

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

	RTO	B & H
Purchase Price	\$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%

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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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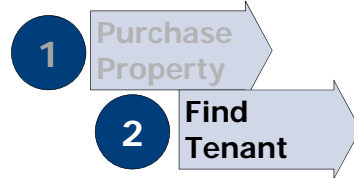
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Option # 1 – Traditional Lease



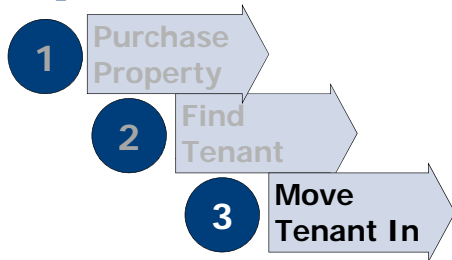
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Option # 1 – Traditional Lease



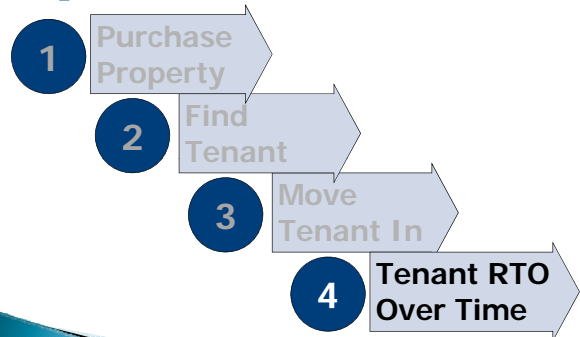
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Option # 1 – Traditional Lease



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Option # 1 – Traditional Lease



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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

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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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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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The Inner-Workings of the RTO Strategy



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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

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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

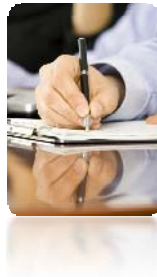


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Step # 6 – Write Your Deal

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