5 STEPS
TO FUNDING YOUR FLIP

Without using your own money or credit

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INTRODUCTION

In this guide you'll learn how to fund your flips with no money or credit. That's right—we've done all of our flips over the years using other people's money, or OPM, and so can you.

Think about it like this: Every time you swipe your credit card, you're not using your own money; for a period of time, you're using the bank's money for that purchase. You eventually pay it back, either right away or over time.

Now, did you use your own money to buy your last car or home? You may have had a down payment, but you more than likely financed the majority with a bank. This means you financed those purchases using nearly 100% OPM.

When you finance with the bank or another professional lender, you need good credit and sometimes a down payment. When you're buying a house, the good news is there are many ways to get the job done that don't require your own money or credit. And we're living proof—we've purchased hundreds of houses without ever using our own cash or credit.

In the following pages we're going to show you the top five ways to fund your flips. After all, the trick to being a successful investor is to always think outside the box and find the best way to make the deal work. If you find yourself saying 'I can't', why not pivot by thinking 'how can I?' That simple shift in the way we talk to ourselves can make the difference between winning and losing the deal.

1 HOME EQUITY

Many people fund their deals with their home equity, and the process is really simple:

1. Go to your lender or a local bank.
2. Apply for a home equity line of credit (HELOC).
3. Once approved, you're all set to start investing.

Simple, right? But what if you don't have a house, don't have any equity, or your equity line is maxed out?

Well, you probably know people who have equity in their homes, right? Our very first private investor didn't know she could be one until we asked if we could use her home equity. We educated her on the process and reminded her that she had access to money and that we wanted to use it. 10 years later, she's still our investor and has made over $100,000 from interest on money that's not even hers.

You're going to typically pay a higher interest rate to a private lender than you would with a bank. For instance, let's say someone has a home equity at 4% and you offer them 12% interest on the loan. They're going to make an 8% difference on the bank's money—meaning you both end up making money on funds that are neither of yours in the same transaction.

As any lawyer will tell you, when you borrow money from any private investor you need to provide them with security. That security comes in many forms:

1. First, they're going to get a note and mortgage to protect them. That way, in the event you don't pay them back, they can foreclose and take the house back.
2. Next, you're going to get an insurance policy and name them as an additional insured. Therefore, in the event of a fire or catastrophic loss, the investor can be covered and not lose their principal investment.

Whether it's yours or someone else's, home equity is a great way to fund your flips and can be a win-win for everyone involved.

2 CREDIT CARDS

On our first two flips, we financed all the renovation costs with credit cards. We maxed them out, and as soon as we sold the houses, we paid them off.

One thing you can do right now is call your credit card company and ask them to increase your credit line. It might be best not to tell them that you want to flip a house with credit—not everyone understands what we do for a living—but consider telling them that you may have some upcoming life changes and you want to have the extra funds available if you need them. If you qualify, they'll give it to you. Oftentimes, if you've been a good customer with the bank, you can get a credit line increase just by asking.

If you don't have a credit card, the same answer that was true for someone without a HELOC applies here too: Do you know anyone else who does? If so, have a conversation and see if you can make a deal to use their card for whatever you can. If the house is cheap enough, maybe you'll be able to take a cash advance and make the purchase, then use another card for renovations.

Once again, if the credit card belongs to someone else, they'll need a form of security to protect themselves. Create an agreement in writing, and include a note, a mortgage, and insurance.

3 SUBJECT TO FINANCING

Subject to financing is a creative way to buy a house without using your own credit or money. When a seller has a mortgage and/or liens on a property and you don't have the means to get a loan to pay them off, you can take over the house with what's called "subject to financing". In a nutshell, you take over the title of the house, but in doing so, you also take over all existing liens and financing.

Subject to financing is a good idea if you're buying a house to flip and your arrangement will be short term. The title goes in your name, but the financing stays in the seller's name. In order to protect yourself, you need to run a title search. Never just trust what the seller says they owe—sometimes they don't really even know what they owe and what might be attached to the title. It could be an old lien from years ago. Therefore, make sure you call your real estate attorney or title company to help you with the search. It's worth the couple of hundred bucks to do the search and know what's officially on that house and title.

Once you've determined the amount owed in a monthly payment, then you can start to calculate if the deal makes sense for you. If there are a lot of liens, you can still consider taking over the house, but be aware that you won't be able to sell the house until all the liens are paid off. If you're flipping the house, you can pay them off at the closing table when you sell it. Either way, it's very important to know what you're getting yourself into and how much is truly owed with principal, interest, and penalties on all the liens and loans. There still may be a deal to be had, but do your homework—all of it—so you have all the facts.

How do you protect the seller? Remember, you took over their loan. So the truth is, if you default, they're going to be stuck with the same loans they had before. It's important to be a person of integrity and always do what you say you're going to do. Follow through on your promises and agreements—that's your word and reputation, so stick to it. It's the only way to build a long-term, successful business.

If the seller has concerns, you can suggest a deed in lieu of foreclosure to be held at escrow or at your attorney's office. Sign the deed back to them, and have an agreement that if you default on one payment to the lender, they get to take the house back without going through the foreclosure process. It is held by your attorney and can only be filed if you, in fact, default. This works well when you can buy a house short-term, fix it up, and sell it for a profit. Then you pay off the original loans, and it's a win-win.

4 SELLER FINANCING

Seller financing is a very simple method, but is often overlooked. It's really best used when a home is owned outright by a seller. Maybe they inherited it, or maybe they just paid it off. Either way, there are no liens or mortgages on the house.

You could present an offer to a motivated seller for them to be the bank and hold the mortgage. This way, you make any payments directly to the seller instead of a bank. You can even offer this with no money down and ask for them to pay closing costs. Negotiate terms and come to a mutual agreement. There are times the seller might ask you for a credit report to make sure you're credit worthy, but that's not very common.

This method can be really good for flips and even long-term rentals, provided the deal works for all parties. The seller is really acting as a bank, so they get a mortgage and note. That way, if you default, they get the property back.

The best way to see if this method is going to work is really simple: Come up with an offer and ask. So many people miss out on really good deals because they simply don't ask. They assume the seller won't accept any nontraditional offer, but the truth is if the seller is motivated, they'll do almost anything to get out of their situation—and that means you can be right there to help them out.

5 PARTNERING

Some of the most successful people in the world are good at partnering with people who are strong where they are weak. So know your strengths, swallow your pride, and focus on the end goal.

When you're getting started, it may be necessary to partner with a few people to get the deal done. You may not make quite as much, but it's better than not getting the deal done at all. Plus, the more deals you get done, the more experience you'll have, and the more people will start to take notice. Little by little, you're going to build credibility and momentum. And soon, you're going to be the one people are coming to, to partner with.

Who can you partner with today?

1. A seller.

If you've heard some of our stories, we've partnered with sellers in the past and had them be part of the process—not just to buy the house, but to be partners throughout the process.

2. A contractor.

Maybe you or the seller can't afford to have the house renovated, so you go to the contractor and say, "Listen, partner with me on this. I'll pay you X, Y, Z, or we'll pay you a portion." Remember, it doesn't have to be a 50/50 partnership. You can come up with whatever terms you want, but a contractor could be a good partner for you.

3. People with money.

How about people who have money, but don't want to do the work? There are a lot of these people. There might be people that go to seminars, are part of VestorPRO, or people in your own circle that want to be part of real estate investing but don't want to do the work. Find those people and figure out how to partner with them. They may not want to loan you the money because that may sound risky, but they might want to partner with you and say, "Look, I want to be part of the upside too. If you make $50,000, I want 25 of it. You do the work, I'll loan you the money." And you can go to them and present any offer you want. Don't forget, it doesn't have to be 50/50—it's whatever offer you come up with—but a lot of these people do want 50/50.

4. A realtor.

Sometimes you can partner with a realtor, even just for their commission. When they buy the house, or you don't have money up front, you can say, "Look, I'm going to flip this house. Could I pay you at the end?" That makes them a partner by including their fees as a partner. They also may have money too; they're involved with real estate so they might have a comfort level that other people don't have. They may say, "Listen, I know that house is going to sell. I have a good feeling about that house in the neighborhood, and I have some money set aside..." Additionally, they may not charge you a fee or a commission if they're a partner and getting a bigger chunk of the profit.

5. Other investors.

Go to other investors and say, "Look, I'll find the deal and split it to learn and make a profit." When we were first starting out, we did that with some investors that wanted to make a deal work. So go out and find that investor. They can help with the process and you can both make a profit.

If you find the deal first, it's amazing how much easier it is to get a partner or the money for the deal. So get good at finding the deals and the money will follow.

CONCLUSION

Remember, if you're not using a bank to fund your flips, you set all the terms and rates. Provided everyone agrees to those terms, it's a win-win for everyone.

You might use seller financing for 80% of the deal and then a home equity for the remaining 20%. Or you might use subject to financing to buy a house, and credit cards to finance the renovation. You can have multiple sources of financing on one house—it doesn't even have to be one or two sources, you could have three or four. Think creatively and find the best deal that works out for everyone involved.

While we've covered five ways to use OPM to fund your flips, there are so many more ways to get deals funded. In our training sessions we cover more ways to raise money, like building a base of private investors to fund your deals, fostering relationships with hard money lenders, using self-directed IRAs—either yours or someone else's—and more.

ABOUT GLENN & AMBER SCHWORM

We started our career in real estate investing out of sheer desperation. We were in $80K of credit card debt and needed to make large chunks of cash to get out from under it. In 2007 we flipped our first house and made $17,000. On our second flip, we profited $33,000 in 33 days. That's when we knew we were on to something. We always wanted to help people, so when we proved the model, we set to do just that by offering and teaching our successful formula.

Today, we're passionate about helping everyday people create wealth through real estate investing. Having flipped over 600 houses and valued at over $57 million and counting, we know a thing or two about it! We continue to flip houses as we help everyday people change their lives by teaching them how to "Find, Fund, Fix, Flip and Hold" properties to create immediate cash flow and assets that generate long-term, passive income.

We want to show you how to change your life as we changed ours. We didn't have a formal education in real estate investing, but our knowledge comes from hands-on, real-life experience, the school of hard knocks, and a strong desire for a better life for ourselves and our family. We knew there had to be more to life than a 9-5 job, so we set fear aside and pursued our goals. We are so glad we pushed through the doubt and fear, because it's given us a life we are grateful for and proud of. Now let us help you do the same!

To learn more real estate investment strategies, connect with Glenn and Amber Schworm on

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