How do you go about doing this? What about homes that are near or close to entering into foreclosure? Clothier says that there are a few ways to do this.

- Look for key terms in the listing description. For example, you might find something like "must sell" or "for immediate possession" or even "below market value."

- Look for liens on the property. Liens can come in the form of tax liens. They could also be from judgments or other creditors.
- You can also drive through neighborhoods and inspect the homes. Look for telltale signs of vacant properties. For example, uncut or unkempt lawn and garden or a full mailbox.
- Talk to neighbors located around the property and ask them about the home to figure out what’s the history and what’s been going on there.
- Talk to real estate agents who might have some inside knowledge on a particular property and specialize in that area or neighborhood.

Keep in mind that the right seller is key. They need to be motivated. Without the proper motivation, there’s no desire for them to enter into a below-market-value purchase contract with you. Yes, there are a lot of variables to consider. But if you want to make real money in real estate, this is how you do it.

https://www.entrepreneur.com/article/306598