

***Published in the Quarterly newsletter of NHREIA.com,  
July 2007***

***Pulling the Trigger ..... or Not***

I think one of the hardest things new investors face is knowing when to pull the trigger. Is it a deal or not, and will I be able to handle the deal? Well, if you're expecting a definitive answer, you're not getting it here. If you want suggestions on how to make the best decision for YOU, read on. (This article assumes you've been educating yourself all along, and networking with other investors who have experience.)

When asked, (or in this case, even when I'm not asked) I almost always recommend wholesaling as a first choice for new investors. Why? Several reasons:

1. Your risk is limited to the amount of earnest money deposit.
2. You can do it with very little out-of-pocket money so it's a good way to get started.
3. There is a huge need for wholesalers.
4. It's easy to sell your deal if you buy right, and are connected to a group of investors. (Gee, it just so happens that the NHREIA Yahoo newsgroup has LOTS of investors ready, willing and able to buy a good deal.)
5. The decision on whether to pull the trigger is fairly easy, because you don't have much at risk.
6. You don't need to worry about financing or where to get the money.

So if you decide to go this route, you don't really need help deciding when to pull the trigger. If you do, just ask an experienced rehabber, and if he's interested in buying your deal, you probably have a winner.

So now lets say you've decided that wholesaling's not for you, because you'd rather buy a deal from a wholesaler than to negotiate with a seller. Ok. Now how do you decide?

1. A general rule of thumb of how much you should pay, is 65% - 70% of ARV minus the rehab costs, depending on who you talk to. And there are several unknowns in this equation: The ARV and the cost of the rehab, to start with. So be sure if you are using a real estate agent to pull comps for you and determine ARV, you want to see ALL the comps for the neighborhood and size of the house, not just the few the real estate agent shows you. And they should be SOLD comps, not active. And they should be no older than 6 months. Then, in a declining market, get conservative and take off 10% for the sake of selling fast.
2. Assume carrying costs are always higher than you think. Because they always are.
3. Ask another experienced rehabber, or a hard money lender, whether the numbers work. If the rehabber tells you he'd buy the deal if you don't take

- it, you probably have a deal. If the hard money lender tells you he's probably able to finance it, you probably have a deal. If they both tell you no, then go back and renegotiate.
4. Getting another opinion from another investor is always a good confirmation that you're making a good decision. If they don't have an opinion, they might be able to point you to someone who can help.

These are only two options that I'm covering in this article, because they are two of the most common. But pulling the trigger on your first deal is challenging no matter which investing route you take. Here are a couple more thoughts:

1. If you're not scared on your first deal, you probably should be, and you probably don't know enough to understand the risks.
2. It's ok to be scared. Just don't let it stop you from taking that first step if you know in your brain (not your heart or gut) that it's a deal.
3. If you've run the numbers six ways to Sunday, and are convinced you can make a boatload of money, you've probably miscalculated. However, making a small amount of money and learning a ton is the same as getting paid to learn. It is way better than spending money on seminar after seminar and never putting the information to use. Don't get me wrong – educating yourself is critical. I'm not suggesting you take action before you've properly prepared. I'm saying invest in some books and courses and take the steps to **PUT THEM TO USE!**

Good luck and take action!