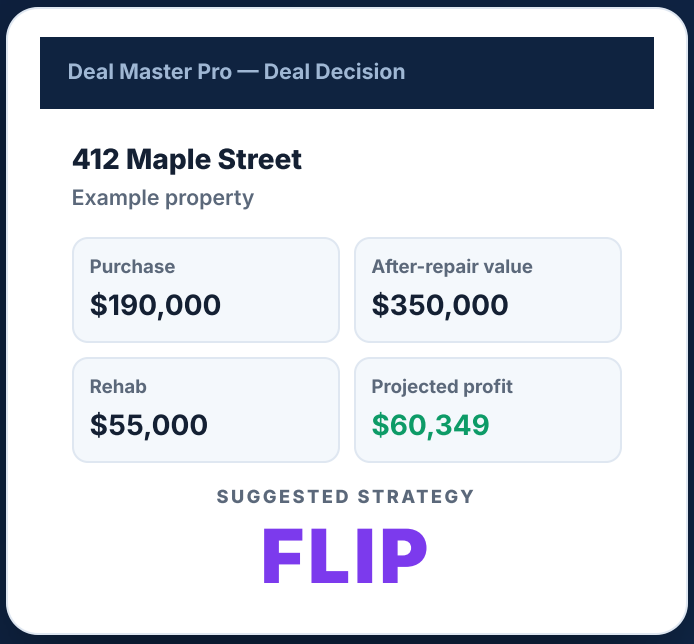
THE DEAL MASTER PRO FIELD GUIDE

How to Find and FLIP (or Refinance and RENT) a Home

FOR THE NEW OR ESTABLISHED INVESTOR

Find the deal, nail the numbers, fund it and fix it — then sell it for profit or refinance and rent it for cash flow, with the preflight checklist that keeps your money safe.



DEAL MASTER PRO

Dan Palumbo
Founder, Deal Master Pro

FREE E-BOOK

How to Find and FLIP

(or Refinance and RENT)

a Home

FOR THE NEW OR ESTABLISHED INVESTOR

The Deal Master Pro Field Guide to Finding, Funding, Fixing, and Selling or Renting Your Next Property

By Dan Palumbo
Founder, Deal Master Pro

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Deal Master Pro estimates are based on your inputs, your saved lender profiles and third-party data. Always confirm them independently before making a decision.

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FOREWORD

Preflight Your Deal

Why a pilot's checklist is the best tool a house flipper can have.

I have spent most of my life in two worlds. In one, I fly Gulfstream jets and train other pilots to fly them. In the other, I have owned real estate and mortgage companies, held a mortgage banker's license, and bought and managed rental properties here on the Jersey Shore, where I have lived my whole life.

Those two worlds have more in common than you might think. With more than 12,000 hours in the air, I can tell you that good pilots don't take off on a feeling. Before every flight we do a lot of preflight planning and always use a checklist. We know our weight, our fuel, our runway, our route of flight, the weather and our way out if something goes wrong. We are prepared — *before* we push the throttles forward. These steps don't make flying less exciting. They make it safe enough to do again tomorrow.

Real estate is the same. Most investors who lose money on a flip didn't lose it during the rehab or the sale. They lost it on the day they signed the purchase contract, because they agreed to a price the numbers could never support. They took off without proper preflight planning.

> *A flip is made or lost the day you buy it. Everything after that is execution.*

For years, I analyzed my real estate deals the hard way. For every property, I gathered the sale price, the comps, the after-repair value, the rehab estimate, the taxes and insurance, the rents, and my lender's terms and fees — then built the spreadsheet and ran the numbers. It was very time-consuming, and most of the time the answer was "pass." Hours of work just to learn a deal wasn't worth chasing. I wanted a quick, easy way to know whether a property deserved my time *before* I spent an evening on it.

That is why I built **Deal Master Pro**. I wanted a preflight checklist for real estate deals — one place where an investor can enter an address, choose their own lender, and within about a minute see the cash they'll need, the profit they can expect, and whether the property is a **FLIP**, a **RENTAL**, or a **PASS**. Not a guess — a clear answer, built on their own lender's real terms and real property data.

This book is the other half of that checklist. It teaches the thinking behind the numbers — finding properties, valuing them, estimating the rehab, financing it (or Refinance and Rent) and selling it — and shows how Deal Master Pro handles each step, so you spend your time finding and closing deals instead of wrestling with formulas.

Read it once straight through, then keep it nearby and run your preflight on every property you look at. Your future self — and your bank account — will thank you.

Dan Palumbo
Founder, Deal Master Pro

BEFORE YOU BEGIN

How to Use This Book

Four parts, seventeen chapters, and one simple goal: never overpay for a flip.

This book follows a flip from start to finish, in the same order you'll experience it with a real property. This book (and the **Deal Master Pro** app) is based on maximum leverage, maximum profit using the popular BRRRR system with a DSCR (with no seasoning) loan. We want to buy, fix, Rent, Refinance, then take our profits and do it all over again. But sometimes a buy and fix doesn't work as a rental. In this case we will **FLIP** the property. And, in many cases, it's just a **PASS**! This book will discuss all the options. The Deal Master Pro app can do this in 7 steps! Let's dig in.

Part One · The Numbers

How flips actually make money, the costs most beginners forget, and the formulas that tell you the most you can pay for a property.

Part Two · Finding the Deal

Where profitable properties come from, how to screen them fast, how to determine after-repair value, and how to estimate rehab costs.

Part Three · Funding and Deciding

Financing options, leveraging other people's money with 100% rehab financing, a full worked deal from first look to final profit, what to do when a flip makes more sense as a rental, and how DSCR loans let rental investors scale.

Part Four · Doing the Deal

Making offers, due diligence, running the rehab, selling for top dollar, avoiding common mistakes, and your 30-day action plan.

Look for these boxes

DEAL MASTER PRO IN ACTION

Shows exactly how to use Deal Master Pro for the step you just learned — which tab to open, what to enter, and what the app gives you back.

PRO TIP

Practical advice from the field that saves time, money or headaches.

WATCH OUT

The traps that cost new flippers the most money. Read these twice.

Leverage yourself. Most investors use creative financing — other people's money, normally a lender's — instead of their own.

Rates may be a little higher than a home mortgage, but the loan terms are flexible and easy. The normal down payment is 15–25% of the purchase price, and many lenders finance up to 100% of the rehab, paid out in draws — some allow up to 10. You'll need some cash to start the work, and after each stage is done you're reimbursed through a draw request. We show you exactly how in Chapter 8.

A word about the numbers in this book

Every deal in this book is a teaching example. Prices, interest rates, rehab costs and rents change from town to town and month to month. The *method* is what matters: once you understand how the numbers fit together, you can plug in the real figures for your market — or let Deal Master Pro pull them for you and do the math in seconds.

Throughout the book, we'll follow one property, **412 Maple Street**, a tired three-bedroom ranch, from the first time we spot it to the day it sells. By the end, you'll have seen every number that decides whether a flip is worth doing.

Try it as you read. Start your 7-day free trial at dealmasterpro.com and run each example yourself.

The fastest way to learn deal analysis is to analyze deals. The trial lets you pull real properties in your own market while you read.

PART ONE

The Numbers

Before you look at a single house, learn how a flip makes money — and how it quietly loses it.

CHAPTER 1

The Business of Flipping

A flip is not a renovation project. It is a short-term business with one product, a deadline, and a budget.

On television, flipping looks simple: buy an ugly house, knock down a wall, hang new cabinets, and sell for a fortune thirty minutes later. In real life, flipping is a business, and like any business it lives or dies by its numbers.

A fix-and-flip is simple to describe. You buy a property that needs work at a price below what it will be worth once repaired. You renovate it so that it competes with the best homes in its neighborhood. Then you sell it to a homeowner, usually within four to nine months. Your profit is whatever is left after every cost of buying, fixing, holding, financing and selling the property has been paid.

That last sentence holds the whole secret. New investors tend to focus on two numbers — the purchase price and the sale price — and forget the dozen other costs that sit between them. Experienced investors focus on all of them, and they decide what they're willing to pay only after adding them up.

The four numbers that decide every flip

1. Purchase price

What you pay to acquire the property. This is the one number you control most, and the only one you can't fix later.

2. After-repair value (ARV)

What the property will realistically sell for once renovated, based on recent sales of similar, updated homes nearby.

3. Rehab cost

Everything it takes to bring the house up to the standard of those sold homes: materials, labor, permits and a contingency.

4. Time

Every month you own the property costs money: loan interest, taxes, insurance and utilities. Time is a cost, not a background detail.

Get these four right and the rest of the deal is mostly arithmetic. Get one of them wrong — especially ARV or rehab — and even a hard-working, well-run project can lose money.

The costs beginners forget

Here are the costs that separate the purchase price from your profit. Every one of them is real, and every one of them shows up on a closing statement, an invoice or a bank withdrawal.

Cost bucket	What it includes	Rough guide
Buying costs	Title insurance, settlement and attorney fees, recording, transfer taxes where the buyer pays them, inspections, survey	1–3% of price
Financing costs	Lender points, origination and processing fees, appraisal, draw-inspection fees	Varies by lender
Holding costs	Mortgage payments, property taxes, insurance (often a vacant or builder's-risk policy), utilities, lawn/snow, HOA dues, security	Monthly
Rehab costs	Labor, materials, permits, dumpsters, design, plus a contingency for surprises	Your scope + 10–15%
Selling costs	Agent commissions, seller closing costs and transfer taxes, buyer concessions, staging, photography	6–9% of ARV

Ranges are general guides only. Your state, county, lender and agent agreements set the real figures.

WATCH OUT

Selling costs alone often run 6–9% of the sale price. On a $350,000 house, that is $21,000 to $31,500 — money that never reaches your pocket. If your deal only "works" when you ignore selling costs, it doesn't work.

Three kinds of flips

Not all flips are created equal. Knowing which kind you're looking at helps you judge both the opportunity and the risk.

Type	Typical work	Risk	Best for
Cosmetic	Paint, flooring, fixtures, landscaping, light kitchen and bath updates	Lower	First deals; shorter timelines
Moderate	New kitchen and baths, some systems (HVAC, water heater, windows), layout tweaks	Medium	Investors with a reliable contractor
Heavy / gut	Roof, structure, electrical, plumbing, additions, permits and engineering	Higher	Experienced teams with reserves

Bigger rehabs can mean bigger profits, but also more surprises, more permits and more months of holding costs. Many successful flippers start with cosmetic and moderate projects and graduate to heavier work once they have a proven team.

Where the profit really comes from

There is an old saying among investors: *you make your money when you buy.* That's because, once you own the property, almost everything else is fixed by the market. You can't force buyers to pay more than the neighborhood supports, and you can't make lumber cheaper. What you *can* control is the price you agree to pay. A great purchase price gives you room for the surprises every rehab brings. A bad one leaves you no room at all.

The goal of deal analysis is not to prove a deal works. It's to find out the most you can pay and still win.

That number has a name — your Maximum Allowable Offer — and it's the subject of the next chapter.

Is flipping right for you?

Flipping rewards people who are organized, patient and honest with themselves about numbers. Before you start, make sure you have:

- ✔ **Cash reserves** beyond your down payment and closing costs — enough to cover several extra months of holding costs and a rehab overrun.
- ✔ **Access to financing** you understand: its rates, points, draw schedule and limits. You don't need to pay for the whole house yourself — many lenders fund 100% of the rehab with a 15–25% down payment (Chapter 8).

- **A team**, or a plan to build one: an investor-friendly agent, contractor, lender, attorney or title company, inspector and insurance agent.
- **Time** to look at many properties for every one you buy, and to manage the project once you do.
- **A system** for analyzing deals quickly and consistently, so emotions don't make your decisions.

DEAL MASTER PRO IN ACTION

Deal Master Pro is that system. Set your personal targets once in your **User Profile** — the minimum flip profit you want, the monthly cash flow you want from a rental, and how much you want to cash out with a DSCR refinance. From then on, every property you analyze is judged against *your* goals and *your* lender's terms, and the **Deal Decision** tab tells you whether it's a REHAB & FLIP, a REHAB & RENT, or a PASS.

REHAB & FLIP | REHAB & RENT | PASS

BUILT TO FIT YOU

Deal Master Pro is designed to fit **YOU** personally. Using the lending criteria (guidelines) of the lenders **you** choose, it figures every number from **YOUR** personal information, **YOUR** credit score and **YOUR** rental and/or FLIP profit goals. Two investors can look at the same house and get two different answers, and each answer is right for that investor.

CHAPTER 2

Know Your Numbers Before You Look

The 70% rule, the Maximum Allowable Offer, and why price is the only number you can't fix later.

If you remember only one chapter of this book, make it this one. Every successful flipper walks into a property already knowing the formula that decides what they'll pay. The house doesn't set your price. The math does.

The 70% rule

The most famous shortcut in house flipping is the 70% rule. It says the most you should pay for a flip is 70% of the after-repair value, minus the cost of repairs.

Maximum Offer = (ARV × 70%) − Rehab Cost

The remaining 30% of ARV is meant to cover buying, financing, holding and selling costs — and your profit.

Let's apply it to our example property, **412 Maple Street**. It's a dated three-bedroom, one-and-a-half-bath ranch. Renovated homes like it in the neighborhood have recently sold for about **$350,000**. Our rehab estimate is **$55,000**. The seller is asking **$220,000**.

412 Maple Street — 70% rule	Amount
After-repair value (ARV)	$350,000
× 70%	$245,000
− Rehab cost	−$55,000
Maximum offer by the 70% rule	**$190,000**
Seller's asking price	**$220,000**

By the 70% rule, the asking price is $30,000 too high. That doesn't mean we walk away — it means we know our offer needs to start much closer to $190,000, and we know exactly why.

PRO TIP

The 70% rule is a quick filter, not a final answer. In expensive markets, investors sometimes go to 75% or higher because selling costs are a smaller slice of a big price. On low-priced houses, 65% or less is often safer because fixed costs eat a larger share. Use the rule to decide whether a property is worth a closer look — then run the full numbers.

The full Maximum Allowable Offer

The 70% rule is a rough estimate of all your costs and profit rolled together. The more precise method starts with the profit you want and works backward through every real cost.

Max Allowable Offer = ARV − Selling Costs − Rehab − Holding Costs − Financing Costs − Buying Costs − Your Profit Target

Work backward from the sale price, subtracting everything that has to be paid before you get paid.

This is more work by hand, because several costs depend on the purchase price itself. Lender points, interest and closing costs all rise as the price rises. That's exactly the kind of math a computer should do for you.

Every dollar of price costs more than a dollar

Here's something many beginners miss. When you raise your offer by $10,000, your profit drops by *more* than $10,000. A bigger price means a bigger loan, which means more points and more interest, and higher closing costs on top.

Let's compare Maple Street at two prices. We'll assume a typical short-term rehab lender that finances 85% of the purchase and 100% of the rehab at 10% interest with 2 points, buying costs of 2% of the price, a five-month project, and the monthly carrying costs and selling costs explained in the box below.

412 Maple Street — profit by purchase price	Buy at $190,000	Buy at $220,000
Sale price (ARV)	$350,000	$350,000
Purchase price	$190,000	$220,000
Rehab	$55,000	$55,000
Lender points (2%)	$4,330	$4,840
Mortgage payments (interest-only, 5 months)	$9,021	$10,083
Buying costs (2%)	$3,800	$4,400
Taxes, insurance & utilities ($600/mo × 5)	$3,000	$3,000
Selling costs (7% of ARV)	$24,500	$24,500
Total cost	**$289,651**	**$321,823**
Projected profit	**$60,349**	**$28,177**

WHERE THOSE COSTS COME FROM

Monthly carrying costs (buying at $190,000). Because the property is financed, you make a mortgage payment every month you own it, plus taxes, insurance and utilities:

Each month while you own it	Amount
Mortgage payment — interest-only, 10% on the $216,500 loan	$1,804
Property taxes	$350
Homeowners insurance (vacant / builder's-risk policy)	$100
Utilities (electric, water, gas)	$150
Total monthly carrying cost	**$2,404**

Over five months that's about $12,021: $9,021 in mortgage payments plus $3,000 in taxes, insurance and utilities. Many rehab loans are interest-only and some charge interest only on rehab money already drawn, so your actual payment may be lower early in the project. Ask your lender.

WHAT'S IN THE 7% SELLING COST?

When you sell, these costs come off the top at closing, before you're paid. On Maple Street's $350,000 sale:

Selling cost	What it pays for	% of sale	Amount
Listing agent commission	Your agent: pricing, marketing, showings, negotiating	2.5%	$8,750
Buyer's agent compensation	Offered to the agent who brings the buyer, if you choose to	2.5%	$8,750
Seller closing costs	Settlement or attorney fees, deed preparation, recording, loan payoff fees	0.5%	$1,750
Transfer tax	State and local tax on the sale, where the seller pays it	0.5%	$1,750
Buyer concessions	Credits toward the buyer's closing costs or inspection repairs	0.5%	$1,750
Staging & photography	Furniture staging, professional photos, final touch-ups	0.5%	$1,750
Total selling costs		**7.0%**	**$24,500**

These vary. Commissions are negotiable, and how buyer's agents are paid is now negotiated deal by deal. Transfer taxes range from none in some states to well over 1% in others — check yours. Your listing agent and title company can give you a net sheet showing your real selling costs before you list.

A $30,000 difference in price cost us more than $32,000 in profit — and that's before anything goes wrong. Now look at what happens if the rehab runs 15% over budget and the project takes seven months instead of five, which is common:

Same deal, with a 15% rehab overrun and 7 months	Buy at $190,000	Buy at $220,000
Projected profit	**$47,291**	**$14,693**

At $190,000, Maple Street survives the surprises and still pays well. At $220,000, a few ordinary problems leave the investor with less than $15,000 for half a year of work and risk — and one more surprise could erase it entirely.

A good purchase price is your margin of safety.

It is the runway you'll need when the inspection finds a bad sewer line or the market slows before you list.

Setting your profit target

How much profit should you require? Many investors set a minimum dollar amount, a minimum percentage of the ARV, or both — for example, "at least $30,000, and at least 10–15% of ARV." Bigger, riskier projects deserve bigger targets. The point is to decide *before* you fall in love with a house.

Using the full method, if our profit target for Maple Street is $40,000, the most we can pay is about **$208,900**. That's higher than the 70% rule's $190,000, because we've accounted for each real cost instead of using a rough percentage — but it's still well below the $220,000 asking price.

DEAL MASTER PRO IN ACTION

You never need to work backward by hand. Enter the ARV, rehab estimate and rehab months on **Deal Setup**, choose your lender, and the **Flip & Comps** tab shows a **Max Offer** box under your profit results — the highest price that still hits the flip profit target in your User Profile (which you can adjust for any individual deal). The **Deal Summary** and **Investor Report** include the max offer along with a plain-English explanation of the 70% rule, so partners and lenders see your reasoning too.

WATCH OUT

Never raise your max offer because you "like the house," because you've already spent time on it, or because you haven't bought anything in a while. If the numbers don't work, the next property will. The deals you *don't* do are just as important as the ones you do.

PART TWO

Finding the Deal

Profitable flips are found, not stumbled upon. Learn where to look, how to screen fast, and how to price both the finished house and the work it needs.

CHAPTER 3

Where the Deals Are

Great flips rarely look great on the surface. Here's where to find motivated sellers and overlooked properties.

A flip needs a seller who values speed, certainty or convenience more than top dollar. Your job is to find those sellers — and to be the buyer who can quickly tell them yes or no.

Investors call it *deal flow*: a steady stream of properties to analyze. The more leads you see, the pickier you can be. A common rule of thumb is that you may need to analyze dozens of properties, and make many offers, for every one you buy. That's normal, and it's why a fast analysis system matters so much.

Start with your buy box

Before you hunt, define what you're hunting for. A **buy box** is a short description of the properties you want: the areas, price range, property types, size and condition you're comfortable with. It keeps you from wasting time on houses you'd never buy.

Buy box item	Example
Target areas	Three or four towns or zip codes you know well, within an easy drive
Price after repair	Around the median price for those areas — the biggest pool of buyers
Property type	Single-family, 3+ bedrooms, at least 1.5 baths (or room to add one)
Condition	Cosmetic to moderate rehab; no major structural work at first
Avoid	Busy highways, flood-prone streets you can't insure affordably, unusual layouts

1. The MLS (yes, really)

Many people assume every listed house is overpriced. Not true. Good flips appear on the Multiple Listing Service every week — they just don't look good in the listing. Work with an investor-friendly agent and ask for searches like these:

- **Long days on market** — listings sitting 60, 90 or 120+ days, where sellers are getting tired.
- **Price reductions** — especially two or more cuts.
- **Condition keywords** — "as-is," "handyman special," "needs TLC," "estate sale," "bring your contractor," "cash only."
- **Bad photos or no photos** — listings that hide their potential scare off retail buyers.
- **Expired and withdrawn listings** — owners who wanted to sell and couldn't.
- **Bank-owned (REO) and short sales** — slower, but often priced to move.

2. Wholesalers

Wholesalers find off-market properties, put them under contract, and assign that contract to an investor for a fee. They can be a great source of deals, but their numbers are a sales pitch. Treat every wholesaler's ARV and repair estimate as a starting point to verify, never as fact.

WATCH OUT

Wholesalers often use the most optimistic comps and the lightest rehab budget. Always pull your own comps and walk the property yourself before you send an assignment fee.

Check the rehab yourself with Deal Master Pro. On your walkthrough, take pictures and/or video of the property and upload them to the **AI Rehab Estimator**. It tells you what needs to be done to the property and estimates what it should cost — so you can see in minutes whether the wholesaler's repair number is realistic, and pull real closed comps on the **Flip & Comps** tab to check their ARV.

3. Driving for dollars

Drive or walk your target neighborhoods and note houses that look neglected: overgrown yards, boarded windows, roof tarps, piled-up mail, peeling paint. Look up the owners through public records and reach out by mail, phone or a polite knock on the door. It's slow, but the competition is lighter than anywhere else.

4. Direct mail and marketing

Many investors send letters or postcards to lists of likely sellers: absentee owners, long-time owners, out-of-state owners, inherited properties, and owners behind on taxes. Consistency matters more than any single mailing; many sellers respond only after several contacts.

5. Life events: probate, divorce and relocation

Inherited homes are a classic source of flips. Heirs often live far away, don't want to manage repairs, and prefer a quick, clean sale. Estate attorneys, executors and probate court filings (public records in many counties) can lead you to them. The same is true for divorces and job relocations. Always approach these sellers with patience and respect — you're solving a hard problem for them.

6. Pre-foreclosure, tax delinquency and auctions

Owners facing foreclosure or tax sales may welcome a fast buyer. Sheriff's sales and online auctions can produce bargains, but often require cash, allow no inspection, and may come with occupants or liens. These are advanced plays — learn your state's process and work with an attorney before bidding.

7. Your network

Tell everyone what you do. Contractors, property managers, real estate attorneys, insurance agents, lenders and other investors all hear about properties before they hit the market. A simple "If you hear of a house that needs work, I can close fast" turns your network into a deal-finding team.

DEAL MASTER PRO IN ACTION

Whatever the source, every lead goes into the same place. Type the address on **Deal Setup** — address autocomplete fills the street, town and county for you — and you can judge a lead in about a minute instead of an evening. Save every analysis in **Saved Deals** (paid plans have no limit), so when a seller calls back three weeks later with a lower price, your numbers are one tap away. Out in the field, the app runs on your iPhone, so you can analyze a house from the driveway.

CHAPTER 4

Screening a Lead in 60 Seconds

Most leads are a PASS. The faster you find out, the more time you have for the ones that aren't.

Your most limited resource isn't money. It's time. If every lead takes two hours to analyze, you'll analyze a handful a week and miss the good ones. Professionals screen fast, then go deep only on the properties that survive.

The three-question screen

1. **Is it in my buy box?** Right area, right type, right size, rehab level I can handle.
2. **Is there enough spread? Let Deal Master Pro tell you.** Open Deal Master Pro, type in the address, and enter the sales price, the ARV and a rough rehab estimate. Deal Master Pro pulls in the property information and takes care of the rest — financing, cash needed, profit and cash flow — and gives you a quick answer: **REHAB & RENT**, **REHAB & FLIP**, or **PASS**.
3. **Are there deal-killers?** Flood zone, high crime, a busy road, a major structural issue, title problems, or a neighborhood where renovated homes don't sell.

   You might even want to look at an aerial view of the property to see what's around it — a busy road, railroad tracks, commercial buildings or water. On the **Distance & Route** tab in Deal Master Pro, open Google Maps or Apple Maps and switch to the satellite view.

If a property passes all three, it earns a full analysis and a visit. If not, you move on — no regrets.

Location checks that matter

You can renovate a house, but you can't renovate its location. Before you fall for a floor plan, check:

Flood risk

Is the property in a FEMA flood zone? Flood insurance can be expensive, may be required by the buyer's lender, and can scare away retail buyers.

Crime

How does the area compare? Buyers research crime before they buy; you should too.

Neighborhood demographics

Household income, home ownership rates and home values tell you who your buyer will be and what they can afford.

Rents

What would the house rent for? Strong rents give you a backup plan if the flip market cools (see Chapter 10).

Taxes and insurance

High taxes and costly insurance shrink buyers' budgets and raise your holding costs. Coastal and hurricane areas may require windstorm coverage.

Distance

How far is it from you and your contractor, at real traffic times? A project you can't easily visit is harder to manage.

DEAL MASTER PRO IN ACTION

This is where Deal Master Pro earns its name. Enter the address and press **Property Pull**. In seconds, the **Property Information** tab fills in bedrooms, bathrooms, square footage, property taxes, an estimated homeowners insurance figure, average area rent and Section 8 rent. Then check:

- **FEMA flood zone** for the property
- **Neighborhood and county statistics** from the U.S. Census Bureau
- **Crime statistics** for the area from the FBI Crime Data Explorer
- **HUD rent** data for the area
- **Real-time drive and route** from your location, based on current Google traffic

Every automatic entry can be changed if you know better. Taxes and insurance are estimates, and the app reminds you when windstorm coverage may be needed in hurricane areas.

Red flags that usually mean PASS

- Foundation movement, major water damage or active mold without a professional estimate
- A neighborhood where renovated homes don't sell much higher than unrenovated ones
- No comparable sales of updated homes in the last six to twelve months
- Expensive flood insurance on a property your buyers will need to finance
- Unpermitted additions or open permits you can't resolve
- A seller who wants retail price for a house that needs everything

PRO TIP

Track every lead — even the PASSes. Patterns appear quickly: which towns produce deals, which sources waste your time, and how sellers' prices drop over time. A saved analysis is also the fastest way to respond when a seller comes back to you.

CHAPTER 5

Nailing the After-Repair Value

ARV is the ceiling on every flip. Overestimate it by 10% and you can wipe out your entire profit.

After-repair value is what your property will sell for once it's renovated — not what you hope, not what the listing agent says, and not what one record-setting sale down the street brought. It comes from comparable sales: recent sales of similar, renovated homes nearby.

What makes a good comp

Factor	Best practice
Sold, not listed	Use closed sales. Asking prices are wishes; sold prices are facts.
Recency	Ideally within the last 3–6 months; stretch to 12 only when the market is slow.
Distance	As close as possible — often within half a mile in suburbs, closer in cities. Stay in the same neighborhood and school district.
Size	Within about 15–20% of the subject's square footage.
Beds and baths	Same bedroom count if possible; adjust for bathroom differences.
Style and age	Ranch with ranch, colonial with colonial, similar age of construction.
Condition	Renovated to the same level you plan to deliver. This is the most important factor.

Adjusting comps

No two houses are identical, so appraisers *adjust* each comp for differences. If a comp has a feature your subject lacks, subtract its value from the comp's price; if your subject has something the comp lacks, add it. Adjustment amounts vary by market — local agents and appraisers can tell you what a garage or extra bath is typically worth in your area.

Here's how we arrived at the ARV for 412 Maple Street. After renovation it will be a 3-bedroom, 1.5-bath ranch with 1,280 square feet and a one-car garage. (For this example, we use a size adjustment of $75 per square foot, $6,000 for a full bath and $5,000 for a garage.)

Comp	Details	Sold	Adjustments	Adjusted
A	3 bd / 2 ba, 1,350 sf, renovated, 0.3 mi, 2 months ago	$362,000	−$6,000 extra bath; −$5,250 larger	$350,750
B	3 bd / 1.5 ba, 1,240 sf, renovated, no garage, 0.4 mi, 4 months ago	$344,000	+$3,000 smaller; +$5,000 no garage	$352,000
C	3 bd / 1.5 ba, 1,300 sf, renovated, 0.2 mi, 1 month ago	$349,500	−$1,500 larger	$348,000
Average adjusted value → ARV used				**$350,000**

Two other sales came up in the search that we deliberately left out: a fully renovated four-bedroom with an in-ground pool that sold for $415,000, and an unrenovated estate sale that went for $238,000. Neither is the house we're going to sell. One is too good, the other too rough.

WATCH OUT

The most dangerous comp is the best sale in the neighborhood. It's tempting to base your ARV on it, but it usually had something special — a bigger lot, a better street, a premium finish. Price your plan on what typical renovated homes sell for, not the outlier.

Sanity-check your ARV

- ✔ Compare **price per square foot** across comps; does your ARV fall in the normal range?
- ✔ Look at **active and pending listings** — they're your future competition when you sell.
- ✔ Ask an investor-friendly agent for their opinion of value *after* renovation.
- ✔ If you're borrowing, remember the lender will order its own appraisal — and the buyer's lender will too.

DEAL MASTER PRO IN ACTION

On the **Flip & Comps** tab, press **Get Comps** to pull actual *closed* comparable sales for the subject property — verified sold data, not listings. Deal Master Pro shows the best matches so you can compare size, beds, baths, distance and sale date at a glance, then set your ARV with confidence. Change the ARV on Deal Setup and every number in the app — profit, max offer, loan-to-ARV, DSCR refinance — updates instantly. Use the **What-If sliders** to see how your profit holds up if the ARV comes in 5% or 10% lower.

PRO TIP

Always run a “bad day” ARV: knock 5–10% off and see if the deal still makes money. If a small dip in value turns your profit into a loss, you’re paying too much.

CHAPTER 6

Estimating Rehab Like a Pro

Underestimated repairs are the second-biggest reason flips lose money. Here's how to see the whole job before you buy.

You don't need to be a contractor to estimate rehab well. You need a system: walk the property the same way every time, note everything, separate the "must fix" from the "nice to have," and always add a contingency.

Renovate to the comps, not to your taste

Your scope of work should bring the house up to the standard of the renovated comps you used for your ARV — no less, and not much more. Quartz countertops in a neighborhood where buyers expect laminate won't raise your sale price; they'll just lower your profit. Missing the finishes buyers expect will cost you on the sale price instead.

DEAL MASTER PRO

LET AI WALK THE PROPERTY WITH YOU

Before you call a single contractor, let Deal Master Pro's **AI Rehab Estimator** take a first pass. It's one of the most powerful tools in the app:

1. **Take pictures and/or video** as you walk the property — every room, the exterior, the kitchen and baths, the mechanicals.
2. **Upload them** to the AI Rehab Estimator (up to 10 photos per analysis).
3. **The AI tells you what needs to be done** — the work it sees needed throughout the property — and **estimates the average cost** of each item.
4. **Use it as your starting budget.** Compare it with your own walkthrough notes and your contractor's bids, then enter your final rehab number on Deal Setup.

It's AI, so always double-check it — it can't see behind walls, and local labor costs vary — but it's remarkably good. In minutes, you'll know whether a property needs a cosmetic refresh or a major overhaul, before you've spent a dime on bids.

The big-ticket items first

Start your walkthrough with the expensive systems. These can make or break the budget, and buyers' inspectors will find them if you don't.

Roof & exterior

Age of the roof, missing shingles, soft spots, gutters, siding, windows, grading and drainage around the foundation.

Foundation & structure

Cracks, sloping floors, sticking doors, water in the basement or crawl space. Call a structural engineer if in doubt.

HVAC

Age and condition of furnace, boiler and air conditioning. Look for the manufacture date on the unit's label.

Electrical

Panel size and brand, outdated wiring, two-prong outlets, missing GFCI protection in kitchens and baths.

Plumbing

Supply pipe material, water heater age, leaks, water pressure, and the sewer line (a camera inspection is cheap insurance).

Environmental

Mold, asbestos, lead paint in older homes, underground oil tanks, radon. These can require licensed specialists.

Then room by room

Kitchen, bathrooms, flooring, paint, doors and trim, lighting, appliances, closets, laundry, and curb appeal: landscaping, front door, mailbox, house numbers, exterior paint. Kitchens and bathrooms are where buyers' eyes go first, and usually where the biggest share of a cosmetic or moderate budget goes.

Rough cost guides

Costs vary enormously by market, home size and finish level, so treat any range as a starting point and get real bids from local contractors. Many investors begin with a rough per-square-foot guide for the whole project:

Rehab level	What it usually means	Rough cost per sq ft
Light cosmetic	Paint, flooring, fixtures, hardware, landscaping, cleaning	$15–$35
Moderate	Above plus kitchen, bathrooms, some systems and windows	$35–$75
Heavy / full gut	Above plus roof, electrical, plumbing, HVAC, layout changes	$75–$150+

Very rough national ranges for orientation only. High-cost areas can run well above these figures. Always get local bids.

Maple Street's rehab budget

Here's the scope we built for 412 Maple Street after walking the property. The roof and furnace were recently replaced (we confirmed with receipts and the inspection), which is one reason the budget stays moderate.

Item	Budget
Kitchen: cabinets, counters, sink and faucet, backsplash, appliances, lighting	$17,000
Full bathroom: tub/shower, tile, vanity, toilet, fan, fixtures	$9,500
Half bathroom: vanity, toilet, flooring, paint, fixtures	$3,500
Flooring throughout (luxury vinyl plank)	$7,500
Interior paint, doors, trim and hardware	$5,500
Exterior: landscaping, front door, lighting, power wash, touch-up	$3,500
Water heater replacement	$1,800
Permits, dumpster and final cleaning	$1,700
Subtotal	**$50,000**
Contingency (10%)	$5,000
Total rehab budget	**$55,000**

WATCH OUT

Never skip the contingency. Every house hides something behind its walls. Plan on at least 10% for cosmetic work and 15–20% for older homes or heavier rehabs. If you don't spend it, it becomes extra profit.

DEAL MASTER PRO IN ACTION

Once the AI Rehab Estimator has given you its first pass, it works alongside the built-in **Rehab Checklist**, so you can walk room by room and make sure nothing is forgotten. Use the AI estimate as a fast, informed starting point, then confirm the big items with your contractor's bids. Enter the final number on Deal Setup, along with the number of months you expect the rehab to take, and the whole deal recalculates.

PRO TIP

Take far more photos than you think you need on every walkthrough — every room, every system label, every ceiling stain. They feed the AI estimator, help contractors bid without extra visits, and remind you what you saw a week later when you're comparing three different houses.

PART THREE

Funding and Deciding

How flips are financed, how to leverage other people's money, how to run a complete deal from first look to final profit, and what to do when the numbers point to a rental instead.

CHAPTER 7

Financing the Flip

The right loan can double your return. The wrong one can quietly eat your profit one month at a time.

Very few flippers pay all cash for every deal, and even those who can often choose not to. Borrowing lets you keep cash in reserve and do more projects at once. But every loan has a price, and you need to know it before you make an offer.

Your main financing options

Source	How it works	Pros	Cons
Cash	You fund the purchase and rehab yourself	Fastest closing; strongest offers; no interest	Ties up capital; one deal at a time for most
Hard money / rehab lenders	Short-term loans based on the property and the plan; rehab paid in draws	Fast; can fund much of purchase and rehab; built for flips	Higher rates, points and fees
Private money	Loans from individuals in your network	Flexible terms; relationship-based	Must be documented properly; your reputation is on the line
Partners	Someone brings cash or skills for a share of profit	Lets you do bigger deals	Share profits; partnership needs a clear written agreement
HELOC / personal credit	Borrow against your own home or credit	Lower rates; flexible	Puts your own home or credit at risk
Renovation mortgages	Conventional or government renovation loans	Lower rates	Usually for owner-occupants; slower; strict rules

Three ratios every lender uses

Rehab lenders size their loans with three ratios. Know all three, because whichever is most restrictive sets your loan amount.

LTV — Loan-to-Value

The loan amount compared to the purchase price or current value. "85% LTV" on a $190,000 purchase means a purchase loan of $161,500.

LTC — Loan-to-Cost

The total loan compared to total project cost (purchase + rehab). Many lenders cap this, often around 85–90%.

LTA — Loan-to-ARV

The total loan compared to the after-repair value. Lenders often cap this around 65–75%, which protects them if the ARV is optimistic.

Why it matters

Your cash needed depends on these limits. A lender advertising "90% financing" may still lend less if the LTA cap is hit first.

Deal Master Pro does the math for you

Deal Master Pro will figure out all these numbers for you and tell you if any value is over the lender's maximum allowable limit. Deal Master Pro will also reduce the loan amount to make the loan work, and tell you how much additional down payment would be required to meet the lender's maximum ratios. Of course, you can always select a higher down payment on the Deal Setup page (for example, 16% down instead of 15% down).

The true cost of a loan

When comparing lenders, look at everything, not just the interest rate:

- **Points** — each point is 1% of the loan, paid at closing.
- **Interest** — usually interest-only, paid monthly. Some lenders charge on the full loan from day one; others only on funds already drawn.
- **Fees** — underwriting, processing, appraisal, draw inspections, wire and document fees.
- **Draw process** — how quickly rehab money is released after work is done. Slow draws can stall your contractor.
- **Term and extensions** — what happens, and what it costs, if the project runs long.
- **Prepayment** — any penalty for paying off early, or a minimum interest period.

Comparing three lenders on Maple Street

Here's the same deal — $190,000 purchase, $55,000 rehab, $350,000 ARV, five months — financed by three different (example) lenders, each funding 100% of the rehab:

Lender	Purchase LTV	Rate / Points	Cash at closing	Total cash in	Profit	Return on cash
Lender A	85%	10% / 2.0	$36,630	$48,651	$60,349	124%
Lender B	90%	11% / 2.5	$28,450	$41,808	$57,692	138%
Lender C	80%	9.5% / 1.5	$44,905	$56,099	$62,401	111%

Total cash in = down payment, points, buying costs, five months of mortgage payments, and taxes, insurance and utilities. Example terms only.

Notice there's no single "best" lender. Lender C produces the most profit; Lender B needs the least cash and produces the highest return on that cash. If cash is tight, or you want to run two projects at once, Lender B may be the smarter choice even though it costs more. The right answer depends on *your* situation — which is exactly why you should compare lenders on every deal.

DEAL MASTER PRO

DEAL MASTER PRO IN ACTION

Most deal calculators assume generic loan terms. Deal Master Pro uses **your** lenders. In **My Lenders**, save each lender's programs, guidelines, maximum LTVs, rates, points and closing-cost worksheet — including their additional fees and whether they escrow. Then:

- The **Buy & Rehab** tab calculates the purchase loan, rehab funding, closing costs and your total cash required — down payment, closing fees and holding payments for the rehab period.
- **LTV, LTC and LTA** are shown on every deal.
- **Switch lenders** with one selection and watch every number update, so you can find the lender that best suits the deal.

Getting financing for a home of your own, or helping a buyer? The **Mortgage Qualifier** covers Conventional, FHA and VA programs: payments, cash to close, amortization and the income needed to qualify.

PRO TIP

Build relationships with two or three lenders before you need them. Ask for their term sheets, draw procedures and typical closing timelines, then load them into My Lenders. When a great deal appears, you'll already know exactly how you'll pay for it — and sellers love buyers who can close quickly.

Start with a lender conversation

Before you make a single offer, pick up the phone. Call the lender of your choice and have a real conversation. Tell them your credit score and let *them* tell you what to expect: the interest rate, how much they'll lend (their loan-to-value, loan-to-cost and loan-to-ARV limits), the down payment they require and the terms they'll give you.

The conversation can be that simple:

> *"Hi, I'm getting into the rehab business. My credit score is 700. What can you do for me?"*

Your best terms normally start at about a **680 credit score**. That doesn't mean you're out of the game below 680 — many lenders can finance lower scores — but expect to bring more money in and pay a higher rate. Whatever your number is, find out exactly where you stand before you go shopping.

Your three-step lender setup

1. **Print the Lender Questionnaire.** It's inside **Getting Started** in the Deal Master Pro app, with a page each for Rehab, DSCR, Conventional and FHA loans and every question worth asking.
2. **Call your lender and fill it in** while you're on the phone. Use a fresh copy for each lender you talk to.
3. **Enter the answers in My Lenders.** Save them as that lender's criteria and closing costs. From then on, every deal you run is structured to *your* lender and *your* personal credit situation — not to generic numbers from the internet.

Questions to ask on that first call

- What's your minimum credit score, and how do your terms change at my score?
- How much of the purchase, the rehab and the total cost will you finance? What's your maximum loan-to-ARV?
- What are the rate, points and term — 12 or 24 months? Is the payment interest-only?
- How many draws do you allow, how fast do you fund them, and what does each draw inspection cost?
- How many months of reserves do you require, and can retirement or investment accounts count?
- Do you escrow taxes and insurance? What are all of your fees?

Reserves: it doesn't have to be cash in the bank

Most lenders want to see **reserves** — proof that you could keep making the payment if something goes wrong. A reserve is one full monthly payment: principal and interest, property taxes, homeowners insurance and HOA dues if there are any (lenders call this PITIA). Lenders usually ask for four to six months of it.

> **Reserves = full monthly payment (PITIA) × months required**
> Example: a $2,000 total monthly payment × 6 months = **$12,000 in reserves**

Here's the part most new investors don't know: **reserves don't have to be cash.** They can be sitting in a 401(k), stocks, bonds or another investment account. Every lender has its own rules, so ask this question on your lender call and write the answer on your questionnaire.

Bridge loans: financing up to 100% of the rehab

A rehab loan is commonly called a **bridge loan**, because it bridges the gap between buying a property and either selling it or refinancing it. What's amazing about a bridge loan is how much of the project it can cover. Depending on the deal, your experience and the lender, a bridge loan can finance **up to 100% of the rehab cost**.

Bridge loans are short-term. The payment is normally **interest-only**, and the loan is written for a **12- or 24-month term**. You're expected to sell or refinance before it comes due.

How the draws work

The rehab money isn't handed to you at closing. You need cash on hand to **start** the project. When a stage of the work is done, you submit a **draw request**, the lender inspects, and you get reimbursed. There are normally about **four draws** on a project, though some lenders allow more. Ask your lender how many they allow and enter it in your Deal Master Pro lender criteria.

When the work is done: pay off the bridge loan (rehab loan)

A bridge loan (rehab loan) is short-term, so when all the work is finished it's time to pay it off. If you flip, the sale pays it off. If you keep the property, you pay it off with a refinance: a **no-cash-out refinance**, which simply replaces the bridge loan, or a **cash-out refinance**, which replaces it and puts money back in your pocket. The easiest way is a **DSCR loan**, which qualifies on the property's rent instead of your income (Chapter 11). You can also go the conventional route if you qualify. Ask your lender about DSCR terms and seasoning on that first call.

How your interest-only payment works

Here's good news most new investors don't expect: with most rehab lenders, you don't pay interest on the whole loan from day one. Your payment starts on your **base loan** — the purchase price minus your down payment. Each time a draw reimburses you for rehab work, that money is added to the balance, and your interest-only payment goes up to match. It keeps growing, draw by draw, until it reaches up to 100% of the rehab cost.

Say your base loan is **$148,250** and your rehab estimate is **$50,000**. You don't start out making payments on $198,250. You make payments on $148,250 plus whatever rehab money you've been reimbursed so far:

Where the project stands	Loan balance	Monthly payment at 10%
At closing — base loan only	$148,250	$1,235
After draw 1 ($12,500)	$160,750	$1,340
After draw 2 ($12,500)	$173,250	$1,444
After draw 3 ($12,500)	$185,750	$1,548
After draw 4 — full rehab drawn	**$198,250**	**$1,652**

Interest-only payment = loan balance × interest rate ÷ 12. Example rate only.

So you finish the first phase of work and submit a draw request for $12,500 to pay you back. That month your interest-only payment is based on $160,750, and it stays there until your next draw. Draw another $12,500 and your payment is based on $173,250 — and so on, until the full rehab is drawn.

PRO TIP

Because your payment grows as the work gets done, the early months of a project cost you the least. A few lenders charge interest on the full loan from day one, so ask on your lender call: “Do I pay interest on the full loan, or only on what’s been drawn?”

Your experience and credit score set your terms

Every term a lender offers you — loan-to-value, loan-to-cost, loan-to-ARV, interest rate and costs — depends on your experience and your credit score. If you’re a brand-new investor, there’s no reason you can’t do this and be successful. You may start with a little more money down and a slightly higher rate. With every deal you complete, your terms get better.

Interest rates: think like an investor

Let’s talk about interest rates, because this is where new investors get stuck. As an investor, I don’t care much what the interest rate is if I can get the project done with as little of my own money as possible — especially because a rehab loan is short-term.

Investment loans normally run **1–3% higher** than market rates for a home you live in. Why? Because they're riskier loans for the lender. Your rate will also vary with your personal situation and your credit score, and the more creative the project, the more risk the lender takes — and the more it will cost you.

If a deal makes me $50,000, I don't lose sleep over the rate.

What matters is whether I can put the deal together and then either refinance it or flip it.

Loan type	Typical pricing	What matters
Rehab / bridge loan	Often 10–12%, interest-only	Short-term. Getting the deal done with little of your own cash.
DSCR refinance	About 1.5–2% above a primary-residence single-family rate	No personal income to document. If the tenant pays it and the cash flow is there, the rate is a cost of doing business.
Conventional refinance	Lowest rates	Only if you qualify and want to go through the full income and documentation process.

Typical ranges only. Rates change constantly and depend on your lender, your credit score and the deal.

Put real numbers on it. On a $50,000 interest-only rehab loan, 10% costs about $417 a month and 12% costs about $500 a month. Over a six-month project, that 2% difference is about **$500** — pocket change against a $50,000 profit. Losing the deal because you shopped for a lower rate costs you all $50,000.

On a rental, a DSCR loan qualifies on the property's rent, not your income. You'll pay a little more for it, but if the numbers work, the tenant is paying it and you're getting the cash flow you want, it's worth it. You can always refinance into a conventional loan later if you qualify and want to go through that process. In some cases that may be the right route for you — it all depends on your personal situation.

DEAL MASTER PRO IN ACTION

Turn your lender conversation into numbers you can trust:

- Open **Getting Started** and print the **Lender Questionnaire** before you call.
- In **My Lenders**, enter what your lender told you: minimum credit score, maximum LTV, LTC and LTA, rehab financing, rate, term, reserves, draws, draw inspection fees and closing costs.
- Put your credit score in your **User Profile**. Deal Master Pro checks it against each lender's minimum.
- Every deal on **Buy & Rehab** and **DSCR & Rent** is then structured to your lender and your credit — and you can switch lenders with one selection to compare.

CHAPTER 8

Leverage: Flip With Other People's Money

Creative financing: bring a 15–25% down payment, and let the lender fund the rest of the purchase — and up to 100% of the rehab.

The wealthiest real estate investors have one thing in common: they rarely use only their own money. They use leverage — other people's money, usually a lender's — to control more property with less of their own cash. Leverage yourself, and the cash that would have paid for one house can fund the down payments on several.

Leverage yourself. Use other people's money to buy the property — and other people's money to rehab it.

Many rehab lenders finance 75–85% of the purchase price and up to 100% of the rehab budget. You bring a 15–25% down payment plus closing costs. This chapter shows you how.

Most investors use creative financing

Most flippers don't walk into a bank for a 30-year mortgage. They use **creative financing** from lenders who specialize in investors: hard money lenders, private lenders and rehab lenders. Interest rates may be a little higher than a traditional home loan, but the trade is worth it for most investors. The loan terms are flexible and easy, approvals are fast, and the loan is built around the property and the plan — not around fitting you into a rigid box.

How flip financing is usually structured

The purchase

The lender typically funds **75–85%** of the purchase price. You bring the **15–25% down payment**, plus points and closing costs, at the closing table.

The rehab

Many rehab lenders fund **up to 100% of the rehab**. The money is held by the lender and released in **draws** as work is completed and inspected — so your contractors are paid with the lender's money, not yours.

That second point is the one most new investors don't realize. On a deal with a $55,000 rehab, 100% rehab financing means the lender ultimately pays for the $55,000 of renovation, not you. You'll front the cash for the first stage of work, then get reimbursed through draw requests as the project moves along. Your own money goes mainly to the down payment and closing costs, and to carrying the property until it sells.

How rehab draws work

With 100% rehab financing, the lender doesn't hand you the whole rehab budget at closing. It holds the money and releases it in stages called **draws**. Many lenders allow several draws over the project, and some allow up to 10. Here's the cycle:

1. **You start the work.** You (or your contractor) pay for the first stage — demolition, permits, the first materials — with your own cash.
2. **You submit a draw request.** Once that stage is complete, you send the lender a request with photos, invoices and the line items finished.
3. **The lender inspects.** An inspector visits or reviews photos to confirm the work is done.
4. **You get reimbursed.** The lender releases the funds for that stage, usually within days. That money pays for the next stage, and the cycle repeats until the project is done.

Here's how Maple Street's $55,000 rehab might be drawn in five stages:

Draw	Work completed and inspected	Reimbursed
1	Demolition, permits, dumpster, water heater	$6,500
2	Kitchen cabinets and countertops installed	$12,000
3	Full and half bathrooms	$13,000
4	Flooring, interior paint, doors and trim	$13,000
5	Kitchen finish, exterior and curb appeal, final cleaning, punch list	$5,500
Drawn for the planned scope		**$50,000**
Contingency, available if surprises come up		$5,000

PRO TIP

Because draws reimburse work that's already done, you need some cash to get the project moving — plan on enough to cover at least your first stage or two of work. That money comes back to you through the draw requests, but it has to be there first. Ask every lender how many draws they allow, how fast they fund, what inspections cost, and whether any funds are released at closing for materials. Speak to your lender about those terms before you buy.

The power of leverage on Maple Street

Here is 412 Maple Street — $190,000 purchase, $55,000 rehab, $350,000 ARV, five months — bought four ways. The financed versions use an example rehab lender at 10% interest and 2 points, funding 100% of the rehab.

412 Maple Street	All cash	25% down	20% down	15% down
Down payment	$190,000	$47,500	$38,000	$28,500
Rehab paid by you	$55,000	$0	$0	$0
Loan (purchase + 100% rehab)	—	$197,500	$207,000	$216,500
Cash at closing (down + points + buying costs)	$193,800	$55,250	$45,940	$36,630
Total cash invested (incl. mortgage payments, taxes, insurance & utilities)	**$251,800**	**$66,479**	**$57,565**	**$48,651**
Projected profit	**$73,700**	**$61,521**	**$60,935**	**$60,349**
Return on cash invested	**29%**	**93%**	**106%**	**124%**

Example terms only. Buying costs 2% of price, holding $600/month, selling costs 7% of ARV in every column.

Paying all cash produces the biggest dollar profit — there's no interest or points — but it ties up more than $250,000 to earn it. With 15% down and 100% rehab financing, the investor earns about $13,000 less on this deal but uses less than one-fifth of the cash. That's a 124% return on the money invested, compared to 29%.

Leverage lets you do more deals

Here's where leverage really changes your business. Suppose you have $250,000 to invest:

All cash

About **one** Maple Street-sized flip at a time. Every dollar you have is in a single house.

15–25% down, 100% rehab financed

Enough for the down payments and costs on roughly **three to five** similar flips — or one or two, with healthy reserves left over.

WATCH OUT

Leverage magnifies losses as well as gains. Borrowed money must be repaid on time whether the house sells or not, interest runs every month, and most lenders require a personal guarantee. Never stretch into more projects than your reserves can carry if every one of them runs two months late. Start with one, prove your numbers, then grow.

How to get 100% rehab financing

Lenders fund the rehab when they believe in the deal and in you. Here's how to qualify:

1. **Buy at the right price.** Lenders cap the total loan as a share of the ARV — often around 65–75%. Buy far enough below value and the purchase loan *plus* the full rehab fits under the cap. On Maple Street, even with 15% down, the total loan is just 61.9% of ARV. Your purchase price is what makes 100% rehab financing possible.
2. **Bring a detailed rehab budget.** Lenders fund a scope of work, not a guess. A line-item budget with contractor bids shows you know what you're doing.
3. **Show solid comps.** Your ARV must hold up to the lender's own appraisal or valuation.
4. **Have your down payment and reserves ready.** Lenders want to see the 15–25% down, the closing costs, and usually some reserves for interest payments and surprises.

5. **Build a track record.** Many lenders offer better leverage — lower down payments, lower rates and points — as you complete more projects. Your first deal may need 20–25% down; later deals may need 10–15%.
6. **Know your credit.** Credit score affects which programs, rates and leverage you qualify for.
7. **Present it professionally.** A clean deal package — address, photos, comps, rehab budget, financing request, projected profit and exit plan — gets faster, better answers.

Covering the down payment with other people's money

Some investors go one step further and fund part or all of the down payment and closing costs with other people's money too. Common ways to do it:

- **Private lenders** — individuals who lend the down payment or "gap" for a fixed interest rate, secured by a written note and often a recorded lien.
- **Joint-venture partners** — a money partner provides the cash while you find, manage and sell the deal, and you split the profit by written agreement.
- **Seller financing** — occasionally a seller will carry part of the price, reducing what you need at closing.

Every one of these must be properly documented and allowed by your primary lender, which may restrict second loans. Use a real estate attorney, and never make promises to a private lender that your numbers can't keep.

> **PRO TIP**
>
> Private lenders and partners invest in people who show their homework. Hand them a professional report with the comps, rehab budget, financing and projected profit, and you'll stand out from every investor who pitches a deal on a napkin.

DEAL MASTER PRO IN ACTION

Deal Master Pro was built for leveraged investors. Save each lender's purchase LTV, rehab financing, maximum loan-to-ARV, rate and points in **My Lenders**, and the **Buy & Rehab** tab shows the purchase loan, the rehab funding, your down payment, closing costs and total cash required — with **LTV, LTC and LTA** on every deal, so you know instantly whether the lender's caps leave room for 100% rehab financing. Switch lenders to compare how much cash each one needs. When you're ready to ask a lender, private lender or partner for money, the **6-page Investor Report** is your deal package.

CHAPTER 9

Running the Full Deal: 412 Maple Street

Everything comes together. Here's a complete analysis from first look to projected profit.

Let's put every chapter so far to work on one property. This is the kind of analysis you should complete — or have Deal Master Pro complete for you — before you make any offer.

Step 1: The lead

412 Maple Street came from an MLS search for "estate sale" listings with more than 60 days on the market and at least one price reduction. Asking price: **$220,000**. It's a 1,280-square-foot, three-bedroom, one-and-a-half-bath ranch with a one-car garage, built in the 1960s, in a quiet neighborhood of similar homes.

Step 2: The 60-second screen

- ✔ In our buy box: right town, right size, cosmetic-to-moderate rehab.
- ✔ Not in a high-risk flood zone; crime in line with the surrounding area; owner-occupied neighborhood.
- ✔ Quick 70% check: (350,000 × 0.70) − 55,000 = $190,000. Asking is high, but close enough to justify a visit and an offer.

Step 3: ARV and rehab

Three renovated comps (Chapter 5) support an ARV of **$350,000**. Our walkthrough, photos and contractor bid (Chapter 6) support a rehab budget of **$55,000** including a 10% contingency, and a five-month timeline from closing to sale.

Step 4: Financing

We choose Lender A: 85% of the purchase price and 100% of the rehab, 10% interest-only, 2 points.

Step 5: Negotiation

We offered $185,000 cash-equivalent with a quick close and a short inspection period. The estate countered at $195,000. We agreed at **$190,000**.

Step 6: The complete numbers

412 Maple Street — full analysis	Amount
After-repair value (sale price)	$350,000
Purchase price	$190,000
Rehab budget (incl. $5,000 contingency)	$55,000
Buying costs (title, settlement, inspections) — 2%	$3,800
Loan: $161,500 purchase + $55,000 rehab = $216,500	
Lender points (2%)	$4,330
Mortgage payments, interest-only at 10% — $1,804 × 5	$9,021
Taxes, insurance & utilities — $600 × 5	$3,000
Selling costs (commissions, seller closing costs) — 7%	$24,500
Total project cost	**$289,651**
Projected profit	**$60,349**

Step 7: Cash and ratios

Cash you'll need	Amount
Down payment (15%)	$28,500
Points	$4,330
Buying costs	$3,800
Cash at closing	**$36,630**
Mortgage payments during project	$9,021
Taxes, insurance & utilities	$3,000
Total cash invested	**$48,651**

Key ratios	Value
Purchase LTV	85.0%
Loan-to-Cost (LTC)	88.4%
Loan-to-ARV (LTA)	61.9%
Profit as % of ARV	17.2%
Return on cash invested	124%
Max offer for $40,000 profit	≈$208,900

On top of the cash invested, we set aside an additional reserve for surprises beyond the contingency and for a slower sale. Running out of cash mid-project is one of the fastest ways to turn a good deal into a bad one.

Step 8: Stress test

Finally, we ask: what if things go wrong? We test three bad days:

Scenario	Projected profit
Plan as expected	$60,349
Rehab 15% over budget and project takes 7 months	$47,291
ARV comes in 5% lower ($332,500)	≈$44,100

Even on a bad day, Maple Street makes money. That's what a well-bought flip looks like. Compare it to buying at the $220,000 asking price, where the first scenario alone would have cut the profit to under $15,000.

DEAL MASTER PRO IN ACTION

Everything on these two pages is what Deal Master Pro produces automatically. Choose the lender, enter the address, price, down payment, ARV, rehab cost and rehab months, then press Property Pull. That's it — the app does the rest:

- **Buy & Rehab**, **DSCR & Rent** and **Flip** results appear instantly, calculated at your selected lender's values.
- The **Deal Decision** tab compares the outcomes against your own targets and recommends REHAB & FLIP, REHAB & RENT or PASS, along with the maximum offer that still hits your profit goal.
- **What-If sliders** let you stress-test LTV, rehab cost, ARV and more, and watch the deal change in real time.
- The printable **Deal Summary** and the **6-page Investor Report** package everything in a clean format to share with partners and lenders.

CHAPTER 10

Plan B: When the Flip Becomes a Rental

Smart investors know their exit before they buy — and their backup exit too.

Markets change. Interest rates rise, buyers pause, or a renovation finishes just as the season slows. Investors who have a backup plan can wait out a soft market instead of selling at a loss. The most common backup plan is to rent the house and refinance.

The BRRRR strategy

Many investors build long-term wealth with a strategy known as **BRRRR**: *Buy*, *Renovate*, *Rent*, *Refinance*, *Repeat*. You buy and renovate just like a flip, but instead of selling, you rent the property and refinance it into a long-term loan based on its new, higher value. Ideally, the refinance returns much of the cash you invested, which you then use for the next deal.

DSCR loans in plain English

(Chapter 11 covers DSCR loans in full — how they work, their pros and cons, and how Deal Master Pro uses them.)

For rental properties, many investors use **DSCR loans**. DSCR stands for *Debt Service Coverage Ratio*. Instead of qualifying you mainly on your personal income, the lender looks at whether the property's rent covers its payment.

DSCR = Monthly Rent ÷ Monthly Payment (principal, interest, taxes, insurance and any HOA)

A DSCR of 1.00 means the rent exactly covers the payment. Many lenders want 1.00 or higher, and offer better terms around 1.20–1.25 or above.

Could Maple Street be a rental?

Let's test the backup plan. Similar renovated homes nearby rent for about **$2,600 a month**. Taxes are about $700 a month and insurance about $150. We test a 30-year DSCR refinance at 7.5% interest:

DSCR refinance on a $350,000 value	75% LTV	70% LTV
New loan	$262,500	$245,000
Principal & interest	$1,835	$1,713
+ Taxes and insurance	$850	$850
Total monthly payment	**$2,685**	**$2,563**
DSCR at $2,600 rent	0.97	1.01
Cash back after paying off the $216,500 rehab loan and ~3% refinance costs	$38,125	$21,150

The result is honest and useful. At 75% LTV, the rent doesn't quite cover the payment. At 70%, the DSCR barely clears 1.00, about $27,500 of our cash would stay in the deal, and the cash flow — before vacancy, repairs and management — would be almost nothing. Maple Street *can* be held as a rental if the sale market collapses, but it's a weak one.

That tells us two things. First, our backup plan would protect us from a forced sale at a loss. Second, the best exit for this property is clearly the flip. If the rent were $3,100 instead, the DSCR at 75% would be about 1.15, the refinance would return most of our cash, and the property would cash-flow roughly $400 a month before expenses — and REHAB & RENT might deserve a serious look.

FLIP: strong | **RENT: backup only** | **PASS: no**

DEAL MASTER PRO

DEAL MASTER PRO IN ACTION

You never have to choose which analysis to run — Deal Master Pro runs both. Every property pull brings back average area rent and Section 8 rent, and the **DSCR & Rent** tab calculates your rental income, expenses, monthly cash flow, DSCR and refinance cash-out using your selected lender's DSCR criteria. Set your minimum monthly cash flow and DSCR cash-out goals in your **User Profile**, and the **Deal Decision** tab weighs the flip against the rental and tells you which one meets your targets — or whether the right answer is PASS.

PRO TIP

Before you buy any flip, ask: “If I couldn’t sell this for a year, could I rent it without losing money each month?” If the answer is yes, your downside is protected. If the answer is no, make sure your purchase price gives you extra margin, because your only exit is the sale.

CHAPTER 11

DSCR Loans: How Rental Investors Scale

The loan that qualifies the property, not your paycheck — and why it has become the favorite tool of serious investors.

If you plan to hold rentals, or use the BRRRR strategy, sooner or later you will meet the DSCR loan. It is the reason many investors can own ten, twenty or fifty rental properties without ever showing a lender a W-2 or a tax return. Understanding how it works — and its trade-offs — may be the most important financing lesson in this book.

What is a DSCR loan?

A **DSCR loan** is a mortgage for investment property that is qualified mainly on the *property*'s rental income instead of the borrower's personal income. DSCR stands for **Debt Service Coverage Ratio**: a simple measure of whether the rent covers the mortgage payment.

With a traditional mortgage, the lender studies your pay stubs, tax returns and debt-to-income ratio. With a DSCR loan, the lender mainly asks one question: *does this property pay for itself?* Your credit score, your down payment and your cash reserves still matter — but your personal income usually does not.

How the DSCR is calculated

DSCR = Monthly Rent ÷ Monthly PITIA

PITIA = Principal + Interest + property Taxes + homeowners Insurance + Association (HOA) dues

Here is a typical rental after renovation: worth $300,000, renting for $2,750 a month, with a 75% loan of $225,000 at 7.5% on a 30-year fixed DSCR loan.

Monthly payment (PITIA)	Amount
Principal & interest — $225,000 at 7.5%, 30 years	$1,573
Property taxes	$450
Homeowners insurance	$125
HOA / association dues	$0
Total PITIA	**$2,148**
Monthly rent	$2,750
DSCR = $2,750 ÷ $2,148	**1.28**

A DSCR of 1.28 means the rent covers the full payment 1.28 times — the property brings in 28% more than its mortgage, taxes and insurance cost.

Reading the ratio

DSCR	What it means	How lenders usually see it
Below 1.00	Rent does not cover the payment	Many lenders decline; some "no-ratio" programs allow it with more down and a higher rate
1.00	Rent exactly covers the payment	Often the minimum to qualify
1.10–1.24	Rent covers the payment with a small cushion	Qualifies with most DSCR lenders
1.25 and up	Strong coverage	Often earns the best rates and highest leverage

WATCH OUT

A DSCR above 1.00 is not the same as positive cash flow. The ratio leaves out vacancy, repairs, maintenance, property management and capital expenses like roofs and water heaters. A property at a DSCR of 1.05 can still lose money in a real-world year. Always look at net cash flow too.

How a DSCR loan works, step by step

1. **The lender orders an appraisal with a rent schedule.** Along with the value, the appraiser estimates the market rent. If there is a signed lease, many lenders use the lower of the lease rent or the market rent.
2. **The lender calculates the DSCR** using that rent and the full PITIA payment on the new loan.
3. **The lender checks the rest of the file:** your credit score (many programs start around 620–680, with better pricing above about 720), the loan-to-value, your cash reserves (often several months of PITIA in the bank) and the minimum loan amount.
4. **You close — often in your LLC.** Most DSCR lenders will lend to a business entity, which many investors prefer for organization and liability planning.

Typical DSCR loan terms

Terms vary widely from lender to lender, and they change with the market. These ranges are general guides only — always get a written term sheet.

Feature	Typical range
Loan-to-value on a purchase	Often up to 75–80%
Loan-to-value on a cash-out refinance	Often up to 70–75%
Minimum DSCR	Commonly 1.00–1.25 (some no-ratio programs below 1.00)
Interest rate	Usually higher than a conventional owner-occupied mortgage
Term	30-year fixed is common; interest-only and adjustable options exist
Prepayment penalty	Common — for example a 3-year (3-2-1) or 5-year (5-4-3-2-1) step-down
Reserves	Often several months of PITIA in the bank after closing
Borrower	Individual or LLC; investment property only (not your own home)

PRO TIP — ASK ABOUT SEASONING

On a cash-out refinance, "seasoning" is how long you must own the property before the lender will use the new appraised value instead of what you paid. Some lenders require several months; others will refinance on the appraised value right after the rehab. For a BRRRR investor, this one rule can decide how much cash you get back. Ask every DSCR lender before you buy.

Why DSCR loans are so popular

- ✔ **No tax returns, W-2s or debt-to-income ratio.** Perfect for self-employed investors, business owners and anyone whose tax returns show a lot of write-offs.
- ✔ **Room to scale.** Conventional financing generally caps how many financed properties you can have (Fannie Mae's limit is 10). DSCR lenders look at each property on its own merits.
- ✔ **Close in your LLC.** Keep your rentals in a business entity.
- ✔ **Faster, simpler approvals.** Less personal paperwork usually means a quicker closing.
- ✔ **The property pays for itself.** If the rent supports the loan, the deal can work regardless of your day job.
- ✔ **The natural BRRRR exit.** A DSCR cash-out refinance is the classic way to pay off a short-term rehab loan, pull your cash back out, and move to the next deal.

Pros and cons of DSCR loans

Pros

- ✔ Qualifies on the property's rent, not your income
- ✔ No tax returns, W-2s or DTI calculation
- ✔ Can close in an LLC
- ✔ No conventional limit on number of financed properties
- ✔ Fast, investor-friendly process
- ✔ Cash-out refinances fuel the BRRRR strategy
- ✔ Long-term fixed-rate options for stable payments

Cons

- Higher interest rates than conventional loans
- Larger down payments (often 20–25%)
- Prepayment penalties are common
- Reserve requirements tie up cash
- Higher credit scores get the best pricing
- Investment property only — not your own home
- Thin DSCR can mean little or negative real cash flow

DSCR in the BRRRR cycle

Here's how the pieces fit together for a buy-and-hold investor:

Step	Financing
Buy	Short-term rehab loan: 15–25% down, up to 100% of the rehab in draws
Renovate	Rehab funded through draw requests
Rent	Place a tenant at market rent
Refinance	DSCR cash-out refinance on the new appraised value pays off the rehab loan and returns cash to you
Repeat	Use the returned cash as the down payment on the next property

The better you buy, the more the refinance returns. When the after-repair value is well above what you paid plus your rehab, a 70–75% DSCR refinance can return most — sometimes all — of the cash you put in, while you keep the property and its monthly cash flow.

How Deal Master Pro uses the full power of DSCR

Most deal calculators give you one generic rental number. Deal Master Pro runs the DSCR analysis the way a real DSCR lender does — with *your* lender's actual rules — on every property, automatically.

DEAL MASTER PRO IN ACTION

- **Your real DSCR lenders.** In **My Lenders**, save each DSCR lender's maximum LTV, rate, term, points, prepayment penalty, reserves, minimum DSCR ratio, minimum loan and full closing-cost worksheet.
- **Three rent sources.** Choose your desired rent, the estimated market rent, or the Section 8 rent from HUD data — the app shows which one it is using.
- **True PITIA.** The DSCR uses principal and interest on the refinance, plus property taxes, homeowners insurance and HOA dues.
- **Lender rules enforced.** If the DSCR misses your lender's minimum ratio, or the refinance is below its minimum loan, Deal Master Pro tells you — and won't recommend REHAB & RENT on financing you can't get.
- **Real cash-out.** The **DSCR & Rent** tab shows what the refinance returns after paying off your rehab loan, every dollar you put in, the DSCR lender's closing costs and your carrying costs.
- **Real cash flow.** Monthly cash flow after vacancy, property management and maintenance — not just the DSCR.
- **Your goals.** Set your minimum monthly cash flow and minimum DSCR cash-out in your User Profile, and the **Deal Decision** weighs the rental against the flip.
- **What-If.** Slide the DSCR LTV to see how cash-out and coverage trade off; the app warns you when you go above your lender's maximum.
- **Compare lenders** with one selection, and share it all in the **Investor Report**.

A DSCR loan qualifies the property. Deal Master Pro qualifies the deal — before you buy it.

Run every property through both the flip and the DSCR rental analysis, and let the numbers tell you which exit is stronger.

Buying a rental? You're buying a business

Here's one thing to get straight before you buy a rental property: **you are not buying a rental property — you are buying a business.** The building is the equipment. The tenants are your customers. The rent is your revenue, and the mortgage, taxes, insurance, repairs and vacancies are your expenses. Judge every rental the way you'd judge any business you were thinking of buying: by the income it produces and the risk it carries.

The best properties to buy, in order

#1
Four-plex
Four rents under one roof, tax bill and insurance policy.

#2
Three-plex
Three streams of income for one property to manage.

#3
Duplex
Two rents: one vacancy never takes you to zero.

#4
Single-family
Easiest to buy and sell, but one vacancy means no income.

The more units, the stronger the business. When one unit of a four-plex is empty, the other three are still paying. Spread over more units, your roof, insurance and taxes cost less per door, and a small building usually produces more cash flow for each dollar you invest. Best of all, properties with one to four units still qualify for residential investor financing, including DSCR loans, so you get the benefits of multi-family without stepping into commercial lending.

Properties to stay away from

Some properties look like bargains and turn into headaches. Whether you plan to flip or rent, stay away from these:

Stay away from	Why
Condos	The association controls the building, the budget and often whether you can rent at all. Financing is harder, and special assessments can land on you without warning.
Studios	Small units mean low rents, a smaller pool of tenants and more turnover. They're also harder to finance and to resell.
Rural rentals	Fewer tenants, fewer buyers and fewer comparable sales — which makes rents, values and appraisals harder to count on.
Mixed-use	Retail or office space downstairs usually means commercial financing, longer vacancies and a more complicated deal.
HOA properties — especially high HOA	HOA dues are a monthly expense you can't negotiate. They cut your cash flow and your DSCR, and the HOA's rules can limit renting, renovation and even who you can sell to.

WATCH OUT

A low price on a condo or a high-HOA property can be a trap. Add the monthly dues to the payment and run the numbers: a $400 HOA fee costs you $4,800 a year in cash flow, and it lowers the value of the property to every investor and lender who looks at it after you.

DEAL MASTER PRO

DEAL MASTER PRO IN ACTION

Deal Master Pro includes HOA dues in the full PITIA payment on every rental, so you can see exactly what an association fee does to your DSCR, your cash flow and your cash-out. Enter the property, and if the HOA pushes the deal below your minimum targets, the Deal Decision tells you before you buy.

PART FOUR

Doing the Deal

From offer to sale: how to get your price accepted, protect yourself before closing, manage the renovation and sell for top dollar.

CHAPTER 12

Making Offers That Get Accepted

Your price comes from your numbers. Your terms are how you win.

Once you know your maximum allowable offer, the goal is simple: buy the property at or below it. You'll rarely get there by offering the most money. You'll get there by being the easiest, most reliable buyer.

Make more offers

Flipping is a numbers game. Most of your offers will be rejected, and that's fine — it means you're disciplined. Sellers who say no today often call back weeks later after other buyers fall through. The investor who makes ten offers a week will buy more houses than the one who makes one perfect offer a month.

What sellers really want

- **Certainty.** Proof of funds or a lender pre-approval letter; few contingencies.
- **Speed.** A short inspection period and a closing date that fits their schedule.
- **Convenience.** Buying as-is, letting them leave unwanted belongings, flexible move-out.
- **Respect.** Especially with estates and hardship sales, how you treat people matters.

Protect yourself in the contract

Strong offers still need sensible protection. Common contract provisions for investors include:

- **Inspection contingency** — time to inspect and walk away or renegotiate if major problems appear.
- **Financing contingency** — if you're borrowing, protection if the loan doesn't close.
- **Clear title** — the seller must deliver marketable title, free of liens.
- **Access** — the right to bring contractors in before closing to bid the work.
- **Earnest money terms** — how much, who holds it, and when it becomes non-refundable.

Have a real estate attorney or experienced agent review your contract forms. Rules vary by state.

Explain your offer

When your offer is well below asking, show your reasoning. Sellers and their agents respond better to numbers than to a lowball with no explanation. A clean one-page summary of the comps, the repairs needed and the costs of selling helps everyone understand why your price is what it is.

DEAL MASTER PRO IN ACTION

The **Max Offer** on the Flip & Comps tab is your walk-away number — decide your opening offer below it and your ceiling at it. When you need to show a seller's agent or a partner how you arrived at your price, print the **Deal Summary** or the **Investor Report**. Both lay out the comps, the rehab, the costs and the reasoning in a clean, professional format.

PRO TIP

Re-run your numbers on any counteroffer before you respond. A $5,000 counter feels small in conversation, but it changes your loan, points, interest and closing costs. Deal Master Pro recalculates the whole deal in seconds, so you can answer with confidence instead of a guess.

CHAPTER 13

Due Diligence and Closing

The time between contract and closing is your last chance to find problems cheaply.

Once your offer is accepted, the clock starts. Use your due diligence period to confirm everything you assumed when you ran the numbers. If something important changes, re-run the deal before you close.

Your due diligence checklist

- [ ] **Professional home inspection** — even if you plan to renovate. Inspectors find what you can't see.
- [ ] **Sewer camera inspection** on older homes — a collapsed line can be a five-figure surprise.
- [ ] **Specialty inspections** as needed: structural engineer, roofer, HVAC, electrician, mold, oil tank, radon, termite.
- [ ] **Contractor walkthrough and written bid** to confirm your rehab budget.
- [ ] **Title search** — liens, judgments, unpaid taxes, easements and ownership issues.
- [ ] **Permit history** with the town — open permits and unpermitted work can delay your sale.
- [ ] **Flood zone and insurance quote** — including flood and windstorm coverage where needed.
- [ ] **Survey** if boundaries, fences, driveways or additions are in question.
- [ ] **HOA or condo documents** if applicable — fees, rules, rental restrictions, pending assessments.
- [ ] **Utilities** — arrange to transfer or turn on water, power and gas for the renovation.
- [ ] **Local requirements** — some towns require certificates of occupancy, smoke and CO inspections or other approvals at resale.

WATCH OUT

Don't let excitement about a deal rush you past a bad inspection. If the inspection reveals major new costs, either renegotiate the price or walk away within your contingency period. Losing a deal is cheaper than owning a bad one.

Insurance for a vacant renovation

A standard homeowners policy may not cover a vacant house under renovation. Talk to an insurance agent about a vacant-property or builder's-risk policy, and make sure your contractors carry their own liability and workers' compensation insurance.

At the closing table

Review the settlement statement in advance and compare every line to your analysis: price, credits, lender fees, title charges, prorated taxes and escrows. Questions are much easier to fix before closing than after.

DEAL MASTER PRO IN ACTION

If the inspection changes your rehab budget, or the insurance quote comes in higher than expected, update Deal Setup and see the new profit and max offer immediately. Because your lender's closing-cost worksheet is saved in **My Lenders**, the **Buy & Rehab** tab gives you an estimate of closing costs and cash to close that you can compare line by line with the lender's figures and the settlement statement.

Closing Costs and Title Insurance

What you pay at the closing table, why title insurance matters, and how Deal Master Pro estimates it.

Closing costs are the one-time charges paid when a property changes hands, on top of your down payment. On a purchase they often run about **2% to 5% of the price**, depending on the state, the lender and the loan. They are real cash out of your pocket, so they belong in every deal you analyze.

What's in your closing costs

Group	Typical items
Lender fees	Points or origination, application, appraisal, underwriting / processing, inspection, wire and draw fees.
Title & settlement	Title search and exam, owner's title insurance, lender's title insurance, settlement or closing fee, searches, recording the deed and the mortgage.
Prepaids & escrow	The first year of homeowners insurance, a few months of property taxes held in escrow, and prepaid interest from closing day to the end of the month.
Government charges	Recording fees and, in some states, transfer taxes. These vary a lot by state and county.

Selling costs — the agent's commission, the seller's transfer tax, the loan payoff and recording — come later, when you sell, and are figured separately.

DEAL MASTER PRO IN ACTION

Deal Master Pro pulls your closing costs from the lender you choose in **My Lenders**, so the numbers in your deal follow your own lender's fees. Title and settlement charges are filled in with a state-by-state planning estimate for the property's state. When your title company or attorney sends a quote, type it over the estimate and every number updates.

Title insurance: the safety net

A property must have a **"free and clear" title** to close — no unpaid liens and no ownership disputes. Title problems are more common than most people think, and they can make a sale fall apart. Title insurance protects you, or your lender, from problems that were hidden in the records when you bought: an unpaid lien from a past owner, a forged signature, a missing heir or a clerical error in the public records.

It is a **one-time premium paid at closing**, usually rolled into your closing costs. There is no monthly bill.

The two policies

	Lender's policy	Owner's policy
Protects	The lender, up to the loan amount	You, up to the purchase price
Required?	Yes — almost every lender requires it	Optional, but most investors buy it
Lasts	Until the loan is paid off	As long as you own the property
Cost	A small add-on when bought with the owner's policy	The main title premium

The lender's policy covers only the loan balance. It does nothing for *your* down payment, rehab money or profit — only the owner's policy protects your investment. Neither policy covers problems you already knew about before you bought.

Why the owner's policy costs more if it's optional

The owner's policy insures the **full purchase price** for as long as you own the property, so it carries the full premium. When the lender's policy is issued at the same closing, title companies sell it at a big **simultaneous-issue discount**. That is why the owner's policy is the larger number and the lender's policy is the small one.

Deal Master Pro includes the owner's policy on every purchase, because most investors buy it and leaving it out would make a deal look cheaper than it really is. If you skip it, or the seller is paying for it, enter **0** on that line in My Lenders.

What it costs

Fannie Mae puts the national average at about **0.42% of the purchase price**. Rates are set state by state and vary widely; higher-cost states such as New Jersey and New York run above average. Deal Master Pro's planning estimate tends to land a little above the national average, so your numbers stay on the safe side.

Example: $175,000 purchase in New Jersey with a $140,000 loan

Owner's policy about $1,045 · Lender's policy (simultaneous issue) about $150 · National-average guide: 0.42% × $175,000 = $735

Title charges are always estimates until you have a quote in hand.

Who pays

The buyer usually pays, but **in some areas it is customary for the seller to pay** for the owner's policy. It can also be a point of negotiation in your offer.

How to shop for title insurance

- **Get more than one quote.** Ask your lender, agent or attorney for recommendations.
- **Ask about extra fees and discounts.** Many companies give a **reissue discount** when the property was bought within the last few years — common on investor deals.
- **Check the company's financial strength.** Demotech, Inc. rates title insurers; look for a favorable Financial Stability Rating.

WATCH OUT

If the title search turns up a lien, judgment or ownership problem, don't close until it is cleared or paid off at closing. A cloud on the title can stop your sale or refinance later — exactly when you need the money.

Title terms to know

Term	What it means
Abstract of title	A summary of the public records on the property's ownership history: past owners, mortgages, liens and legal issues.
Chain of title	The sequence of owners, tracing each transfer from the original owner to the current one.
Title defect ("cloud on title")	Any problem in the ownership records that could affect your right to buy: unsettled claims, forged signatures, unpaid liens or taxes.
Lien	A legal claim against the property, usually as collateral for a debt. A lien that isn't paid off before closing can delay the sale.
Title search	The review of public records, done before closing, to verify the chain of title and find any claims or disputes.
Escrow account	A neutral third-party account that holds money during the deal — earnest money, closing funds or loan funds — until the title transfers.
Indemnity	The insurer's promise to cover the policyholder's financial loss if a covered title defect turns up.
Survey	A formal measurement of the property's boundaries. It can uncover encroachments or easements (others' rights to use part of the property) that lead to title issues.

Educational information only, not financial, legal or tax advice. Title premiums, closing costs and who pays them vary by state, county, title company and transaction. Example numbers are illustrative.

CHAPTER 14

Running the Rehab

On time and on budget doesn't happen by accident. It happens by plan.

Every month of renovation costs you interest, taxes, insurance and utilities. A well-managed rehab finishes on schedule, stays close to budget, and produces a house buyers fall in love with.

Write a clear scope of work

Your scope of work is the instruction manual for the project. List every task, room by room, with materials and finish choices specified: brand, model, color, quantity. Vague scopes produce vague bids, change orders and disputes.

Choosing contractors

- ✔ Get at least two or three bids on the same written scope.
- ✔ Verify licenses and insurance, and ask for references from recent jobs — then call them.
- ✔ Look at work they've completed, ideally for other investors.
- ✔ Be wary of the lowest bid by a wide margin; it often grows later.
- ✔ Choose reliability and communication over a slightly lower price.

Contracts and payments

Use a written contract with the scope, price, schedule, payment schedule and change-order process. Pay for completed work, not promises: a modest deposit, then payments tied to milestones you can inspect. Collect lien waivers as you pay. Never pay the full amount up front.

The typical order of work

Phase	Work
1. Prep	Permits, clean-out, demolition, dumpster
2. Structure & exterior	Foundation, framing, roof, windows, exterior doors
3. Rough-ins	Plumbing, electrical and HVAC inside open walls; rough inspections
4. Close-up	Insulation, drywall, tape and finish
5. Finishes	Paint, cabinets, counters, tile, flooring, trim, doors
6. Final	Fixtures, appliances, final inspections, punch list, cleaning, landscaping

Manage the money and the calendar

Track every dollar against your budget, by line item, every week. Keep a simple schedule with milestones and check it on every site visit. When something goes over, decide right away where you'll make it up — or whether the contingency covers it.

PRO TIP

Order long-lead items — cabinets, windows, special-order tile and appliances — as soon as the deal closes. Waiting on materials is one of the most common causes of delay, and every week of delay costs you holding costs.

DEAL MASTER PRO IN ACTION

Keep the analysis alive during the project. When a change order comes in or the timeline slips a month, update your saved deal and see what it does to your profit and cash needs. The **Real-time drive & route** tool helps you plan site visits around actual traffic, and your **Saved Deals** keep every project's numbers in one place, on your computer, iPad or iPhone.

Get in and get out

On a rehab project, your goal is simple: **get in and get out in the shortest possible time.** Every month the project drags on lowers your profit. Interest, taxes, insurance and utilities keep running whether your contractor shows up or not.

Time is the one rehab cost you can't get back.

A slow month doesn't just delay your profit — it takes a piece of it.

Here's what that looks like on 412 Maple Street with 15% down. The $216,500 loan at 10% interest-only costs about $1,804 a month, plus about $600 a month for taxes, insurance and utilities — roughly **$2,400 for every month** the project runs.

Project length	Holding costs	Projected profit	Versus plan
4 months	$9,617	$62,753	+$2,404
5 months (the plan)	**$12,021**	**$60,349**	**—**
6 months	$14,425	$57,945	−$2,404
8 months	$19,234	$53,136	−$7,213
10 months	$24,042	$48,328	−$12,021

Example terms only, from the Maple Street deal in Chapter 8: interest charged on the full loan, holding costs of $600 a month. Your lender may charge interest only on funds drawn.

And that's before the hidden costs of a slow project: a market that cools while you're still painting, a bridge loan that reaches the end of its 12-month term and needs a paid extension, and your cash tied up when the next deal comes along.

When the last of the work is done, the clock stops only when the rehab loan is paid off — by the sale if you flip, or by a no-cash-out or cash-out refinance if you keep the property. The easiest refinance is a DSCR loan; conventional works too if you qualify. Line it up before the work ends so the payoff happens fast.

How to finish fast

- **Line up your contractors before you close,** so work starts the day you get the keys.

- **Order long-lead materials right away** — cabinets, windows, special-order tile and appliances.
- **Submit draw requests the day each stage is done,** so the money keeps the next stage moving.
- **Visit the job often,** and make decisions on the spot instead of letting questions sit.
- **Start marketing before you finish:** line up your listing agent for a flip, or start showing the units for a rental.

PRO TIP

Build a realistic schedule, then pay attention to the calendar as closely as the budget. A project that comes in on budget but two months late has still cost you money.

DEAL MASTER PRO IN ACTION

Enter your planned **rehab months** on Deal Setup and every holding cost is built into your cash needed and your profit. If the job slips, change the months and watch what it does to the deal — then decide how hard to push your contractor.

CHAPTER 15

Selling for Top Dollar

The sale is where your profit becomes real. Plan it from the day you buy.

You've bought well and renovated smart. Now the goal is to sell quickly, for full value, with as few surprises as possible at the buyer's inspection and appraisal.

Design for the buyer

Choose neutral, durable, popular finishes that match your comps. Light, bright paint colors; consistent flooring; good lighting; clean, updated kitchens and baths. Your buyer should walk in and see a home they can move into without a single project.

First impressions

- **Curb appeal** — fresh mulch, trimmed shrubs, a clean walkway, a striking front door, new house numbers and exterior lighting.
- **Staging** — even partial staging of the living room, kitchen and main bedroom helps buyers picture the space.
- **Professional photos** — most buyers see your house online first. Great photos earn showings.

Price it right

Price your listing based on current comps and active competition, not on the number you hoped for when you bought. A well-priced house often draws more buyers, which can lead to stronger offers. An overpriced one sits, and every week costs you money.

Prepare for the buyer's inspection and appraisal

Keep a folder of permits, invoices, warranties and a list of work completed. Give it to the buyer's agent. Share your comps with the appraiser. Buyers and appraisers trust what they can see documented.

Evaluate offers on net, not just price

Compare offers by what you'll actually net: price minus concessions, closing-cost credits and repair requests, and consider the buyer's financing strength and timeline. A slightly lower offer with a strong buyer may be worth more than a higher one that falls apart.

Taxes

Flip profits are generally taxed differently from long-term investments, and frequent flipping may be treated as a business. Talk with a qualified tax professional before your first deal — not after your first sale — so you understand how your profits will be taxed and how to set up your records and entity.

DEAL MASTER PRO IN ACTION

Before you list, run Get Comps again for fresh closed sales, and compare them to the ARV you used when you bought. Then use the **What-If sliders** to see your profit at different sale prices, so you know your bottom line before the offers arrive. When the deal is done, keep it in **Saved Deals** — comparing your projections to your actual results is how you get better with every flip.

Don’t spend the profit: fund your next deal

The day your flip closes is one of the best days in this business, and one of the most dangerous. The money is in your account, and it’s tempting to spend it: a new truck, a vacation, a bigger house. Investors who build lasting wealth do the opposite. They treat that money as the funding for their next deal.

What it really takes to do a deal

Say you find a home for $175,000 with an after-repair value (ARV) of $350,000 and a $60,000 rehab. That’s a good deal, but it takes far more than a down payment and a few closing costs. Most flip lenders want 15–25% down. At 15%, here is the cash that comes out of your own pocket over a four-month rehab and sale:

Cash you’ll invest	Amount
Down payment (15% of $175,000)	$26,250
Closing costs	$15,153
Draw inspections	$800
Mortgage payments (4 months to rehab and sell)	$9,334
Rehab cash before your first draw is reimbursed*	$15,000
Reserve (about 10% of the $60,000 rehab)	$6,000
Total cash invested	**$72,537**

* Even when your lender finances 100% of the repairs, it pays you back through draws after each phase of work is completed and inspected (see Chapter 8). You pay for the first phase yourself, so plan on having that cash ready. We’ve assumed $15,000 here.

That is real money, and for most new investors it’s a big piece of their savings. Which is exactly why what you do with it after the sale matters so much.

What happens when you sell

Four months later the house sells for $350,000. Here's where the money goes, using the 7% selling cost from Chapter 2:

At the sale	Amount
Sale price	$350,000
Selling costs (7%)	−$24,500
Pay off the purchase loan (85% of $175,000)	−$148,750
Pay off the rehab loan (100% of $60,000)	−$60,000
Cash to you at the closing table	**$116,750**
Rehab cash already reimbursed by your draws Only the $15,000 you paid up front. The lender paid the other $45,000 of the rehab directly.	+$15,000
Reserve you never had to touch	+$6,000
Total cash back in your pocket	**$137,750**
Less the cash you invested	−$72,537
Net profit (before income taxes)	**$65,213**

Every dollar you put in has come back to you, plus a profit of about $65,000. Your original $72,537 is whole again, and you have a second pile of money that didn't exist four months ago.

THE RULE: DO NOT SPEND IT

Put your original money back where it came from, and make the profit your deal fund. That $65,000 covers almost 90% of the cash for another deal this size. Not only are you whole, you have the cash for your next deal without touching a dollar of your original savings. That is how one flip becomes a business.

Make it a habit

- ✔ Open a separate account for your deal fund and move the profit there the day you close.
- ✔ Set aside what your tax professional says you'll owe on the profit.
- ✔ Keep your original money as your safety net. Let your last deal pay for the next one.
- ✔ Want a reward? Pick a fixed amount ahead of time and leave the rest working.

CHAPTER 16

Twelve Costly Mistakes (and How to Avoid Them)

Learn from other people's expensive lessons.

#	Mistake	How to avoid it
1	**Paying too much**	Calculate your max allowable offer before every offer, and never go above it.
2	**Using an optimistic ARV**	Use recent closed sales of truly similar renovated homes. Ignore outliers. Run a "bad day" ARV.
3	**Underestimating rehab**	Walk every room with a checklist, get contractor bids, and include a 10–20% contingency.
4	**Forgetting selling costs**	Budget 6–9% of ARV for commissions, closing costs and concessions.
5	**Ignoring holding costs**	Count every month of interest, taxes, insurance and utilities — and plan for extra months.
6	**Not comparing lenders**	Compare points, rates, fees and limits on the same deal. The cheapest rate isn't always the best loan.
7	**Running out of cash**	Know your total cash needed, not just cash at closing, and keep reserves beyond it.
8	**Over-improving**	Renovate to the level of your comps. Buyers won't pay extra for luxury the neighborhood doesn't support.
9	**Skipping inspections**	Inspect every property, including the sewer line on older homes.
10	**Hiring the cheapest contractor**	Check licenses, insurance and references. Pay for completed work only.
11	**Ignoring flood, crime and location**	Check FEMA flood zones, crime statistics and neighborhood data before you offer.
12	**Having no Plan B**	Know what the property would rent for, and whether a DSCR refinance would work if the sale market softens.

Notice something? Every mistake on this list is a numbers mistake made before or during the purchase.

Deal Master Pro was built to catch them: max offer, real comps, AI rehab estimates, all costs including selling and holding, your own lenders, flood and crime data, and a rental backup analysis on every deal.

CHAPTER 17

Your Deal Preflight Checklist

Run it on every property, every time. Then put your plan into action.

Pilots don't skip the checklist because they've flown a thousand times. Experienced investors don't skip theirs either. Use this before every offer.

Property & location

- [ ] Fits my buy box
- [ ] Property data confirmed (beds, baths, sq ft, taxes)
- [ ] Flood zone checked; insurance estimated
- [ ] Crime and neighborhood data reviewed
- [ ] Drive time to site is manageable

Value & rehab

- [ ] 3+ closed, renovated comps support the ARV
- [ ] "Bad day" ARV (−5–10%) still profitable
- [ ] Walkthrough completed with photos
- [ ] Rehab estimate includes contingency
- [ ] Realistic timeline in months

Money

- [ ] Lender selected and terms confirmed
- [ ] LTV, LTC and LTA within lender limits
- [ ] Total cash needed known, plus reserves
- [ ] All buying, holding, financing and selling costs included
- [ ] Profit meets my minimum target

Decision

- [ ] Max allowable offer calculated
- [ ] Rental / DSCR backup plan checked
- [ ] Stress test: overrun + delay still profitable
- [ ] Verdict: FLIP, RENT or PASS
- [ ] Deal saved and summary printed

DEAL MASTER PRO IN ACTION

Nearly every box on this checklist is handled when you run a deal in Deal Master Pro: Property Pull, flood, crime and Census data, closed comps, AI Rehab Estimator, your lender's terms, LTV/LTC/LTA, total cash needed, flip and DSCR analysis, max offer, What-If stress tests, the Deal Decision, and a printable Deal Summary and Investor Report. Your preflight takes about a minute.

Your first 30 days

When	Action
Days 1–3	Start your Deal Master Pro free trial. Set up your User Profile, including your credit score and your minimum targets for flip profit, monthly cash flow and DSCR cash-out.
Days 4–7	Define your buy box. Contact two or three rehab lenders, get their terms, and save them in My Lenders.
Week 2	Find an investor-friendly agent and set up MLS searches. Start a driving-for-dollars route. Analyze at least ten properties.
Week 3	Walk your best three or four properties with photos. Run the AI Rehab Estimator. Meet two contractors. Analyze ten more.
Week 4	Make offers at or below your max allowable offer on every property that passes your preflight. Keep analyzing, keep offering, stay disciplined.

That's it. You now know how to find a property, value it, estimate it, finance it, decide on it, buy it, fix it and sell it. What's left is repetition — and a system that makes each repetition fast and accurate.

> *Run the numbers before you fall in love with the house. Every time.*

TOOLKIT

Worksheets & Glossary

Print these pages and keep them in your truck, your clipboard or your project folder. Or skip the pencil — Deal Master Pro fills them in for you.

APPENDIX A

Deal Worksheet

One property, every number that matters.

Property address: _____

Source of lead: _____ Date: _____

Value & plan	Amount
After-repair value (ARV)	
Rehab budget (incl. contingency)	
Project length (months)	
70% rule max offer: (ARV × 0.70) − rehab	
Costs	**Amount**
Purchase price (offer)	
Buying costs (title, settlement, inspections)	
Lender points and fees	
Mortgage payments (monthly payment × months)	
Taxes, insurance, utilities (monthly × months)	
Selling costs (ARV × ___%)	
Total project cost	
Projected profit (ARV − total cost)	
Cash & ratios	**Amount**
Down payment + points + buying costs (cash at closing)	
Total cash invested (incl. interest and holding)	
LTV / LTC / LTA	
Return on cash invested	
Rent estimate / DSCR at refinance	
Decision: FLIP / RENT / PASS	

APPENDIX B

Rehab Estimate Worksheet

Walk it room by room. Note it all. Then add a contingency.

Item	Notes / condition	Estimate
Roof, gutters		
Siding, exterior paint, windows		
Foundation, structure, drainage		
HVAC		
Electrical (panel, wiring, GFCI)		
Plumbing, water heater, sewer line		
Kitchen		
Bathroom(s)		
Flooring		
Interior paint, doors, trim		
Lighting, fixtures, hardware		
Appliances		
Landscaping, curb appeal		
Environmental (mold, asbestos, oil tank, radon)		
Permits, dumpsters, cleaning		
Other		
Subtotal		
Contingency (10–20%)		
Total rehab budget		

DEAL MASTER PRO IN ACTION

Upload your walkthrough photos to the **AI Rehab Estimator** for a fast, itemized starting estimate, then use the **Rehab Checklist** to make sure every item on this sheet is covered.

APPENDIX C

Comparable Sales Worksheet

Closed sales only. Similar, recent, nearby and renovated.

Subject after rehab: beds _____ baths _____ sq ft _____ garage _____ style _____

Comp	Address	Bd/Ba	Sq ft	Distance	Sold date	Sold price	Adjustments	Adjusted
1								
2								
3								
4								
5								

Average adjusted value: _____ "Bad day" ARV (−5–10%): _____

Price per sq ft range: _____ ARV used: _____

PRO TIP

Write down the comps you *rejected* and why. When a wholesaler or seller points to a higher sale, you'll already know why it doesn't apply.

APPENDIX D

Glossary

The language of flipping, in plain English.

70% Rule
A quick formula for the most to pay for a flip: ARV × 70%, minus rehab costs.

After-Repair Value (ARV)
The expected sale price of a property once renovated, based on comparable sales.

As-Is
A sale in which the seller makes no repairs; the buyer accepts the property's condition.

BRRRR
Buy, Renovate, Rent, Refinance, Repeat — a strategy for building a rental portfolio.

Buy Box
Your criteria for properties you'll consider: area, type, price and condition.

Cash-Out Refinance
A new, larger loan that pays off the old one and returns cash to the owner.

Comparable Sales (Comps)
Recent closed sales of similar nearby properties used to estimate value.

Contingency
Extra budget set aside for unexpected rehab costs; also a contract condition allowing a buyer to cancel.

Days on Market (DOM)
How long a property has been listed for sale.

Draw
A release of rehab loan funds after work is completed and inspected.

DSCR
Debt Service Coverage Ratio: monthly rent divided by the monthly payment (principal, interest, taxes, insurance, HOA).

DSCR Loan
A rental property loan qualified mainly on the property's rent rather than the borrower's income.

Earnest Money
A deposit made with an offer to show the buyer is serious.

Hard Money
Short-term, asset-based loans commonly used for flips, with higher rates and points.

Holding Costs
Costs of owning the property during the project: interest, taxes, insurance, utilities.

LTA
Loan-to-ARV: total loan divided by after-repair value.

LTC
Loan-to-Cost: total loan divided by purchase price plus rehab.

LTV
Loan-to-Value: loan divided by purchase price or appraised value.

Max Allowable Offer (MAO)

The highest price you can pay and still meet your profit target after all costs.

MLS

Multiple Listing Service: the database of properties listed by real estate agents.

Points

Upfront lender fees; one point equals 1% of the loan amount.

Pre-Foreclosure

The period after an owner falls behind on a mortgage but before the foreclosure sale.

Probate

The court process of settling a deceased person's estate, often including real estate.

REO

Real Estate Owned: a property taken back by a lender after foreclosure.

Scope of Work

A detailed, written list of all renovation tasks and materials.

Section 8 Rent

Rent levels under the Housing Choice Voucher program, published by HUD and local housing authorities.

Wholesaler

Someone who contracts to buy a property and assigns the contract to another buyer for a fee.

DEAL MASTER

PRO

Know the Deal Before You Buy — in 60 Seconds.

Your credit. Your lenders. Your goals. Your deal.

Deal Master Pro starts with ***you****: your credit score, the lenders you actually use, and the profit or monthly cash flow you want. Enter an address and it tells you straight:* ***FLIP it, RENT it, or PASS****, before you make an offer.*

- ✔ Instant property data & rents
- ✔ AI Rehab Estimator from your photos
- ✔ Flip, rental and DSCR analysis
- ✔ Cash to close, LTV, LTC & LTA
- ✔ Live-traffic drive time & route
- ✔ Deal Summary & 6-page Investor Report
- ✔ Real closed comparable sales
- ✔ Max Offer for your profit target
- ✔ Your own lenders' real terms
- ✔ FEMA flood, crime & Census data
- ✔ What-If sliders for stress tests
- ✔ Unlimited saved deals · works on iPhone

Run your first deal free.

Start your 7-day free trial and analyze properties in your own market while the lessons in this book are fresh.

Start Your Free Trial **dealmasterpro.com**

Deal Master Pro · support@dealmasterpro.com

Results are estimates based on your inputs, lender profiles and available data. Verify all information with your lender, title company and other professionals before making a decision. Not financial, legal or tax advice.