

# Mark Loeffler – Rent to Own

## Rent to Own Property R.T.O = R.O.I Increase Your Cash Flow

Simple, Profitable, Versatile

Mark Loeffler

## How I Became 'The Versatile Investor'

- ❖ For GE it started with a light bulb...
- ❖ For Nike it started with an idea...
- ❖ For Disney it started with a mouse...
- ✓ For me it started with...

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## How I Became 'The Versatile Investor'



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## Why Become The Versatile Investor?

Change the way you think...

Change the way you earn

- ❖ Customer Based Thinking Creates
  - ✓ Pride of Ownership
- ❖ Chance to Be Part of Something Builds
  - ✓ Integrity, Dignity, Security

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## #1 Reason Why RTO?

...Cash Flow for you !

- ❖ Today...not in 5 to 7 years at exit
- ❖ Generates income for full term of project
- ❖ Initial \$ for finding tenant/buyer
- ❖ Monthly cash flows

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## Compare The Numbers

Rent-to Own  
Versus Traditional  
“Buy-and-Hold”

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## Understanding the #'s is Key

Rent-to-Own

Buy-&-Hold

### Initial Deposit

Tenant/Buyer  
\$10K - \$20K  
(up front)

First + Last  
months rent

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## Understanding the #'s is Key

Rent-to-Own

Buy-&-Hold

### Higher monthly rental income

Premium of up to  
\$400 to  
\$500/mth over  
market rent

Market rent only

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## Understanding the #'s is Key

Rent-to-Own

Buy-&-Hold

### Property Management

No monthly  
Property  
Management  
Fees

Monthly fees  
as high as 10%  
of rental income

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## Understanding the #'s is Key

Rent-to-Own

Buy-&-Hold

### Cash Calls

No “surprise cash  
calls” for  
maintenance and  
repair

Cash calls are a  
fact of life...  
...new furnace,  
roof, etc.

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## Understanding the #'s is Key

Rent-to-Own

Buy-&-Hold

### Clear exit strategy

Pre-determined  
selling price  
Pre-determined  
selling date

Waiting for the  
market to  
appreciate to  
acceptable levels

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## Understanding the #'s is Key

Purchase Price

RTO

B & H

\$258,000

\$258,000

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## Understanding the #'s is Key

	RTO	B & H
Purchase Price	\$258,000	\$258,000
Total Investment	49,000	\$61,145

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## Understanding the #'s is Key

	RTO	B & H
Purchase Price	\$258,000	\$258,000
Total Investment	49,000	\$61,145
Loan-to-Value	80%	80%

## Understanding the #'s is Key

	RTO	B & H
Purchase Price	\$258,000	\$258,000
Total Investment	49,000	\$61,145
Loan-to-Value	80%	80%
Mthly Cash Flow	\$636	\$110

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## Understanding the #'s is Key

	RTO	B & H
Purchase Price	\$258,000	\$258,000
Total Investment	49,000	\$61,145
Loan-to-Value	80%	80%
Mthly Cash Flow	\$636	\$110
Sale Price	\$300,000	\$300,000

## Understanding the #'s is Key

	RTO	B & H
Purchase Price	\$258,000	\$258,000
Total Investment	49,000	\$61,145
Loan-to-Value	80%	80%
Mthly Cash Flow	\$636	\$110
Sale Price	\$300,000	\$300,000
ROI	39%	24%

## The Strategy

There are 3  
Rent-to-own Options



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## Option # 1 – Traditional Lease

1

Purchase  
Property

## Option # 1 – Traditional Lease

1

Purchase  
Property

2

Find  
Tenant

## Option # 1 – Traditional Lease

1

Purchase  
Property

2

Find  
Tenant

3

Move  
Tenant In

## Option # 1 – Traditional Lease

1

Purchase  
Property

2

Find  
Tenant

3

Move  
Tenant In

4

Tenant RTO  
Over Time

## Option # 1 – Traditional Lease

- ❖ After RTO period over, tenant purchases home from you
- ❖ Traditional starts with the property
- ❖ Force feeding property to tenant vs. meeting tenant needs

## Option # 2 – Sandwich Lease

Puts you between the tenant and the person who currently owns the home



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## Option # 2 – Sandwich Lease

- ❖ Owner options the property to you at a certain price
- ❖ You option the property to your tenant at a higher price
- ❖ You agree to purchase the home after a certain period of time from the owner
- ❖ Tenant agrees to purchase the home from you

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## The Inner-Workings of the RTO Strategy



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## Option # 3 – Tenant First Strategy

The tenant-first strategy is just as it sounds

- ❖ Before you find a property you:
  - ✓ you chose your tenant,
  - ✓ Your tenant selects the “home” they want to live in
  - ✓ matching needs to Qualifications

**The E-Harmony of Real Estate!**



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## RTO Strategic Process Overview

The “6 Step Methodology” for RTO



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## Step # 1 – Tenant First Strategy

The benefits of tenant first are noteworthy

- ❖ Pre-qualified, Quality Tenant
- ❖ Initial Deposit up front
- ❖ No worry about the property being unoccupied, leaving you with no monthly cash flow

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## Step # 1 – Tenant First Strategy

- ❖ Premium on monthly rental income
- ❖ No Maintenance – Tenant is responsible
- ❖ Pre-planned Exit Strategy
- ❖ Low Risk

***Solid & Predictable ROI***

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## Step # 2 – Choose Your Tenant

## **There is a Rigorous Filtering Process to finding the Right Tenant/Buyer**



## Step # 2 – Choose Your Tenant

## Look for the 3 Q's:

- ❖ **QUALITY**
- ❖ **QUALIFIED**
- ❖ **QUICK TO MOVE**

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## Step # 3 – Choose Your Property

## Here are some tips:

- ❖ **Buy low, sell high applies**
- ❖ **Don't buy biggest most expensive house on the block**

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## Step # 3 – Choose Your Property

- ❖ Single-family homes are typically more liquid vs. multi-units, as they give you a broader-base to sell.
- ❖ Find a knowledgeable realtor **IN THE AREA** who has experience with, or is, a real estate investor

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## Step # 3 – Choose Your Property

### Additional tips:

## You have a good property in mind, but is it a solid investment???

- ❖ The quick way to find out
  - ✓ A great spreadsheet!
- ❖ You can find a copy of a working spreadsheet, at 80% financing, at

[TheVersatileInvestor.com](http://TheVersatileInvestor.com)

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## Step # 4 – Your Target Marketing

## You Need A Tenant - Get The Word Out!

## ***Use the Internet !~!~!***

- ✓ More bang for your buck, you can write something, add pictures etc.
- ✓ You will receive a more targeted base of inquiries
- ✓ Reaches more qualified people than traditional advertising



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## Step # 4 – Your Target Marketing

### Offline Advertising:

- ❖ Local Newspapers
- ❖ Smaller local newspapers – usually cheaper
- ❖ Post flyers on bulletin boards
- ❖ If legal, lamp posts in the area your property will be located

**Word of Mouth – Use Your Network!**

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## Step # 5 – Choose Your Partners



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## Step # 6 – Write Your Deal

### Determining The Rental Term

- ❖ Based on credit score and items on report, you must now determine the rental period
- ❖ Typical Terms are 12 months to 36 months



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## Step # 6 – Write Your Deal

### Things To Consider:

- ❖ How long will it take a tenant to repair their credit?
- ❖ What is their TDS, and can they realistically pay them down to be mortgage-ready in a few years?

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## Step # 6 – Write Your Deal

### Things To Consider:

- ❖ Each Tenant/Buyer is unique – you must determine from their slightly bruised credit how long it will take for them to increase their score

**You are dealing with people,  
respect that**

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## The What If's....!!!

### What If's...



- ❖ The tenant moves out in the middle of the night?
- ❖ The tenant trashes the house?
- ❖ The tenant doesn't pay the rent?

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**The What If's....!!!**

**What If's...**

- ❖ The tenant can't afford to purchase the property at the end of the term?
- ❖ The tenant wants to buy out early?

***The Answers are all in my Book!~!***

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*Thank you*

