

MILWAUKEE HARD MONEY

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Earning Cold Cash with BRRRR

Virtual
Workshop

Wednesday
January 27, 2021

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Agenda

Earning Cold Cash
with BRRRR

Rules of Engagement

So Much Material

KEEPING ON TASK

We have a lot of material to share with you, but only 1 hour of time to do it. So, we may move quickly on some things in order to fit everything in.

Comments

WHERE TO LEAVE THEM

You can use the message feature or send any questions or comments you have to: md@fstreetgroup.com

After the Workshop

ALL MATERIALS WILL BE AVAILABLE

As always, we'll work to get the workshop and materials reviewed in it up on our website in the **RESOURCES** section as soon as possible.

Glossary

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BRRRR

Buy, Rehab, Rent, Refinance, Repeat

LEVERAGE

Using borrowed cash to maximize the returns on investment.

SEASONING

The amount of time you own a property.

Typical lender requirements are 3-6 months for most competitive lenders prior to refinance.

ARV

After Repair Value / The value you look to maximize with rehab efforts.

LTV

Loan to Value / Assessment ratio used by banks to determine approvals for mortgage or refinance requests.

$LTV = Mortgage\ Amount / Appraised\ Value = \% Value$

//04

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THE STRATEGY THAT
STARTED IT ALL FOR
SCOTT AND TEAM

Buy
Rent
Rehab
Refinance
Repeat

LEVERAGE

DIFFERENT NAME, SAME CONCEPT

Earning Cold Cash
with BRRRR

You Make
Your Money
in the Buy,
You Realize
Your Profit in
the Sale or
Refinance.

ADD VALUE

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Buy

The BRRRR strategy is built on the premise of **buying to improve**, as well as using private financing to secure the property and eventually **refinance** out to traditional lending

PURCHASE THROUGH:

Cash

Private Money

Hard Money

HELOC / Line of Credit

IRA or 401(k)

MORE EXPENSIVE, BUT QUICKER / MORE FLEXIBLE

CREATE EQUITY

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1234 Main Street

DUPLEX PROPERTY

Purchase Price: \$75,000

Repairs: \$25,000

Financing: \$10,000 *(Cost to secure financing to purchase)*

ALL IN: \$110,000

After Repair Value: \$160,000 *(Based on market comps)*

Monthly Rent: \$1,800

Sample Deal

Your Risk
Profile Will
Dictate the
Amount of
Work You
Should
Consider.

Rehab

Risk Profile = Level of Rehab

DISTRESSED
ASSET

Where are you comfortable purchasing?

AFTER
REPAIR
VALUE

LOWER PURCHASE PRICE
MORE WORK
HIGHER RISK
HIGHER REWARD

HIGHER PURCHASE PRICE
LESS WORK
LOWER RISK
LOWER REWARD

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Spend the time to **find the right tenant**, not necessarily the first tenant.

Rent

Finding your market value and the right tenant(s) to improve / maximize value.

STEPS TO AVOID BAD TENANTS

Background Check

3x Rental Income (Month)

Employment Verification

No Eviction in Last 5 Years

No Cash Payments

Review of References

DETERMINE MARKET RENT VALUE?

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Rental Rates

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MONEY

DRIVE NEIGHBORHOOD

Drive around the area around your property and see what others have posted with signs or talk with neighbors and try to gather information if properties are comparable.

CALL SIGNS

Check out what others in the immediate area are renting for. You're looking for similar bedrooms, bathrooms, and areas to your property to help paint the picture.

ONLINE

Be sure you're checking online resources as well for other comps in the area, whether it's through Apartments.com, Craigslist, Facebook Marketplace, etc.

PRO TIP: MAXIMIZE YOUR RENTAL RATE.
DON'T LEAVE MONEY ON THE TABLE. *IT ADDS UP.*



This is the sauce, the homerun. This is where every investor should be striving to get to.

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Refinance

Goal is to obtain 100% All-in Price

WAYS TO HELP WITH LENDER

Prepare a Request for Financing Letter

Understand Loan to Value vs. Loan to Cost

Have Original Title Owner's Policy Available

Run Difference Scenarios Through Pro Forma

Talk with Multiple Lenders - *Be a Free Agent*

PRO TIP: BUILD RELATIONSHIPS WITH LENDERS.
BE YOUR OWN BEST ADVOCATE.

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Request for Finance

Be sure to include:

- WHY PURCHASED
- PREVIOUS CONDITION (INCLUDE PICS)
- LIST IMPROVEMENTS (INCLUDE PICS)
- AMOUNT BEING REQUESTED

BE BOLD



Dear Mr. Banker,

I recently purchased 1234 Main Street, which was severely distressed with a plan to renovate and rent to new tenants.

(Pictures of Distressed Asset)

My purchase price was \$75,000 and the property required \$25,000 in renovations. You can see the impressive improvements that were made, including:

- Improvement 1
- Improvement 2

(Pictures of Renovation)

Since renovation completion, we have had two tenants for the past 4 months, paying \$900 in rent each, for a total of \$1,800. I would like to request consideration for a refinance of the property at **75% Loan to Value**, which is currently \$160,000 based on market value and expected income.

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Getting Out

Milwaukee
Hard
Money

SCENARIO 1

After Repair Value: \$160,000 (*Receiving \$1,800 monthly rent*)

Loan to Value: 75%

Refinance Loan Amount: \$120,000

ORIGINAL INVESTMENT OF \$110,000 RETURNED, PLUS
\$10,000 ADDITIONAL CASH (*To be used on what?*)

SCENARIO 2

After Repair Value: \$160,000 (*Receiving \$1,800 monthly rent*)

Loan to Value: 65%

Refinance Loan Amount: \$104,000

RETURN IS SHORT \$6,000 ON ORIGINAL INVESTMENT, BUT
YOU NOW HAVE A PROPERTY WITH CASH FLOW

Have the drive,
the foresight,
and the
conviction to
do it all again.

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Repeat

How disciplined can you be with your cash flow?

Let's revisit the payment terms and cash flow:

65% LTV | Monthly Rent: \$1,800

PAYMENT TERMS: 5% / 25 Years

Monthly Payment: \$607.97

PAYMENT TERMS: 5% / 30 Years

Monthly Payment: \$558.29

*Would need approx. 6 months, pending other
expenses to recoup All-in cash value.*

75% LTV | Monthly Rent: \$1,800

PAYMENT TERMS: 5% / 25 Years

Monthly Payment: \$701.51

PAYMENT TERMS: 5% / 30 Years

Monthly Payment: \$644.19

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Contact Information

FOR QUESTIONS,
COMMENTS, OR
INVESTING INQUIRIES

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