



CHAPTER 1

Get Into, and Profit From, the World's Best Borrowed-Money Business

REAL ESTATE IS THE WORLD'S BEST BORROWED-MONEY BUSINESS. EARNING money from income real estate can make you richer sooner than you think. This book shows you how to acquire \$1 million worth of income real estate in one year, or less, starting with little or no cash.

And while doing this your entire financial life will improve, as you'll soon see in this chapter. As proof of the results you can achieve, I include many real-life experiences from the thousands of readers who write, fax, e-mail, or phone me every year. Many of these happy readers tell me of their success in buying, and earning money from, income real estate.

Beginning Wealth Builders Do Amass Big Money

Some of these happy readers amass \$1 million, or more, in income real estate in one year, or less. Most start on their own with a zero-cash investment. Since \$1 million in assets represents a goal many Beginning Wealth Builders (BWBs) aspire to, I decided to use letters from these readers to show you how they reached their goal so quickly. This book gives you a number of these letters and the methods used to achieve the million-dollar goal in one year, or less. And you, too, can use the methods these Successful Wealth Builders (SWBs) use to achieve your income

real estate asset goal. At the same time, your financial life will become better than ever.

(The actual letters from these readers are available for your inspection in my New York City office. If you wish to inspect these letters, all I ask is that you give me a few days' notice so we can get the letters out of the safe deposit box where we keep them, and arrange comfortable seating for you in my office while you inspect the actual letters.)

Smart Thinking Builds Real Estate Wealth

The real estate holdings of these readers—which I call the *numbers*—prove that BWBs can acquire \$1 million in income real estate holdings in one year, or less, while improving their financial lives immensely. For example, here's a letter a reader voluntarily wrote me telling what he did to acquire \$1 million in income real estate assets:

"In 10 months I bought 15 properties worth just over \$1,000,000 with little, or no, money out of pocket. I, and my wife (couldn't have done it without her), are living proof that it can be done!

"The first seven houses we bought with the owner holding a 10 percent second mortgage. Of these, three were bought with literally no money down (except the \$8 Cashier's Check fee) where the owner rolled the closing costs into the note. The other four houses I used either a cash advance from a credit card or money from a 401(k) loan for the closing cost. All of the first seven I bought were with the owner holding paper.

"The next eight were a sweet deal. This was a package deal with all eight from one seller. The total cost of the eight houses was \$641,000. We split the sale up for financing. I, by the way, am a realtor. The owner was not willing to hold paper. So I had to come up with 10 percent down and the closing cost of roughly \$19,000. Where there is a will, there is a way. I had the owner agree to

list his properties with me with a 10 percent commission. My broker had to agree to this, as well. I rolled my commission into the 10 percent down, so no money really changed hands. But, what about closing costs? I didn't have \$19,000 lying around to plunk down. Or did I? After some searching for the right lender with the right terms, I took out a Home Equity Line of Credit (HELOC) on my primary residence. I don't mind that because the cash flow covers the note.”
—Florida

Now you see you *can* acquire \$1 million in income real estate assets in a year or less. Doing so will change your entire life and improve your standard of living enormously.

But before we show you what this great acquisition program can do for you, let me define exactly what we're talking about so we all have a clear view of the goal.

DEFINITION

The “\$1 million in one year, or less, program” shows you how to acquire \$1 million in *market value* of income real estate in the stated time span. One way this is done is to buy properties at below-market prices, fix them up, and either hold them for rental income, or flip them for a quick profit. The \$1 million is the final *market value* of the properties you acquire—not what you pay for them. Your fix-up work is usually done by outside contractors working for you. Another way to succeed in this program is as shown in the previous letter—namely to acquire properties worth \$1 million, or more, using borrowed money.

Now, here's what this million-dollar income real estate wealth building program can do for you.

You Build Your Real Estate Assets

When you acquire income real estate you become the owner of an *asset* that has value. Typical assets in real estate are buildings, land, a right of way, and so on. Each has a value that will generally increase your wealth when you own it. Acquiring assets is important for your financial health because:

- **Assets are an important part** of your Financial Statement (called your Balance Sheet). The more assets you have, the stronger—in general—is your Financial Statement.
- **Real estate assets are respected** everywhere, by everyone, as important elements in your financial picture.
- **Most real estate assets** rise in value as time passes. Your wealth increases as you sleep!
- **With more real estate assets** you can borrow against them to buy more income real estate that pays for itself and pays you a profit.
- **As your assets rise in value** your credit rating also increases because the greater the value of your assets, the stronger, in general, is your credit score since larger assets generally mean you are financially stronger and have more income to pay your bills on time, and in full.

You Acquire Large Assets in Your Free Time

When you start to build your income real estate wealth you will usually have a job or another business. So you'll have to look for real estate in your free time—on weekends, holidays, and vacations. This can be fun and profitable for you. Further:

- **Just a few hours a week** are needed by you to look for income real estate that can give you \$1 million in assets in one year, or less.
- **You can arrange financing** in your off-hours by phone, Internet, postal mail, or e-mail.
- **Your employer never need know** about your spare-time income real estate work because it will not interfere with your normal weekday duties.

- **And if you don't have a job or a business** of your own, you can still get started in your free time.
- **No real estate license** of any kind is needed to buy, hold, or flip income real estate for your personal profit.

Use the Liberal Financing Available to You

Income real estate is a *borrowed-money business*. Few real estate investors ever pay cash for their property. Why?

- *Because it's easier, and more financially rewarding, to use Other People's Money (OPM).*
- *OPM gives you control of a valuable asset without having to use any of your own money.*
- *Control of a valuable asset using borrowed money is called Leverage—the secret to getting rich in real estate.*

You might pay cash for your home—called your *personal residence* in formal real estate language. Why? Because you may want to get rid of monthly mortgage payments. And owning your home “free and clear” gives you a feeling of safety and comfort. Sure, you'll have to pay real estate taxes. But if you're like me, your author, you'll look at these taxes as “tax-deductible rent.”

Using the idea that real estate is a borrowed-money business you can start your wealth building with these thoughts:

- **Almost everybody borrows** to invest in income real estate.
- **OPM** is “the way to go” in income real estate today.
- **Hundreds of different loan programs** are available to you today to finance your start-up in income real estate. This book gives you almost all these programs.
- **You can start** with poor, or no, credit and get your needed financing.
- **And you can go from poor credit** to strong credit while your assets increase.
- **No other business offers to lend you money** to earn money.

- **You can “mortgage out”**—that is get cash money for taking over an income property using OPM—the only business in which this frequently happens.
- **Your author** can be a source of loan data for your income real estate wealth building. I assure you that you’ll be treated cordially and sympathetically as your project is reviewed.

Obtain Large Assets Quickly in Your Free Time

Yes, you *can* obtain large income real estate assets quickly, starting with little, or no, cash. To do so you must:

- **Prepare a plan** detailing what kind of income real estate assets you want to own.
- **Include, in your plan,** specific dollar financial goals you want to reach.
- **List the steps you’ll take** to locate the types of income real estate assets you want to own.
- **Estimate the time you’ll take** to find, and take over, suitable real estate to allow you to reach your financial goal.
- **Focus on your goal every day** of the week. Take action on your goal every day so you make progress toward your final financial dollar number.

Now I know that preparing a plan might turn you off. “I want to get started fast,” you say. “I don’t have time to fool around with a complicated plan.”

To which I say: “Your plan will be the most valuable step you take at the start of your million-dollar real estate wealth building. Why? It will guide you every day of the week while you look for, and negotiate, deals that can make you rich. So you *must* have a plan. And, in truth, it will be your Business Plan.”

Write Your Real Estate Business Plan

To help you overcome the reluctance many BWBs have with preparing a Business Plan for their wealth building, our next reader letter includes

data you can easily adapt to your locale and financial situation, if you want to run a similar real estate business. Or, if your future business is different, you can use the many elements he includes in his plan as a guide for your own Business Plan. To use this Business Plan as a guide, all you need do is:

- **Accept the type of properties** (single-family residential) covered in the Plan, or change the listing to the type of properties you want to buy.
- **Look at the dollar pricing numbers** in the Plan and see if they're within the typical price ranges in your area. If the numbers do not apply to your area, change them to numbers that are accurate for your locale.
- **Check the schedule for purchases.** If the timing seems too quick for you, extend the dates. And if you run over the 12 months suggested by this Plan by a month or two, don't panic! If it takes you 13 months to acquire \$1 million of income real estate instead of 12 months, I'm sure you won't be angry with me! Why? Because you'll be following your own schedule, not mine.

Now we'll give you an Income Real Estate Business Plan summarized in an actual letter. You can use this Plan as a guide for your own Plan that can put you into the million-dollar class in one year, or less. Let's get started!

Planning Produces High Profits

"We buy 'distressed properties' at 70 percent, or less, of the fair market values in 'as-is' condition for cash. Most of the time there is no real estate agent or broker involved because the property may not be on the market when we buy it. 'Distressed properties' in our definition are: **Properties in disrepair, properties with tenant problems, or other emotional dissatisfaction with the property on the part of the owner.**

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“We look for sellers forced to liquidate their real estate to solve a cash need. And we look for sellers who are anxious to unload their properties that are ‘in crisis.’ This can result from many factors, such as tenant problems, tax issues, natural disasters—fire, flood, and so on, management or cash-flow problems, or vacancies. We’ve found this demographic group prefers ‘peace of mind’ instead of ownership problems.

“We have made ourselves proficient in three specific skills:

1. **Finding deals**—how to find real estate bargains.
2. **Funding deals**—acquiring money to fund transactions.
3. **Flipping deals**—reselling property quickly, profitably.

“One of the most difficult and critical components of our purchase strategy is the elimination of, or minimizing of, the down payment required to obtain the property. Quite often, the down payment represents a significant portion of the transaction. That is, the less money invested to turn the property, the higher the rate of return on the purchase. Here’s our strategy to take advantage of a below-market purchase price:

“When a home owner signs a real estate contract to sell their property to us for 70 percent of the fair market value ‘as-is’ for cash, one of the ways we finance the deal is with a hard money lender that lends up to 75 percent of the fair future market value—that is, after fix-up. Most of the time we don’t have to put any money out to buy the property (zero cash). Even money for the renovation is lent as long as the total loaned is not over 75 percent of the future fair market value.

“We are presently working with other entities anxious to join us as ‘silent’ investors. This will allow for massive

growth while at the same time we will grow incrementally to protect all our investors.

“The terms of our financing are: _____ Lenders (the hard-money funder) provides a one-year loan. The cost of the money is 4 points (4 percent of \$100,000, or \$4,000) and 10 percent, interest only for the first six months. After that the rate goes to 14 percent and it is due in one year. We are currently working on raising capital without the need to make monthly payments.

“The reason we use _____ Lenders for financing is: Proactive closing of cash financing and escrow closure, which is so valuable to all the parties involved. We’ve found that sellers want to sell fast and we deliver. The average time for us to close a deal is six business days, or less. To accomplish this, our staff works zealously with the title company on a daily basis by pushing them to close in a rapid manner.

“_____ Lenders does not use credit or income for their approval. This allows us to buy an unlimited number of properties. All _____ Lenders requires is the collateral—that is, the property we want to buy. How does this work?

- There is no appraisal of the property required.
- We work with the fastest closing firm to get a title report.

“Banks and mortgage companies will typically be considered as a last resort. This is because of the long delays in processing mortgages. There is an estimated closing time of 30 to 45 days for these lenders. This precludes our ability to be proactive to all and that is why we try not to choose this avenue.

“Our investment strategy includes renovation of every property purchased. Homes that can be bought well below

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market value with very little repair are our best investments. But such houses are difficult to find. So we anticipate that every home will require at least cosmetic improvements to bring the home up to maximum value and allow it to be sold quickly.

“Over the last three years we’ve been in business our purchases and holdings show these results:

Year 1: 4 properties bought; Cost = \$376,000; Value = \$1 million

Year 2: 11 properties bought; Cost = \$1,887,000; Value = \$3,594,000

Total cost for two years = \$2,263,000; Total value = \$4,594,000

Gross Profit in two years = \$4,594,000 – \$2,263,000 = \$2,331,000

“Now that you have the numbers of our organization, here is information on our location and market: It is, and has been, our goal to provide a unique service to our growing and diverse community in northern California. Our company’s mission is sound. It is fostered with the highest standard of excellence, dedication to quality, service oriented, detail attentive, with the goal to rebuild our neighborhoods.

“We have surrounded ourselves with the ‘best and brightest’ of professionals in diverse areas to address any contingency that may occur. What we provide is unique. We buy properties from others who wish to sell but do not have the capital or liquidity necessary to fix up their home and then sell it. This service is provided to sellers of homes, investment properties, and apartment complexes in ‘as-is’ condition. We use in-house project management and the best of contractors to restore the property to one that transcends anyone’s dreams.

“The area we chose to invest in is one in which we can buy properties for 70 percent, or less, of the future fair

market value and resell within one month while on the market. This area has had a 40+ percent appreciation of housing prices. Further, there is recent demand for homes for first-time home buyers, our target market. Also, we know the area, as do most of our associates who work with us.

“We developed our strategy around the purchase of homes in the under-\$150,000 range. This price represents homes on the lower end of the spectrum in the targeted neighborhoods. A price differential of at least 30 percent between our purchase price and the typical sales price is a requisite to each purchase. This allows us to absorb a renovation and acquisition expense of about \$5,000 to \$10,000 for each property and still net a minimum profit from each sale, with the potential of garnering six figures on the investment sales price. And our target neighborhood is well populated with significantly motivated sellers who will take cash in exchange for a substantial discount for a minimum of 70 percent, or below, of the fair market value, after fix-up.”

—California

Focus on the Elements of Your Business Plan

Using this letter (which was sent to me in the form of a Business Plan) as a guide, let's extract the elements you'll use in your Business Plan—which I often call your Success Plan. These elements are:

1. **What you'll do** to acquire your million dollars in market-value real estate in one year. In this Plan it is: *Buy properties at 70 percent, or less, of future fair market value and fix them up for resale at a profit.*
2. **Select the area** in which you'll work. In this Plan it is: *A city in which owners of lower-priced homes need to get cash to take the next step in their lives. These, the letter writer calls his “targeted neighborhoods.”*

3. **Choose the price range you'll focus on.** In this Plan it is: *Homes in the under-\$150,000 price range. These are at the lower end of the spectrum of prices in the targeted neighborhoods.*
4. **Find suitable financing sources.** In this Plan it is: *A hard-money lender that charges points with an interest-only grace period and then a higher interest rate, with a one-year term limit on the loan.*
5. **Specify who will do the needed work.** In this Plan it is: *Experienced outside contractors, plus the company preparing the plan, are responsible for doing the rehab work.*
6. **State other important aspects of your business.** In this Plan they are:
 - Estimated rehab cost for each property.*
 - Acquisition price range for each property.*
 - Market for sales—that is, first-time home buyers.*
 - Condition of properties to buy—as is.*
 - Rehab of each property as a business strategy.*
 - Stated closing time for each purchase—six days.*
 - Known interest-rate conditions for financing.*
 - Specific type of seller targeted for purchase strategies.*

Now I know you may regard writing as a chore. And writing a Business Plan may be even more of a chore to you. But please hear me, as your friend and mentor, when I say:

Your Business Plan can be your most valuable tool in building \$1 million in market-value real estate in one year, starting with little, or no, cash. Your Plan will outline what you intend to do. Then all you have to do is follow your Plan. Trust me, Business Plans do work for you. I have nothing to sell you but your success!

Your Real Estate Road to Wealth Is Easy

Earning your fortune in real estate is easier today than ever before. And you can get started sooner than you think. Why? Because, in income real estate you:

- **Don't need a college education** to start. You can learn as you build your wealth. This book gets you started on little, or no, money.
- **Your race, gender, age, religion, and location** will not hinder you from starting, and succeeding in, owning income real estate of any type you like.
- **You have a friend in your author**, Ty Hicks. I'm ready to help you in every way I can. If you contact me, all I ask is that you submit your needs in writing because I take your request very seriously and I want to give you the best advice I can. A 60-second phone call is really not long enough to get the needed facts to give you a sensible answer!



Your Key Ideas for Acquiring Large Real Estate Assets

- ❑ **Real estate** is the world's best borrowed-money business.
- ❑ **You can borrow money** to build \$1 million in market-value real estate assets in one year.
- ❑ **While you build your real estate assets** you will improve your financial life and your credit score.
- ❑ **Smart thinking will help you** build your real estate wealth faster, and with less work on your part.
- ❑ **Real estate assets are respected** by all lenders. Hence, you can use your real estate assets to borrow money to buy more real estate.
- ❑ **You can build real estate wealth** working just a few hours per week in your free time.
- ❑ **Financing for your real estate business** can easily be arranged in your free off-hours time via telephone or Internet.
- ❑ **If you're employed**, your employer never need know about your off-hours real estate investing because it's your business, and yours alone!
- ❑ **No real estate license is required** of you as a property investor.
- ❑ **Hundreds of good, reliable loan programs** are available to you to finance building your real estate assets on borrowed money.
- ❑ **A comprehensive Business Plan** can guide you to acquiring \$1 million in market-value real estate in one year on little, or zero, cash down.