

# DRIVEN

## ACADEMY

### Real Estate Investing



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# Welcome to Real Estate Investing

With this course you'll go from 0 to living your dream lifestyle through Real Estate Investing.

- Start with 4 or 3 units / don't buy single family homes.
  - Units will give you passive income.
  - Tenants will pay off your mortgage
  - You will build equity over time.

- Properties double in value every 10 years.

## QUOTE:

“We can't get married until you buy your own investment”

- Albert Preciado

FHA allows 1 per person or 1 per married couple.

**FHA 3.5% down** | Conventional 25% down.

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# Getting Started

- How do you get your first investment property?
- How do you get the money?
- How do you get the down payment?

## Income:

When you have a job paying you \$18 - \$25 / hr, you qualify for multi-units, because the units will generate extra income which you can use to qualify.

## Credit Cards:

Credit cards with \$10k - \$20k limits, a lot of banks offer 0% transfer balances./  
Transfer the money to your account for 0% for 12-15 months. Some banks charge 3% fee.

## 401K:

Pull it, pay penalties, pay interest. 401K would make you a little fraction of what you could make if you put that money in real estate.

## Borrow from relatives:

Borrow the money from your relatives, pay some interest. Buy a property, refinance and pay them back later with interest with the money you cash out from the refinance.

## Sell your current assets:

Get a loan or sell your current assets, cars, watches, etc.

Sell it, get the property, then buy a couple back with the money you'll make.

# Getting Pre-Approved

You can contact us at The Mortgage Guys | Tel: 424.777.0320 | [themortgageguys.com](https://themortgageguys.com) or you can go to any local bank.

Make sure you take your documentation:

## **Tax Returns:**

If you are self-employed, they'll qualify you based on how much money you report net, not gross. If you are employed, bring your pay stubs, W2s, and other paperwork.

Take all this stuff to see if you qualify. A lot of people think their credit is not good and that they don't qualify, but they do. Contact us for an evaluation. And if your credit is bad, we can direct you to a place that can improve your credit.

If you owe taxes, call the IRS and say "I can't pay the \$80k (or however much you owe) right now, but give me a monthly payment plan" (usually \$200-400 / month).

They count it against your debt-to-income but now you qualify. If not, they don't qualify you until you pay it off.

Don't stress if you think your credit is too low or you have issues, get advice from The Mortgage Guys to see if you qualify or what are the steps to take.

Understand your loans, which type of loan works best for you?



## Tips & Tricks

### Self-employed:

Get pre-approved before filing your taxes.

The bank averages your last 2 years for FHA.

Make sure you file more income.

Write off a little less.

Higher income = qualify for more.

### If you own a car:

Refinance it.

It will lower your monthly payment which will better the ratios of your loan.

If you have any questions, you can always contact us and we'll give you any details you need.

Tel: 424-777-0320 | [themortgageguys.com](https://themortgageguys.com) | 8721 Sunset Blvd., West Hollywood, CA 90069

Notes:

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# Finding Good Properties

- Find a good realtor. Contact us at Ambiance Realty | Tel: 424.277.8019 | [ambiancela.com](https://www.ambiancela.com)

Ways to find a good property before contacting your agent. LOCATION IS KEY!

## X Cities vs. O Cities

### X Cities (exit them) (California)

The cost of living here is way too expensive.

- Los Angeles
- San Francisco
- San Diego
- Orange County

### O Cities (outskirts)

Way more affordable. Developers are building malls and businesses to make them more attractive to live there. People see money by living here and working at X cities.

Look for properties in areas that are growing.

Look for properties that need cosmetic things like a paint job, change carpet, change little things on the kitchen. Do all these things yourself, just make sure the foundations is right.

## 3 Types of properties:

TLC (tender, love, care) 

Average

Fully remodeled

# Calculate Your ROI

ROI is the total yearly income that you’re going to receive divided by the initial investment he first year. Look for at least 12% or more for it to be a great deal.

Example:

\$2,000/month Mortgage	
\$2,500/month In rent	
\$500 Monthly Profit	

\$500 x 12 = \$6,000 (yearly income)

\$6,000 / down payment = ROI for the year

x

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Notes:

# Putting in an offer

Your realtor will ask you for:

- Pre-approval letter
- Proof of funds
- FICO scores

This shows you are a serious buyer who is ready to go.

If your offer gets accepted:

You open escrow.

If your offer gets rejected:

Keep trying until your offer gets accepted.

Tips to increase your chances of getting your offer accepted.

- Higher FICO score
- More downpayment
- Fast close = strong offer (20 days to close instead of 40)

Your realtor can add a few things to make it stronger.

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# Open Escrow

What is escrow?

Escrow is a neutral 3rd party that's going to handle the money and it's going to disburse funds at the close of escrow. They make sure the money that is supposed to go to the seller, goes to the seller; the buyer's to the buyer, commissions to the Real Estate Agency and the Mortgage Company.

The title company makes sure the property is free of liens at the end of escrow.

Once you wire the money to escrow it's a binding contract and it's official.

Open all inspections:

- Appraisals
- Property inspections
- All main structure
  - Roof foundation
  - Electrical
  - Plumbing
  - Retrofitting
  - Termite
  - Section 1&2

Pay all expenses (anything that is being paid by the landlord).

- Taxes
- Insurance
- Water bill
- Etc.

The seller could give you a credit or reduce the price. Has to happen during escrow.

Things to look out for:

- Do not get into any debt while in escrow.
- No large deposits with no paper trail on negotiations.
- Make sure the loan is secured.
- All inspection reports are satisfied & appraisal value is established.
- Final verification and keys.



# Getting a Full Loan Approval

Lenders use/process form 4506 to verify you've filed your tax returns.

To make large deposits into your bank account, a family member can give you a gift and that doesn't have to be traced.

If you're employed and they cut your hours while in escrow.

Find a cosigner. Adding a cosigner can help you qualify for more.

To obtain the loan, all lender underwriter conditions will need to be satisfied.

Once the loan funds, you are the legal owner of the property.

Congrats!



## After Escrow

Managing the property yourself vs. a management company.

When you are first getting started, my recommendation is that you manage it yourself, because it's not a lot of work, But, if you don't want to deal with those headaches, a property management company will charge you anywhere from 5-10%

The more doors you give to the property management company, the better rate, even 3%  
We hired a management company when we were at 12 units, because now it was too many doors.

## LLC for each property

You need an LLC for each property, but I'd recommend not for smaller properties or for your first 4 units, because an LLC costs money and chances are you're not going to get sued.

Protect your bigger properties under an LLC.  
Properties from 40-80 units.

Always consult your CPA.



## Equity

When you build equity, you can sell or cash out refinance up to 85% of the value of the property. (this is for FHA loans)

If you have a conventional loan, you can cash out up to 75% of the value of the property.

The point is to pull your money so you can use it to work, invest or buy other multi-units.

Remember that properties go up and down a little, but for the most part, properties always go up. Properties double in value every 10 years.

## Taxes

If a few years down the line you sell your property and make capital gains, there's a program called 1031 exchange to defer paying capital gains.

Contact a local 1031 exchange company to get guidance through the process and be able to defer paying a lot of taxes.

Again, always consult with your CPA.



# Summary

There you have it.

Remember that this is a lengthy process.

It will take years, but it will make you millions.

Properties go up, little dip, then back up. They double every 10 years.

Real Estate investments are passive income.

## QUOTE:

“Success attracts success”

You become like the people you are around.

Invest in Real Estate successfully

Live your dream life.

- Albert Preciado



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