

FIXING AND FLIPPING REAL ESTATE

STRATEGIES FOR THE POST-BOOM ERA

Marty Boardman

Apress®

Fixing and Flipping Real Estate: Strategies for the Post-Boom Era

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*This is book is dedicated to my daughters,
Allyson and Audrey. They inspire me every day
with their intelligence, creativity, and beauty.
My hope is they grow up understanding that
with proper effort, dedication, decisiveness,
humility, and optimisim, they can achieve
their goals. I also want them to know that it's okay
to fail, as long as they fail forward. It's how we all
learn and grow. I love you, girls.*

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About the Author



Marty Boardman is the owner and chief financial officer of Rising Sun Capital Group, LLC, a private real estate investment firm in Gilbert, Arizona. His company fixes and flips houses throughout the greater Phoenix metro housing market. He's been the principal in over 250 single-family residential real estate transactions since 2002, and in more than 80 since the housing market crash of 2008. Marty is also an accredited instructor for the Arizona Department of Real Estate and a national contributor to BiggerPockets.com, an online real estate investment magazine. His real estate investing articles have been published on AOL

Real Estate and Realtor.com. He is a presenter at conferences devoted to real estate investment. He blogs at flippingphoenixhouses.com.

Acknowledgments

My wife, Linda, was three months pregnant with my first daughter when I quit my job in television news in 2002 to start investing in real estate. She continued to work a full-time job while I stayed at home with our first-born baby girl.

I worked evenings and weekends and earned \$24,000 the first year. She accepted the role as primary breadwinner for the family with patience and grace. When my business began firing on all cylinders in 2004, she left the workforce to take care of my oldest daughter, Allyson, and our newborn baby Audrey, so I could focus on growing our company. When the crash came in 2008, she went back to work to help make ends meet.

Through all of the ups and downs Linda never lost faith in me or demanded that I go find a real job. After 14 years of marriage, I love and appreciate her now more than ever. Thank you, Linda, for allowing me to pursue my dream through triumph and failure.

To Keith, thank you for helping me get back on my feet in 2009 and teaching me the four-boxes concept for fixing and flipping real estate. You are my mentor, friend, and brother in Christ.

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And last, but certainly not least, glory to God for the gifts I've received. I'm honored by Your grace and grateful for Your wisdom.

Introduction

Traveling is sexy, especially if you don't do it very often. That's why I was so excited to attend my first real estate investing seminar. I would soon learn everything I needed to know about how to get rich investing in real estate *and* fly across country to do it. OK, Phoenix to Denver isn't exactly across country, but it was still exciting nonetheless. The icing on the cake was that I got to stay at a Holiday Inn—can you say free continental breakfast? Yes, I was a real jetsetter.

It was 2001. I'd worked in the television news industry as a cameraman for the past 15 years. I started out in my hometown of Yuma, Arizona, and then went from Phoenix to Denver, Colorado, and back to Phoenix again in 1995. Each move was strategic. I wanted to make more money and the only way I could was by moving from television market to television market, learning new skills and increasing my value along the way. But by the start of the new decade, I realized that I'd reached the pinnacle of my earning potential as a news cameraman. If I wanted to make more money and have more free time to spend with my wife and future children I'd have to do something radically different.

Desperate for a change, I read Robert Kiyosaki's book, *Rich Dad, Poor Dad*. His message was very clear—the only way a regular guy like me could achieve financial freedom was through real estate investing.

So I did what most newbie real estate investors do. I went online and found a weekend seminar. I spent money on airfare, a hotel room, meals, and ground transportation. I listened to eight different speakers in two days. By the end, I dropped \$600 on a lease/option tape set and another \$600 on a foreclosure course.

A year went by. I closed two deals and pocketed about \$8,000. Not satisfied with my results, I did what most newbie real estate investors do next. I spent more money (\$2,700) and flew further away (Atlanta) for a weekend boot camp called "How to Get Lenders Fighting to Give You Money."

Now if the title of this course doesn't make you laugh out loud, then there is something wrong with you. Who would pay \$2,700 for something this ridiculous? The dope writing this book, that's who.

Here's what I was told to do that weekend, step by step:

- Find a small community bank.
- Schedule a meeting with the community bank VP.
- Show up to the meeting in a suit and tie.
- Explain to the bank VP that I own a real estate investment business.
- Ask for a line of credit similar to one a furniture store or car dealership gets to purchase inventory.

That's it. The bank VP will then immediately draw up the documents for a \$500,000 line of credit to buy an inventory of houses. Believe it or not I tried this—seven times. Nobody was fighting to give me money, but I could swear a few of the VPs I met with were fighting to avoid laughter.

I stumbled around in the dark for about another year. The lease-option-foreclosure thing was going nowhere. And despite my fancy suit and charming smile, the lenders weren't lending, at least not to me.

Out of desperation I called William Kozub, a local real estate attorney here in Phoenix. He had just written an article about investing and I wanted to pick his brain. William gave me the best real advice I ever received, to this day. He told me that if I was serious about learning how to invest in real estate I needed to stop wasting time and money flying all over the country attending these boot camps. He said I needed to learn how to invest from someone doing it in my own backyard.

A week later I enrolled in a short-sale foreclosure course for Realtors. I met a guy in the class who connected me with a real estate investor that was buying houses at the courthouse steps. This investor gave me a shot working for him. He'd give me a list of houses in foreclosure, and I'd knock on their door and ask if they wanted to sell their house prior to the auction. If they said yes, I got paid. My apprenticeship lasted about a year and I learned more (and made more money) than I ever did attending boot camps.

If you want to learn about real estate investing, then find someone in your area that's doing it. Make it worth their while to help you get started. Save the money you were about to spend on the boot camp and buy something worthwhile—like a nice suit and tie. It may come in handy some day.

What This Book Isn't

There is no such thing as a national housing market. Real estate is a local business. Because of this, no two fix-and-flip investors are the same. What works for me in Phoenix, Arizona, likely won't work in Toledo, Ohio, or any other real estate market in the country. This book is not an A–Z plan for fixing and flipping houses. Think of it more like a blueprint. In the following pages, I provide a basic structure for starting and operating a fix-and-flip business. It's up to you to decide how to construct it, how much time it will take, and what materials to use.

I've done my best to include everything I could think of in this book. That said, you'll likely read it and still have unanswered questions. Each distressed home seller and property you purchase to fix and flip will pose its own set of unique challenges. Please accept my apology in advance if I didn't address a specific problem, circumstance, or issue.

I write five to eight times a month on my blog, flippingphoenixhouses.com. Many of the resources I refer to can be found there to download, for free. Best of all, you can contact me there via email with questions, comments, or concerns.

How This Book Was Written

Dr. Philip Rulon could tell a story. He was my American history teacher in college at Northern Arizona University in Flagstaff, Arizona. I actually looked forward to his class. Twice a week, for 75 minutes, Dr. Rulon would colorfully describe important historical events like the Civil War, the Great Depression, and the JFK assassination. He knew so much. It was like he had been there.

Dr. Rulon's lectures never felt like lectures to me. His classes were more like fireside chats—rich with perspective and detail.

He was particularly good with the American presidents. To this day I remember how he narrated the story of Franklin Delano Roosevelt. I sat at the edge of my seat as Dr. Rulon revealed how FDR died—in the arms of another woman at his vacation home in Warm Springs, Georgia. This was juicy stuff and certainly not the kind of information you could find in a history textbook.

One of Dr. Rulon's favorite presidents was Lyndon Baines Johnson, or LBJ. He once told us how after LBJ took office he was asked if he would replace J. Edgar Hoover, the controversial director of the Federal Bureau of Investigation. Dr. Rulon quickly changed his voice into a Texas drawl to imitate LBJ and then answered the question. "No, I'd rather have him on the inside of the tent

pissing out then on the outside of the tent pissing in!” The entire class burst into laughter.

When Apress Publishing gave me the tremendous opportunity to write a book about fixing and flipping houses I developed an outline and decided to adopt Dr. Rulon’s teaching style into the text—educating through storytelling. I also incorporate this method into the two classes I now teach, “Attracting Investor Clients” (for Realtors) and “Four Flippin’ Boxes” (for aspiring fix-and-flip investors).

The very best teachers I ever had used storytelling and their own experiences to educate me. That’s what I intend to do throughout this book—use specific, real world examples to illustrate concepts, ideas and processes for successfully (and unsuccessfully) flipping real estate. My hope is you’ll gain the insight necessary to start your business or grow your existing business.

This is my story—from company creation in 2002, to domination in 2006, to crisis and chaos in 2008, to comeback in 2010. It’s also your guide to navigating the pitfalls of fix-and-flip investing in the post-boom era.

Class is now in session.