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REAL ESTATE

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*0 to 100 Step-by Step Guide to Real Estate Investing*

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## INTRODUCTION



*If you're reading this "0 to 100 Step-by Step Guide to Real Estate Investing," something has brought you here. Maybe you're working a job you no longer enjoy (or have never enjoyed to begin with), maybe you've always been fascinated with real estate but didn't know where to start or possibly you've just hit a wall and know you need to do something different. Whatever it is that has brought you here, know that there are no secrets to my success.*

*For over 8 years, I have shared my journey through social media, meet-ups, 1:1 phone calls, etc. and*

*have poured into others and shared what I've learned as I went from working a full-time job in corporate America to achieving financial freedom through real estate investing. And now, I've decided to document the process so you too can learn and grow from my experiences. Being successful in real estate is not easy, but it's possible with a lot of hard work, consistency and most of all, trust in the process. There is no need to reinvent the wheel, this process works...I wish I had something like this when I first got started. I didn't, but now you do!*

## Step #1 FINDING THE DEAL

### MARKETING

*If I had to start all over again without any money or any connections, I would spend 100% of my time focused on marketing and lead generation. With real estate investing the person that controls the deal flow is typically the one that makes the most money. In order to control deal flow you must have consistent marketing in place. **Pro tip: The ROI you get on any marketing campaign is directly tied to the quality of our data.***

Our team pulls data from public records and data aggregator services. Great places to get high quality data are:

- **Public Records:** This is referring to City Offices (i.e., Code Enforcement, Tax Assessor, Public Utilities, etc.) & Civil Court
- **Property Radar**
- **Propstream**

From these sources, we pull “lists” and will use the data from those lists to market to potential motivated sellers via direct mail, cold calling, and text messaging. Each of these marketing strategies have their own pros and cons. For example, with direct mail marketing the pros are they are relatively easy to set up and manage, not very time consuming and your inbound leads are typically warmer. However, the mailing costs, whether you DIY it or utilize a fulfillment center, are going to be higher than generating leads via cold calling or texting. Direct mailing is indeed a more passive marketing approach to lead generation and you will need to spend more money to generate consistent deals. Once you have the lists, it's time to start

marketing to sellers and generating leads. If you plan to make calls or text, you'll need to have them skip traced. In simplest form, skip tracking is when you do a public records search using the data from your list to get phone numbers for the property owners. To do this, we use a company called Batch Leads. But, remember if you're going to pay to skip trace it is critical that you provide quality data from reliable sources.

Here are some of the lists we are currently marketing to via direct mail, cold calling and text messaging:

- **Probate**
- **Code Enforcement**
- **Evictions**
- **Tax Delinquent**
- **Driving for Dollars**
- **Death of a Joint Tenant with Equity**
- **Non-Owner Occupied with Equity**
- **Owner occupied with Equity and Age filter**
- **Water Shut off**
- **Fire Damage**

Typical start-up costs for Marketing  
Like any business, there are start-up costs and with real estate investing this includes marketing. However, the amount spent will vary depending on whether you're doing direct mail, cold calling, text messaging or a combination of all three.

- **Data (\$500-\$2500) - Frequency will vary**
- **Skip tracing (\$500-\$1000) - Frequency will vary**
- **Dialer (\$100-\$200) - Monthly**
- **CRM (\$100-\$200) - Monthly**



## Step #1 FINDING THE DEAL



Now, when I first started, I didn't have much money available for marketing. My wife and I had approximately \$3,000 in the bank, we were relying on her income as a high school counselor, and I was a one-man operation. I printed my own letters, our kids helped stuff envelopes/apply postage, I fielded all the calls and went on every appointment. Again, I made this process more difficult than it needed to be and probably got off to a much slower start than if I had committed to just making the upfront investments in marketing.

Is it possible to acquire consistent deals without spending any money marketing? Yes, and I have summarized how to do this [HERE](#). To give you a taste of what this presentation covers, think driving for dollars, bandit signs, door knocking and attending networking events.

### LEAD GENERATION

Simply stated, generating leads involves the act of mailing, calling and texting to engage sellers to see if they're interested in potentially selling a property and the process of getting them say "Yes, I'm interested." Whether you're marketing via direct mail, cold calling, texting or received a referral from some another source, you will eventually need to "qualify" the lead once you get them on the phone.

In our business, we consider a qualified lead to meet these 4 criteria:

- ***Are you speaking to the owner of the property?***
- ***Have they made a decision to sell the house?***
- ***Are they open to selling the house within the next 90 days?***
- ***Are they open to a price that is below market value?***

### COLD CALLING SCRIPTS

There are two scripts that you need to master to successfully "qualify" the lead and to take the seller through the "acquisitions" process.

#### Script #1 - LEAD QUALIFICATION

## Step #1 FINDING THE DEAL

The focus of this script is to confirm all four criteria listed above. Are you talking to the decision maker, have they made a decision to sell, in what timeframe and are they open to accepting a price below market value?

Once qualified, your job is to take the seller through your acquisitions process and present them with an offer. This involves talking with the seller, building rapport and getting them to open up about why they want to sell a property. **Pro-tip: The motivation behind why they want to sell the property is much more important than their stated asking price or the property condition. Understanding this is the key to being able to consistently buy off-market properties at a substantial discount.**

### Script #2 - ACQUISITIONS

Remember, you are using this script to build rapport, dive deep into the owner's motivation to sell, determine price and set the appointment to view the property, make an offer and/or sign the contract.

There are all sorts of reasons why an individual would be motivated to sell a property for a deep discount. Some of the most common motivating factors we see are:

- **The property is a rental and the landlord is dealing with a problem tenant and/or the tenant has stopped paying rent.**
- **An individual or group of individuals have inherited a property and it needs a significant amount of work and they don't have the time or money to make the necessary repairs to sell at full market**

**value. In this case, liquidating the property in a quick and easy way is a very attractive option.**

- **The property is distressed, vacant, etc. and owner no longer wants to deal with it.**
- **Owner lives out of town and is ready to sell and move on.**
- **Landlord is downsizing their rental portfolio.**
- **The seller just needs money. Maybe they're behind on their mortgage, property taxes, medical bills, etc.**

**Protip: Do more listening than talking when building rapport and getting them to open up about why they want to sell the property. These sellers are usually in a tough situation and are looking for someone to solve their problem through the sale of the property.**

Cold calling is not easy, but with a lot of practice you will start to get more comfortable. Every person you speak with on the phone is not going to be ready to sell and that is to be expected. Some call this rejection, but our team knows this is just part of the process. Eventually, we will get a motivated seller on the phone, you'll take them through the process step-by-step and you will successfully close the deal. Again, practice, practice, practice! Even as we've grown, our team continues to have script training on a weekly basis as we know there is always room to improve, and this is one area that you want to be great at! Stick with the structure, do it consistently and you will eventually see the results!

## Step #2 ANALYZING THE DEAL AND PRESENTING AN OFFER

### ANALYZING THE DEAL AND PRESENTING AN OFFER

Once you have determined the seller's motivating factors to sell and gathered other details about the property itself your job is to analyze the deal. To do this, you will need to know:

- **Property Condition**
- **Any necessary Repairs**
- **Occupancy Status (Vacant or being sold with tenant)**
- **Asking Price & Time Frame**

Here is the [calculator](#) we use to quickly run numbers on our deals. This calculator will help you determine your rehab budget, commissions/closing costs, holding costs as well as projected profit margin. Once you have all these inputs in place, it will give you a max allowable offer. And, depending on the property we usually start with an offer range that is 10-20% below our max offer to give us room to negotiate.

### PRESENTING OFFERS TO SELLERS

Now that you have run your numbers, it's time to present your offer to the seller. We prefer to do this over the phone to make the process more efficient, but when first starting out it might make more sense to do this via an in person appointment, it's up to you.

When making offers, our acquisitions manager will typically call the seller and **briefly recap the notes from their prior conversation (gathered**

**as part of Script 2), focusing on the individual's motivating factors to sell.** Remember, sellers typically make their decision to sell based on emotion, not logic. We do not want to get into a price war here. Our job is to listen for those motivating factors and explain how we can successfully solve their problems through the sale of the property.

Once we've discussed the motivating factors, we then transition into talking about our initial offer range. We take the approach of "don't shoot the messenger." Here's how that works...our offer presentation usually sounds like this:

*"Thanks again, Mr./Mrs. Seller for taking the time to speak with us today. Like we discussed in our other conversations we would be purchasing this property as an investment, so the numbers have to make business sense for us and more importantly you have to feel like you are also getting a fair price. Now, we've had a chance to look at properties that other investors are buying in the same neighborhood as yours and it looks like those investors are paying between X and Y for houses that are very similar to yours. Now, I'm not saying that's our offer...I'm just saying that this is what the market is showing us. Would an offer of X to Y be something you would even consider?"*

The range you give should be based on your initial deal analysis AND also be in line with the recently sold investment properties in that area. **Our team typically analyzes and make offers on 50-60 properties per week in order to purchase 2.** The biggest issue I see with new investors is not understanding that real estate investing is a numbers game and you have to be making a lot of offers in order to close a good deal!



## **Step #3** OPENING ESCROW, DETERMINING THE EXIT STRATEGY & FUNDING THE DEAL

### OPENING ESCROW

Once you have an agreement with the seller, all parties involved need to sign the purchase agreement and you can send a copy of that executed contract to a local title company or closing attorney. We also highly recommend that you check with other local investors in your market for title companies or attorneys that are investor friendly. Now, you have officially opened escrow and **this process generally lasts between 15-30 days.**

### DETERMINING EXIT STRATEGY & FUNDING THE DEAL

Once escrow is opened, your next step is determining a proper exiting strategy. Our company focuses on wholesaling, fixing and flipping and acquiring long and short-term rental properties.

**If you decide to wholesale,** you will now need to begin shopping your deal to other investors/potential end buyers. The best places to meet people who buy wholesale deals are local networking groups, Facebook groups or calling RE agents in your area who work specifically with investors to see if they may have a client who might be interested. If you are having a problem finding a buyer, you most likely put the property under contract at too high of a price.

**If you decide to fix and flip the property,** you will need to secure funding. You can use your own cash, work with a hard money lender, private money lender or a combination of all three.

**For acquiring rental properties,** the steps to secure the initial funding is the same process as fix and

flipping. But, in addition, you will need to start looking into banks or mortgage lenders that will allow you to refinance your property once it's rehabbed and rented in order to pay your hard money or private money lender back.



### CALCULATING REHAB BUDGET (FIX & FLIP)

By this step in the process, you have already done a rough calculation of your projected rehab budget. However, in the beginning, we always recommend walking the property with a trusted contractor to make sure you're not missing any major issues (fire damage, foundational/structural issues, verifying expensive items are in working condition if that's what you've been informed, etc.). Also, if you're buying country properties, we always recommend getting a septic and a well inspection as these can be big ticket items that can drastically reduce your projected profit margins if they are not properly accounted for.

When first starting, you might not have access to a contractor and should utilize referrals from other investors you know and trust. Finding a trusted contractor can be difficult in the beginning and you may have to talk/interview many to find the right fit. It's a numbers game, just like talking with motivated sellers.

## Step #4 CLOSE ESCROW & START REHABBING THE PROPERTY

### CLOSE ESCROW AND START THE REHAB

Now that funding is in place for the purchase and rehab of the property and you've settled on a rehab budget with the contractor, it's time to close escrow and start the rehab! Remember, the escrow process with off-market deals is going to be much quicker than a traditional escrow since there's less layers of complexity.

Keep in mind that throughout this entire process, you need to maintain constant communication with the seller. If wholesaling the deal, you'll also have to make sure your end buyer is also performing per the terms of your assignment agreement. Managing expectations and meeting required deadlines is critical throughout the escrow process.

Once escrow is closed, if wholesaling, you can pick up your check for your assignment fee or if rehabbing the property, it's time for construction to begin!

### PROJECT MANAGEMENT

At this point, you have a bid in hand from your contractor and now is the time to schedule the work to begin and agree on a completion date. We typically like to have our contractors start immediately after escrow closes to reduce our holding costs. This is not always possible for several reasons, so your start date will vary depending on the circumstances surrounding the property.

#### Step #1- Determining Timeframe

Determine time frame. Our typical projects last anywhere from 4-6 weeks.

#### Step #2 - Determining Payment Structure

Once you have established a timeframe for completion, you also need to come to an agreement with the payment structure. Or contractors typically like to get paid weekly.

To determine the actual payment schedule, we take the overall rehab budget and divide it by the number of weeks in which they have agreed to finish the project. For example, if the rehab budget is 40k and the project is expected to be completed in 5 weeks, we would pay our contractor 8k per week assuming they meet the predetermined milestones on a week-by-week basis.

Once you get to the final week your project should be very close to completion and will generally **hold back 20% of the final payment in order to account for the punch list items**. A punch list is a list of all the final details that the contractor needs to complete before the house can be cleaned and prepped for photography. Once the contractor lets you know they are ready for a punch list, either you or someone from your team needs to go through the house with a fine-tooth comb to identify any issues with the property (i.e., touch up paint, window/doors not opening or locking property, ensuring proper temperature control and water flow at all faucets, etc.). After the contractor has completed all items, make sure to verify all have been completed before releasing the final 20%.

This payment structure has worked for us, but you will need to decide what works best for you as this is not the only option.



## Step #5 SELLING THE PROPERTY

*For most new investors, this is where the fun really starts!*

### CLEANING & LANDSCAPING

The first thing we need to do is prep the property for listing photos. This involves doing a deep cleaning of the entire property. Make sure your cleaner wipes down EVERYTHING... the windows, windowsills, insides of cabinets/drawers, toilets, etc. The house is going to be full dust and very dirty once the contractors are done so you want to make sure your cleaner is doing a thorough cleaning in order to create the best possible first impression for potential buyers.

We also recommend having your cleaner or maintenance person hose down any concrete surfaces on the exterior of the property (garage, driveways, patio, etc.). Depending on your pricepoint, you may also opt to do new landscaping to enhance the curb appeal and this work should begin once the majority of the construction is complete (no sooner than punch list time). The reason why you want to wait until most of the construction is complete is to avoid any heavy equipment, machinery or contractor vehicles damaging the new sod or sprinklers.

### LISTING PHOTOS

Once the house is properly cleaned and landscaping is dialed in, it's time to schedule your listing photos. We always recommend paying for high-quality photography to make your listing really pop on real estate websites like Realtor.com, Zillow and your local MLS. Depending on the size of the property you can expect to pay anywhere from \$200-\$500 for high quality listing photos.

### DETERMINING LISTING PRICE

In order to determine your listing price, you need to begin evaluating the recently sold comps. You should already have an idea about the ballpark prices, but it's always a good idea to see if there have been any recently sold or pending comps since you started the rehab process.

### LISTING WITH AN AGENT

If you're a licensed agent, you can work with your broker to list the property yourself. Just make sure to disclose in your agent remarks that the listing agent is also the owner of the property. If not licensed, it's time to start developing relationships with real estate agents who work with investors. Agents work very hard to acquire new properties and flipped properties are attractive to agents as these listings typically sell themselves.

*----- (End of what we have so far...the rest of the steps need to be identified/written)*

When I first started, I would approach agents who had a lot of experience working with other investors and specifically ones that were good at finding discounted properties. I offered to give them a listing in hopes that we could start a long term working relationship and they would consider me a buyer on future deals they come across. Your agreed upon commission rate is always negotiable, but I always prefer to offer a fair commission in hopes that it would encourage repeat business.

***Photos are taken, property is listed...now it's time for you to let the agent go to work!***

## Step #5 SELLING THE PROPERTY



### MISC.

#### *Seasoned investors understand time is of the essence*

Remember, if you're new and you've never done a deal before, we recommend that you walk the property with someone who has construction knowledge either prior to signing the contract or prior to closing escrow to make sure you're not missing any significant issues (fire damage, foundational/structural issues, verifying expensive items are in working condition if that's what you've been informed). If you're buying country properties, we always recommend getting a septic and a well inspection as these can be big ticket items that has the potential to crush your profit if not properly accounted for.

When purchasing off-market deals, the escrow process is generally much quicker than a traditional escrow since there's less layers of complexity. Again, if you're new and you've never done a deal before, we recommend that you walk the property with someone who has construction knowledge either prior to signing the contract or prior to closing escrow to make sure you're not missing any significant

issues (fire damage, foundational/structural issues, verifying expensive items are in working condition if that's what you've been informed). If you're buying country properties, we always recommend getting a septic and a well inspection as these can be big ticket items that can potentially crush your profit if not properly accounted for.

With lead generation you really do need a formal acquisitions process. A seller generally does not agree to selling on the first call or respond immediately after receiving your initial text or when they receive that first postcard/letter in the mail. There's a lot of follow up that is required and you need to formalize your process to ensure consistency.

Again, if you've never rehabbed a property, we recommend setting an appointment with the contractor to walk the property once it's in escrow. It's important to let the contractor know that time is of the essence and it's important to receive the bid back asap and it's also a good idea to let them know you're soliciting bids from other contractors to create a sense of urgency.

Again, if you're new and you've never done a deal before, we recommend that you walk the property with someone who has construction knowledge either prior to signing the contract or prior to closing escrow to make sure you're not missing any significant issues (fire damage, foundational/structural issues, verifying expensive items are in working condition if that's what you've been informed). If you're buying country properties, we always recommend getting a septic and a well inspection as these can be big ticket items that can potentially crush your profit if not properly accounted for.