

FLIPPING HOUSES 101 eBook SERIES

# Finding a Property

Tips and tricks for finding  
the best investment property  
in the right local market



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# Introduction

So, you've heard about house flipping, right? It's when you buy a distressed property, give it a makeover, and sell it for a profit. If you're new to the fix and flip game, it might seem like there's a mountain of information to learn, and the whole process can feel a bit daunting.

But hey, even if you're a seasoned investor, there's always room to grow! In this business, you can never stop discovering new tips, tricks, and strategies that can boost your success.

## Fix and Flip

Since the housing crisis peak in 2009, the house-flipping market has been on the rise. In 2022, a whopping 407,417 single-family homes and condos in the US were flipped, marking a 14% increase from 2021 and a staggering 58% jump from 2020. That's the highest it's been since 2005, with flipped homes making up 8.4% of all home sales<sup>1</sup>.

Sure, reality TV shows like *Flip or Flop*, *Flip This House*, and *Property Brothers* have made house flipping look exciting, drawing thousands of new investors. But let's be real, it's not as easy or straightforward as it seems on screen.

## About this eBook

Welcome to Flipping Houses 101, a series of eBooks that take you through the "6 Fs" of flipping houses: **F**ind, **F**inance, **F**ix, **F**ill, **F**lip, and **F**un. In this eBook, we'll tackle the first step - finding the perfect investment property in the right local market. Ready to dive in? Let's go!

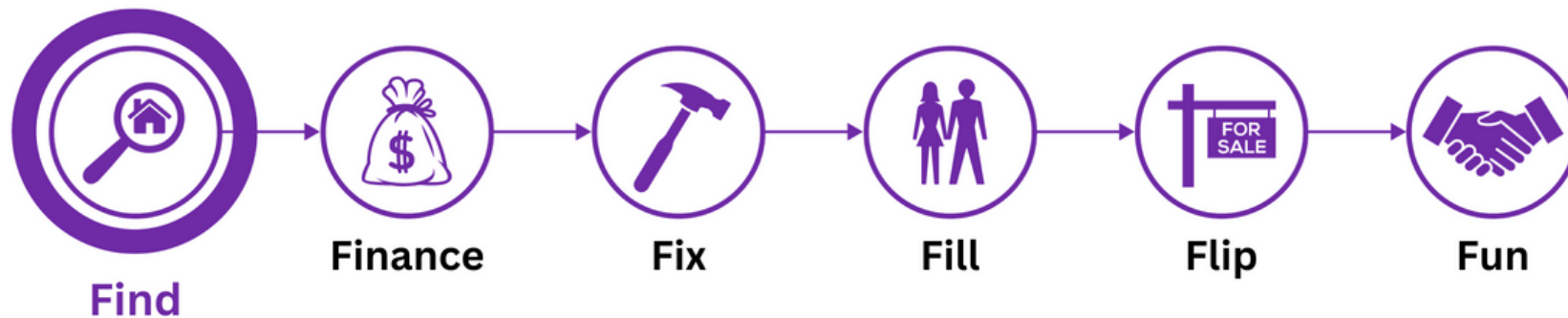
<sup>1</sup>ATTOM Staff, "Home Flipping Remains Up In 2022 Across U.S. But Gross Profits Fall To Another Low" ATTOM, March 23, 2023, <https://www.attomdata.com/news/market-trends/flipping/attom-year-end-2022-u-s-home-flipping-report>.

# Part 1: Find

## How to Find Your Next Fix and Flip Property

A house-flipping business is a great way to get into real estate or utilize your experience to scale your portfolio. Whether you're a DIY enthusiast or planning to bring in a team of professionals, flipping houses can be a fantastic way for real estate investors like you to achieve financial freedom. But to make your strategy work, it's crucial to pinpoint the right local market and investment property.

"Find", the first "F" of real estate investing, can be broken down into two stages: **choosing a market** and **finding a property**. Let's explore each step, shall we?



# Find Your Housing Market

Before you start scouting for that perfect property, you need to decide which housing market to focus on. If you're a beginner, the answer is often pretty simple—your own backyard. Unless you're an experienced flipper looking to branch out, sticking to your local market is usually the best bet for a smooth and profitable fix and flip experience.

It's crucial to research the market and pinpoint the neighborhoods that'll work best for your project. In some areas, a \$250k home might be a steal, while in others, it could be outrageously expensive. That's where flipping in your own geographic market gives you an edge. Here's how:



## You Know the Area

You know the ins and outs of your town - which parts are gaining or losing popularity, and you have a sense of the trends, attractions, and school districts in various neighborhoods. This local knowledge helps you understand a home's potential value beyond just the numbers (listing price, specs, comps, etc.).



## You'll Save Time and Money

Being close to your project is a time and money saver. You can easily visit the property before purchasing and during the rehab, plus you can meet with contractors in person before accepting their bids. Trust us, traveling long distances for these tasks can be a real headache.



## You'll Keep Higher Margins

Being nearby also means you can show the home once it's listed for sale, rather than hiring a third party. Keep in mind that every additional service you use chips away at your profit margins. The more you can handle yourself, the better.

# Research the Market

Digging deep into your home market is crucial for success. Immerse yourself in open houses, chat with local experts about the economy, and keep your ear to the ground for useful information.

Stay open-minded and concentrate on collecting data that'll help guide your decisions. And remember, always circle back to the numbers. Real estate investing is all about the math, and crunching those figures will reveal if flipping is a smart move in your chosen area.

## Market Research Checklist

Our Market Research Checklist is a valuable resource that will give you a good handle on the market in which you want to flip. Use this checklist of criteria to apply to each market you study. Check items off as you research and take extensive notes for a holistic view of the market you're researching.

[Download Checklist](#)



The image shows a 'Market Research Checklist' form from 1st Truitt Flipping Houses. At the top, it says 'Use this checklist of criteria to apply to each market you study. Check items off as you research and take extensive notes for a holistic view of the market you're researching.' Below this, there are two lines for 'Market area' and 'Property under analysis (if any)'. The main part of the form is a table with two columns: 'Research Criteria' and 'Notes'. The criteria are grouped into sections: 'Basic Market Data' (Average Market Cap Rate, Average Home Price), 'Resident Demographics' (Current Resident Base, Current Market Trends), 'Neighborhood' (State of the market, Signs of migration to the neighborhood, Unique and special features, Acquisition frequency, Local crime statistics, Quality of life rating, Population growth, Area economy), 'Area Attractions' (Cultural attractions, Transportation and job proximity, Area school ratings, Attraction value, Proximity to medical services), and a 'Comments' section at the bottom. A 'Download Checklist' button is visible at the bottom right of the form.

Research Criteria	Notes
<b>Basic Market Data</b>	
Average Market Cap Rate	
Average Home Price	
<b>Resident Demographics</b>	
Current Resident Base	
Current Market Trends	
<b>Neighborhood</b>	
State of the market	
Signs of migration to the neighborhood	
Unique and special features	
Acquisition frequency	
Local crime statistics	
Quality of life rating	
Population growth	
Area economy	
<b>Area Attractions</b>	
Cultural attractions	
Transportation and job proximity	
Area school ratings	
Attraction value	
Proximity to medical services	
Comments	

# Know Your Property Type

When you're starting out, it's best to target the most liquid properties on the market—usually, single-family homes at median price points. These properties see high buying and selling activity from both homeowners and investors, making them ideal for a smooth fix and flip exit strategy.

Such properties typically require less equity than high-end homes, reducing your risk. Picture your classic 3-bed, 2-bath house—nothing too flashy.

Aim for homes that need moderate renovations rather than extensive overhauls. Tackling larger projects demands expertise, experience, and a reliable contractor team. So, hold off on those big makeovers until you've got a few successful flips under your belt.



## Moderate Renovation

Generally consists of cosmetic changes and light repairs to restore portions of the home.

- **New light fixtures**
- **Kitchen remodel**
- **Bathroom remodel**
- **New flooring and paint**
- **Landscaping**
- **Minor electrical repairs**
- **Minor plumbing repairs**



## Extensive Renovation

A substantial addition or change to the interior configuration or the energy system of an existing home.

- **Structural changes**
  - **Adding an extension**
- **Extensive plumbing work**
- **Extensive electrical work**
- **Easement work**
- **New HVAC system**



# Find Your Property

With your target market locked in, it's time to hunt down that perfect fix and flip property. There are several sources to explore when searching for a house to flip. Here are a few:

- Auctions
- REO
- Short Sale
- Wholesalers / Marketplaces
- Traditional (MLS)
- Seller Direct

We've arranged these sources roughly based on their potential in the current sellers' market. Keep in mind that the best deal sources can shift depending on market conditions. For instance, auctions might be a goldmine when home prices are low, while seller direct deals can prove more fruitful when prices are high. Now, let's dive deeper into these sources.





# Auctions

In a distressed market, attending live property auctions can be a fantastic way to discover underpriced properties in need of some TLC. Most homes sold at auction are foreclosures, with lenders aiming to recoup as much as they can for properties borrowers have defaulted on. Auctions provide a convenient means to achieve this.

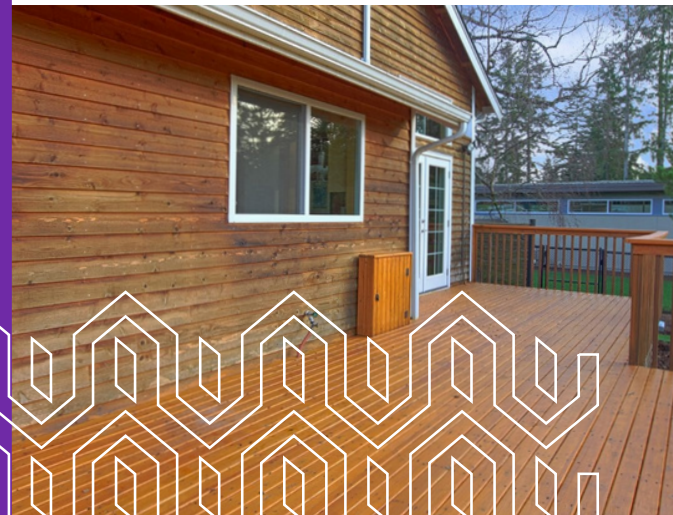
The significant discounts available present excellent arbitrage opportunities for real estate investors. Competition is often minimal since these homes aren't listed on the general market.

Let's explore some steps to help you prepare for the pros and cons of buying a foreclosed home at auction.

## 5 Steps to Take Before Bidding on a Property at Auction

- 1 Research the Auction
- 2 Find your Property
- 3 Check Out the Property
- 4 Research the Property
- 5 Get Your Financing

Read on to learn what's involved in each step



## 1 Research the Auction Before Attending

Each auction has its own set of rules and requirements for participants. While auctions are typically open to the public, you'll usually need to register and complete some paperwork beforehand if you plan to bid.

## 2 Search for Properties Beforehand

Examine foreclosure data in your market to determine which auctions you'd like to attend and which properties you're interested in bidding on. Foreclosure sales data can be obtained from the specific county, either online or at the county courthouse, or from a third-party foreclosure sales agent, known as a "trustee." Local real estate agents can also assist you, but they won't earn a commission on a live auction sale.

## 3 Check Out the Property

Foreclosed properties are often occupied before the auction, so it's unlikely you'll be able to go inside. However, you can do a drive-by to get a sense of the home's condition from the exterior. Keep in mind that you'll be purchasing the home as-is, without a home inspection beforehand.

Be cautious—since the foreclosed home is being sold by a lender who hasn't occupied the property, they may not have much information about the home's condition or potential issues. It's not uncommon for a foreclosed home to require significant repairs, such as plumbing, heating, electrical system fixes, or even structural problems.

## 4 Find Out Everything You Can About the Property

One significant drawback with foreclosure auctions is that you may encounter liens on the property that you'll inherit upon purchase. When buying houses at auction to flip, ensure your title company has researched the property, so you know what you're getting into, and secure title insurance in case any issues arise.

## 5 Get Your Financing

Auctions often require you to pay for the property in full on the spot. Most foreclosure auctions accept cash, cashier's checks, or bank money orders for payment. In many states, you must pay in full immediately after the auction ends.

In general, you'll likely need to buy a property in full and with cash, making financing challenging. Some real estate investors turn to hard money lenders to finance their projects, particularly when planning a fix and flip.

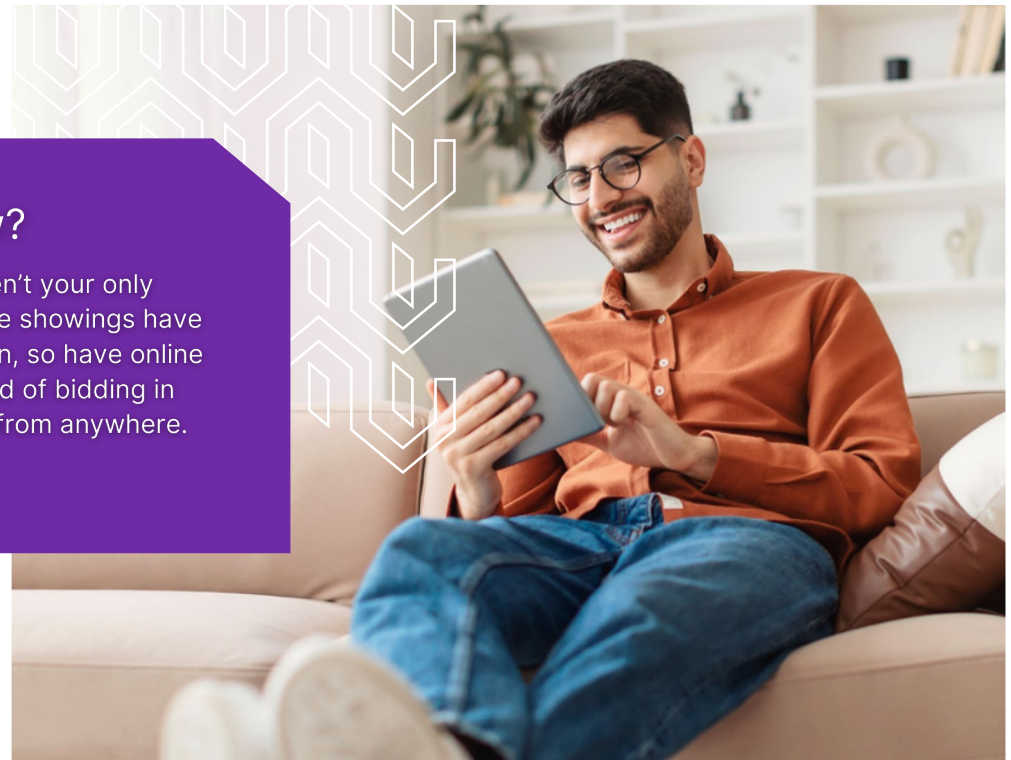
### Are you ready to see what you can find at auction?

Check out [Xome.com](https://xome.com)—you can search, save, bid, and buy properties right from their auction platform.



### Did You Know?

Local live auctions aren't your only option. As virtual home showings have become more common, so have online home auctions. Instead of bidding in person, you can do it from anywhere.



## REO

**According to a report from ATTOM Data Solutions, US foreclosures increased by 219% in the first six months of 2022—96% of major metro areas experienced an annual rise in foreclosure filings<sup>1</sup>.** If a foreclosed home doesn't sell at auction, a bank or lender will own it. These properties are known as Real Estate Owned, or REO, listings.

Since banks aren't in the business of buying and selling homes, they're usually eager to remove these properties from their balance sheets and will often sell them at a reasonable discount. Some lenders distribute a list of REO properties via email or newsletter, but you can also contact local banks and inquire about any properties they're looking to offload. As with auction properties, be cautious of liens and damage to a property before purchasing.

## Short Sale

When a homeowner defaults on their mortgage, banks may offer them the option to sell the property "short" or for less than what is owed. Banks sometimes prefer this to foreclosure, given the time-consuming and expensive process they must undertake to sell properties they foreclose on, such as auctions and REOs.

If a bank approves a short sale on a home, this could provide an excellent opportunity for a buyer to acquire a property at a discount from a homeowner eager to sell quickly. However, there are some downsides to purchasing a short-sale property.

The sales process may take longer to complete than a traditional retail sale because the lender must approve the short sale and sale price. Additionally, the approving lender rarely agrees to cover any extras that a regular seller would typically agree to, which could result in higher closing costs for the buyer.

As with any source, you can find houses to flip among short sales, so don't count them out. Ask a real estate agent about short sale listings and look for phrases like "subject to bank approval," "preforeclosure," "third-party review required," and "pre-approved by the bank"—these could indicate a home is being sold short.

<sup>1</sup>Attom. "Increased Foreclosure Activity in First Six Months of 2022 Approaches PRE-COVID Levels.", July 14, 2022. <https://www.prnewswire.com/news-releases/increased-foreclosure-activity-in-first-six-months-of-2022-approaches-pre-covid-levels-301586400.html>.

## Traditional (MLS)

The most traditional way to find (and list) a house for sale is via the Multiple Listing Service (MLS). MLS is a service that allows sellers to post listings to various aggregators and websites, enabling buyers to search across thousands of real estate agent listings quickly and efficiently. If a house is being sold, chances are it's listed on MLS.

The main downside of finding houses to flip on the MLS is the high level of competition you will face as a buyer. Given the thousands of people using the service, homes priced under market value are often snapped up very quickly, making it challenging to find a property that presents a unique opportunity. Additionally, you must be a real estate agent to access the MLS, which means joining your local Realtor Association or partnering with a local agent. These associations typically require fees of about \$1,000 or more per year.

## Seller Direct

Finding houses to flip can be challenging when home prices are high, and the market is relatively healthy. Some of the best deals may not even be available on the market because the homeowner hasn't decided to sell yet. Seller Direct (also called Direct-to-Seller) means approaching homeowners at strategic times—when they have not listed their homes yet—and making an offer on off-market houses.

Online tools such as FindMotivatedSellersNow, PropStream, DealMachine, and Rebo Gateway aggregate and curate publicly available data (post office, utility, MLS, public transfer) and create “propensity to sell” models which help predict when a homeowner may be willing to sell their property. Once an opportunity has been identified, these service providers allow you to send targeted mail and marketing collateral directly to potential sellers.

By going directly to the seller, you can often find deals that aren't yet on the market and negotiate terms without competing against other buyers. This strategy can help you uncover hidden gems and secure properties that others may overlook. Just remember to be respectful and professional when approaching homeowners, as building trust is crucial in these situations.



# Do Your Homework

Before buying a house to flip, make sure you've thoroughly researched all of these sources and explored what each has to offer. There is no one-size-fits-all solution for finding houses to flip, and real estate investors see success from various sources.

## Before You Buy—A Checklist

Your fix and flip checklist should start before buying a new property. Use this handy checklist to help make sure you think of everything.

- ☐ Research and learn about your local real estate market
- ☐ Set a realistic budget
- ☐ Arrange your financing with a trusted lending partner
- ☐ Get a real estate agent you can trust
- ☐ Scout individual properties
- ☐ Negotiate the purchase
- ☐ Have a certified home inspector examine the property
- ☐ Start your renovation planning
- ☐ Get your team on standby



# Conclusion

Whether you're just beginning your real estate investing journey or already expanding a thriving real estate business, we hope Part 1 of your journey through the "6 Fs"—**F**ind, **F**inance, **F**ix, **F**ill, **F**lip, and **F**un—has provided valuable insights and practical advice. Navigating the world of fix and flip investments can be challenging, but with the right approach, research, and dedication, it can be a rewarding and profitable venture.

Remember that each stage of the process is crucial, from identifying your target market and property type to securing financing and assembling a reliable team for renovations. By thoroughly understanding each aspect and being prepared for the challenges that may arise, you'll be well on your way to achieving success in the real estate investment world.

As you continue to grow and expand your portfolio, it's essential to remember that learning is a continuous process. Stay informed about market trends, best practices, and new opportunities to ensure you're always ready to seize the next profitable investment.

At 1st Truitt Financial, we're here to support you in achieving your real estate investing goals with customized financing solutions tailored to fit your unique needs. Our goal is to empower you to make well-informed decisions and continue to thrive in your real estate endeavors.

Now that you have a solid foundation in the "Find" aspect of the "6 Fs," you're ready to move forward with confidence and determination as you build your fix and flip empire. Happy investing!







Since 2013, we've believed that real estate investors could benefit from the power of modern technology and tailored industry expertise. In just a few years, we've built an industry-leading team and a powerful technology platform that delivers flexibility, speed, and simplicity that our customers rely on.

Together, we've funded more than **\$16+ billion** in loans, unlocked **\$4.1+ billion** of value for real estate investors to help them scale their business, and completed over **65,000 projects**.

As we look to our future, we're committed to helping real estate investors revitalize the approximately \$25 trillion worth of aged U.S. housing stock to provide move-in ready homes and rental housing for millions of Americans across the country.

## Ready to Get Started?

1st Truitt Financials' advanced tech platform removes many traditional barriers, automates time-consuming manual steps, and provides quick approvals and true transparency throughout the entire process. We provide robust backing with expert guidance for both new investors as well as seasoned professionals.



### Fix and Flip / Bridge Loans

Short-term financing for purchasing and rehabbing investment properties with high leverage, competitive terms, and fast closings.

[Learn More](#)



### DSCR Rental Loans

Flexible term lengths, low rates, and easy processes to maximize monthly rental income allow you to enjoy the benefits of property appreciation.

[Learn More](#)



### Rental Portfolio Loans

Consolidate 5+ properties under one low monthly payment and customizable loan to make managing your growing portfolio easy.

[Learn More](#)

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