



## Texas Investor Homes *Turn-Key Properties for Investors*

### ***FREE REPORT: Provide Short Term Financing to Builders for High Potential Returns and Cash Flow – “You can Be the Bank in Today's Tight Lending Environment!”***

***By: Ron Black, Investor, Texas Real Estate Broker and President of Texas Investor Homes***

If you've been looking for an “easier way to invest in real estate” then you may find the answer in this report. Many years of experience in real estate has taken me from the traditional “buy a fixer upper and rent it” to foreclosure and REO buying and rehabbing. I have dabbled in short sales and then finally in new construction opportunities before I discovered the severe need for alternative builder construction financing. Although I had great success with most forms of investing in yesterday's market, I found that creative and unique new construction real estate investments were the most trouble free and profitable in today's NEW real estate investment market. Yes, the market has changed dramatically since 2008 and what builders need from investors has changed as well. Are you positioning yourself for this change? *Net cash flow* is the name of this new game, NOT appreciation.

### ***What Happened to the Real Estate Party***

The devaluation of many real estate markets across the country coupled with incredibly tight lender financing guidelines has depreciated many markets back to where they were 8-10 years ago. That rapid price depreciation in itself hastened the downfall of many a seasoned real estate investor, not to mention banks and lending institutions, etc. Since many investors were already using very short term financing, when it came time to refinance the lender guidelines had already tightened and the price appreciation had reversed and they were stuck “upside down” or “unqualified” to refinance any longer. I can see many of you reading this shaking your head because this actually happened to you or someone you know. The *Glory Days* of double digit, year over year appreciation are gone with a few rare market exceptions. Low single digit appreciation is most probable for the next 10 year cycle. **In other words, if you are going to make any money in this NEW market investing in real estate you better make it on cash flow because significant appreciation is unlikely in the foreseeable future.**

## ***A Better Option to “Buying” Real Estate***

So what are the options for potential high yielding returns on our real estate investment dollar if price appreciation is very limited and we are tired of the landlord game? What many frustrated investors are doing because of these lending changes is looking almost strictly for “Cash Flow” opportunities versus the long shot of price appreciation. One way many investors are achieving high cash flow is simply by “loaning” rather than “owning”. The opportunities are endless because builders are having an extremely difficult time finding traditional bank financing. The real estate market is screaming right now for alternative financing, especially in higher demand areas like Texas. Builders in particular are hurting right now because many banks absolutely will not loan to builders regardless of the demand. Why? “Real estate” is a dirty word to banks right now. Banks that do loan to builders do so at much lower levels than before even if their builder client has been performing well on their loans for years. This is the opportunity that many investors are seizing on. There is a huge ***funding niche*** in today’s market ripe for the picking if you know how to tap it.

## ***Lending vs. Buying as an Investment***

There are many flavors of new construction investing but the one I will cover here is my personal favorite, ***Interim Construction Loans to Builders for High Net Cash Flow***. Depending on your background and experience level in real estate investing, you may find this topic to be a rather strange approach to traditional real estate investing since we are talking about *lending rather than buying*. The main reason I considered this *lending* approach for my real estate investing was that the old approach was not working any longer in today’s market. The typical “buy and hold” approach most real estate investors were raised to believe in has disappointed many investors over the past few years. The same thing can be said for the stock market. The market correction and volatility has made many real estate and stock market investors look suspiciously at their “buy and hold” approach.

## ***Who is Eligible to Invest***

Most anyone can invest regardless of their credit score as long as you have access to cash. You can even invest with your IRA and 401-k through a “self-directed” structure which we will cover later. You can invest personally or with an LLC or most any type entity structure you choose. Many investors who have low credit scores choose to invest in this program because they can no longer get a real estate loan to buy property. Many foreign nationals invest in this program because of the almost impossible lending guidelines that prevent them from owning investment real estate. The best news is that you do not need to go through a rigorous qualification process to be “qualified”. Almost anyone can invest if they have access to cash. Many investors are also using their home equity line of credit (heloc) to invest. Because of the high return potential, investors make a nice profit margin even after paying their monthly heloc interest payment. The

strategies for gathering the cash are evolving and there is virtually no limit to the creative ideas I hear from investors to fund these interim construction loans.

### ***Now is the Time to Buy?***

Many will tell you because of the recent real estate price depreciation that, “Now is The Time to Buy”. We’ve all heard that a million times recently. But is it true? Will the markets bounce back like they have in the past? In spite of the low financing rate, will the extremely tight controls put in place since the financial collapse prevent the rebound we have seen repeated in 10 year cycles for decades? Will this low point plod along for years tying up our investment dollars “again” with little return? The answer is: “I don’t know the answers.” I do believe that we cannot be certain of a reasonable price appreciation moving forward considering the severe tightening of lending regulations and lender mortgage guideline changes that have been put in place. Do we really believe that all the volatility in the world economy and the U.S. stock market and banking and lending in general will somehow smooth out in the next few months or years? **The bottom line is that I cannot afford to risk “waiting and hoping” the real estate or stock market bounces back over the long term, can you?** I need more certainty of high net cash flow with my real estate investments *RIGHT NOW!* I am tired of being patient. I am tired of buy and hold. I saw too many retirees over the past few years lose half of their retirement in the stock market listening to the “buy and hold” crowd. I am determined to change and take control of my retirement future. Someone once said the definition of insanity is, “doing the same failed thing over and over again expecting different results.”

### ***Change: More Important than Location?***

Savvy investors always have their ear to the ground and their nose to the wind seeking new opportunities. Savvy investors are also not scared to change. We’ve all heard the real estate axiom, “Location, Location, Location”! Well I have a new one that is just as important in today’s real estate investing market, “**Change, Change, Change**”! Are you still trying to get 5% down or no money down for your investment properties? What about getting an 80/10/10 loan as an investor? Are you endlessly bidding on foreclosures with no success? What about short sales? How many have you bought? The challenge for most real estate entrepreneurs is to recognize when it is time for change. That time is NOW. You can see it everywhere you look. Don’t keep doing the same thing over and over again expecting different results. Listening to the mass media commercials as to “what’s hot” in real estate is usually a waste of our time and resources, unless of course you are one of the TV infomercial jockeys selling a course or a book on “how to get rich in real estate investing.” And they are always doing us a “favor” by sharing their secrets with us, aren’t they! It has been said that if you listen the market tells you what it wants to do. Right now the new construction real estate market is SCREAMING that it needs alternative builder financing. Are you listening?

## ***Be an Investor, Not a Landlord***

Making the mental leap from the “landlord” frame of mind to an “Investor” mentality also requires a change. Many investors entered into real estate like I did initially, as a landlord. They may think they are “investing” but over time they become a slave to the property and the tenants and it becomes a second job. Even if you hire a property manager you still have to “manage the manager”. I hear about how landlords who put very little down are always struggling with poor cash flow or even negative cash flow. One tenant turnover can wipe one year’s total cash flow. Don’t believe it? If you only placed 20% down or less you will easily drain a year or more cash flow with one single tenant turnover. Put a pencil to all the costs and you will be amazed at how quickly those costs add up. Tenants and toilets can have its hard-earned rewards but surely there is a better way to invest in real estate that requires less time and fewer headaches and surprises AND much better cash flow. Is it time for you to change? Remember this: ***It’s not the monthly cash flow you make that’s important, it’s the yearly cash flow you keep that counts.***

## ***How Much \$ Do I Need?***

Rather than placing 20% down payment or more on buying real estate, you can place that same amount into an interim construction loan. It might require a little more than the typical down payment on an investment property, but because lenders now require 20% down payment or more for investors, many homes you would buy would not be far from minimum interim construction loan amount anyway. Example: A 20% down payment on a \$200,000 home is \$40,000. If you have closing costs of 3% added to this amount then you would have \$46,000 out of pocket in the home. It’s getting even more expensive as many lenders are now requiring a 25% investor down payment to get the best rates and terms. **And dare we predict that it will not be long before 30-35% down payment or more will be required even for high credit worthy investors?** It may already be here by the time you read this report.

The interim construction loan is based on the “cost” to build the home. Most smart builders are limiting their construction costs to 60-65% of appraised value. This means that you are only loaning the amount necessary to build the home and leaving the additional amount 35-40% for the builder to pay expenses and hopefully make a profit.

## ***How Does Loaning Compare to Owning?***

Let’s calculate how much money we could make on a sample interim construction loan and then compare it to an investment property we might buy with the same money. There are interim construction loans available starting at \$77,000. If you don’t have that much money there are many strategies for combining funds with other investors. You can also use IRA and 401K funds in a “Self-Directed” account which we will discuss later.

Example: On a \$77,000 interim construction loan theoretically yielding 18% apr, your monthly reward is \$1,155.00. The typical 6 month return would be a staggering \$6,930.00. The most

important thing to remember here is that your net cash flow is just that, *Net Cash Flow*. There are no property taxes to pay, no leasing fees, no toilet repairs, no painting, no property management, no lawn to mow and no tenant issues or turnover, etc. ***And best of all, the cash flow you get is the cash flow you keep.*** I never could say that with my rental property I had cash flow, as it was always leaking out of my pocket somehow. The best news is that when you roll over your 6 month interim loan to another interim loan your combined yearly income doubles to a whopping \$13,860.

The best monthly cash flow I ever netted on a rental property with a mere 20% down payment was \$395/mo. That netted me a less than impressive \$4,740/yr. And that amount was always at risk for an unexpected expense. Sure I got some depreciation tax advantages but not enough to offset the difference between the \$13,860 interim construction loan cash flow example above and the paltry \$4,740 ownership cash flow, a staggering difference of \$9,120.00 per year. That is significant! But it's not *just* the cash flow potential with interim construction lending that is an important advantage; it's the reduction of risk and liability exposure of ownership that makes the interim construction loan opportunity an even stronger investment consideration. And did I mention the **TIME** it takes to own a rental home compared to loaning? Your time is extremely valuable. It pays to be as efficient as you can with your investments to maximize your income.

### ***Sources of Funds You May Already Have***

Do you have an IRA or 401k? Are they growing? Many investors are converting their stagnant IRAs and 401ks to “**Self-Directed IRAs**”. They then take those IRA or 401k funds and place them to work in interim construction loans making 14-18%! IRA conversions are easier and more affordable than ever to set up or transfer if you know the right companies to use. The best companies we work with do a “checkbook” style IRA account giving you direct access to your funds for investment. You have total control of your funds in this arrangement. There is no third party custodian or administrator that must approve the use of your funds. A word of caution, there are many rules associated with IRA investing and you will need some coaching and counseling from a professional before proceeding with this type of investment. The rules are common sense for the most part but you need to be aware of them clearly in advance and decide if you are disciplined enough to use your retirement funds responsibly for investing. The reward is that you can conceivably achieve much higher returns for your retirement funds and have the ability to use a source of funds that have been sitting idle in most cases to continue your real estate investments.

“IRA loans” were popular a few years ago. These were loans where you would use your IRA funds as a down payment and a lender would loan the balance like a traditional mortgage loan. Recently lending guidelines have changed to such an extent that it makes them a very inefficient use of your retirement money and they are almost impossible to do any longer. A better use of your IRA funds for a real estate investment is usually some type of cash transaction. In addition

to purchasing a property with cash using your self-directed IRA funds, these private interim construction loans for builders are another great way to invest inside of your IRA.

### ***What Type Homes are Being Built***

Both commercial and residential opportunities for interim construction lending are available. Most investors I work with prefer single family homes for their interim construction loans. Exit strategy is easier in a worst case scenario, plus the demand in Texas is found in single family homes and townhomes. **Valuations can vary but typically we try to focus on homes that sell between \$100,000 and \$200,000.** Our loan to the builder is 60-65% of the value of the home being built. Our pipeline of builders is growing in this price range and we remain very strict in sticking to our funding niche on price and market location. There are many of these opportunities available in some of the top growth cities in America. Texas has the top 5 Cities in America predicted for growth over the next decade.

### ***Risk vs. Reward***

Let's talk about risk. If you invest \$100,000 in the stock market is it risky? Can you lose it all? With single family home interim construction lending it would be extremely rare for you to lose it all. And if done correctly I can safely say that you can NEVER lose all your investment. Yes, there is some risk but let's talk about two of the reasons this is a reasonably secure investment. **First, we are always a first position lien holder of the property.** We don't usually invest in a second position loan because of the higher risk. **Second, we don't usually invest all the funds at once.** The funds are disbursed in stages or "draws" as each phase of the home is completed, foundation, roof, sheetrock, etc. If something should happen to the builder you would have enough left in escrow to complete the home and sell it or rent it to get your investment back. In some markets we escrow the loan funds and employ private inspectors to check each phase and verify the work is being done correctly. And we always recommend if the investor is local he/she should drive by occasionally and monitor the progress. Long distance investors have pictures emailed to them at various stages of construction. **Many long distance investors find the interim construction loans much easier to invest in than owning real estate.** And many investors tell me they make more money loaning than they ever did owning real estate. Considering the high return potential available many investors say that investing in this type of lending can be much more secure, profitable and less risky than the stock market or even owning real estate if structured correctly.

### ***NOW is the time to Loan, not Own!***

If you are stuck in an investing rut and are looking for a positive change in your real estate investing, you should seriously consider the interim construction loan investment option. If you have never invested in real estate this is an easy way to get started in today's new real estate market. I would encourage you to focus on being an Investor and not a Landlord with all your

real estate investment opportunities. *Change the way you invest to reflect today's NEW market conditions and you will prosper!*

### ***Further Information and Comments***

To learn more about interim construction lending in today's NEW real estate market and creative real estate investing in general contact:

Ron Black, Texas Investor Homes, 972-897-6190, [TexasInvestorHomes@GMail.com](mailto:TexasInvestorHomes@GMail.com)



### ***About Ron Black***

### ***Investment Properties in Dallas-Ft Worth . Austin . San Antonio. Houston***

**Ron Black** is a licensed Texas BROKER and President of Texas Investor Homes. He is known as the leading Builder (Model Home) Leaseback Investing authority in the country. **Ron develops advanced investment strategies for smaller, passive investors using NEW Construction leaseback strategies.** He creatively applies these strategies to single family and multi-family home investment opportunities and makes these turn-key opportunities available to small investors all over the country.

With over 100 brand new home sales yearly, Ron brings Investors turn-key opportunities with brand new construction and pre-owned homes in key locations around Texas based on projected appreciation, stability, rental income and renter demand.

His specialty programs are **Model Home/Builder Leasebacks, Lending Private funds to Builders such as Interim Construction loans yielding ~18% APR and New Construction sales to small Investors.** Most of Ron's experience was derived from developing real estate investment programs for his personal use. He invests alongside his investors in many opportunities. *Ron's goal is to provide stable, income generating properties from day one for his investors with little involvement from the Investor.*

Ron's superb relationship with builders provides his Investors unique and fresh opportunities in all major markets across Texas and in other select parts of the country.

Ron's motto is: *Let's be Investor's Not Landlords!*

You can reach Ron at **972-897-6190** or via Email: [TexasInvestorHomes@GMail.com](mailto:TexasInvestorHomes@GMail.com)

**Website:** <http://texasinvestorhomes.com>