How A Mortgage Broker Grew His Business **WITHOUT** Adding Any Clients

Flip to Refinance - Case Study ▶

The Situation

Mortgage Broker teaches a client how other clients have successfully invested the in real estate market in Calgary. The client buys an undervalued property in need of minor repairs to get it to an optimal rental or resale property.

The Situation

► Time Sensitive

The seller needed to close immediately, so there was no time to arrange bank financing or a joint venture partnership.

The Situation

► Concern

This property was a great investment with good profit potential. The buyer didn't want to lose the deal, but the bank would not touch it based on its current condition.

What did not work

► Undervalued

The property is undervalued due to the poor condition, and likely wouldn't appraise high enough for efficient financing, nor could the appraiser ignore the poor state. In this case, there wasn't time for an appraisal.

The Bank

Bank won't give a property in this condition its best offer!"

NO

Conditions

YES, BUT...

Yes, but...
at **75%** of the purchase price , which means more money!

Yes, but...
at **75%** of the **LOWER** of the purchase price or appraisal, and can't close for **3 weeks** or more.

Result, Seller takes his/her offer to the next purchaser

The Investor

It looks like a nasty, un-inhabitable property that most buyers wouldn't get past the front door.

The savvy Real Estate Investor looks at these pictures and sees **HUGE OPPORTUNITY** at the right price.

SOLUTION

?

SOLUTION

Alternative Financing

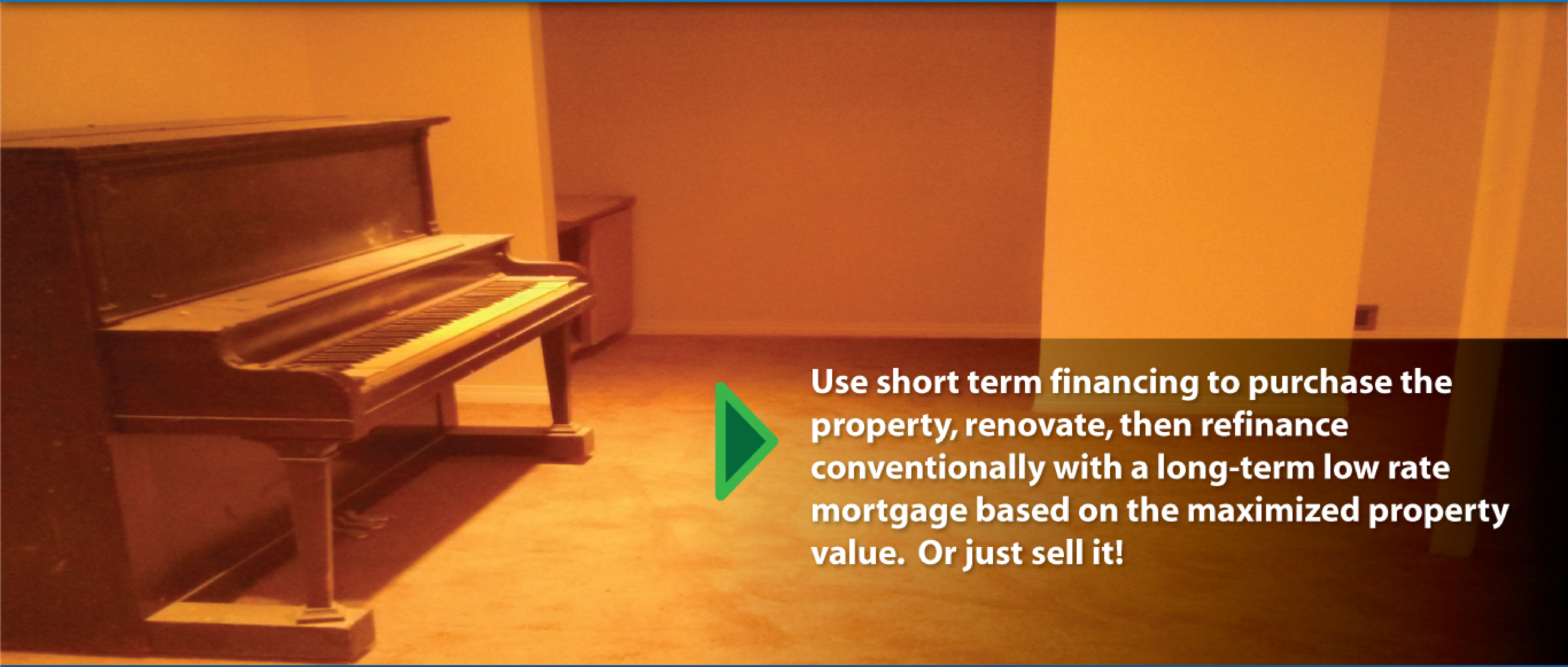
HOW?

The investor leveraged the opportunity by fixing up the property and leasing it out BEFORE refinancing it conventionally with their mortgage broker.

HOW?

Rather than invest 20 or 25% of a down payment on the purchase price and tie your bought equity spread up on a 5 year mortgage (by bought equity spread I mean the difference between the purchase price and actual market price after renovation)

HOW?



Use short term financing to purchase the property, renovate, then refinance conventionally with a long-term low rate mortgage based on the maximized property value. Or just sell it!

FLIP TO REFINANCE: A Case Study

Investor's Total Costs

Purchase Price	$300,000
Renovation Costs	$19,000
Financing Costs (3 Months)	$15,600
Total Before Refinance	**$334,600**

Private Mortgage $290,000
Investor put $10,000 down payment

Out of Pocket Capital Costs

Down Payment	$10,000
Renovation Costs	$19,000
Mortgage Payments	$11,400
TOTAL Cash Needed	**$40,400**

Compare Capital Outlay

	Bank Financing	Private Financing
Down Payment	$75,000	$10,000
Renovation Costs	$19,000	$19,000
Mortgage Payments	$3,600	$11,400
TOTAL	**$97,600**	**$40,400**

Saved $57,200 in Capital

FLIP TO REFINANCE: A Case Study

New Appraisal: $400,000

Bank Lending 80%
$320,000 equity take out

What Did the Investor Gain?

1. Opportunity
2. Up-Front Capital Saved = $57,200
3. Capital Unlocked = $320,000 mortgage vs. $225,000

$95,000 Equity Unlocked