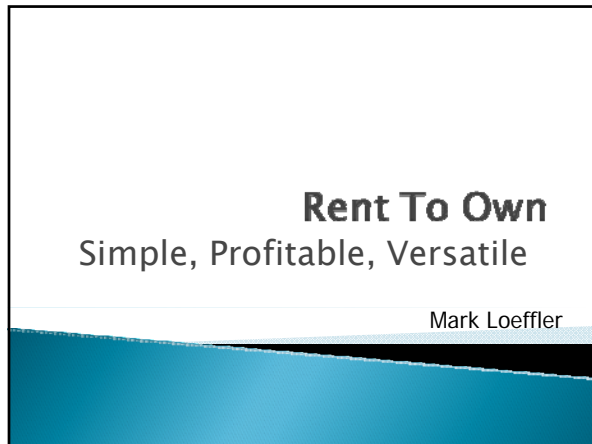
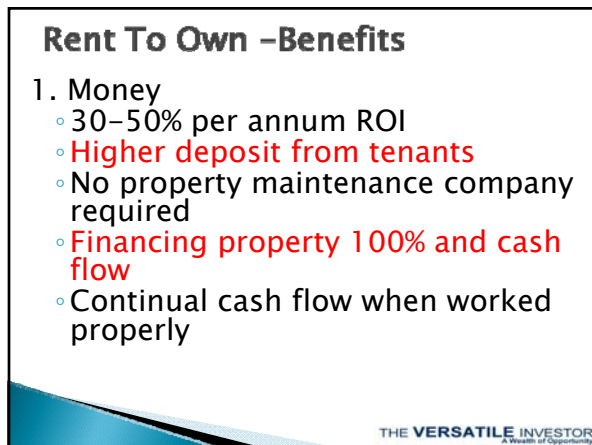
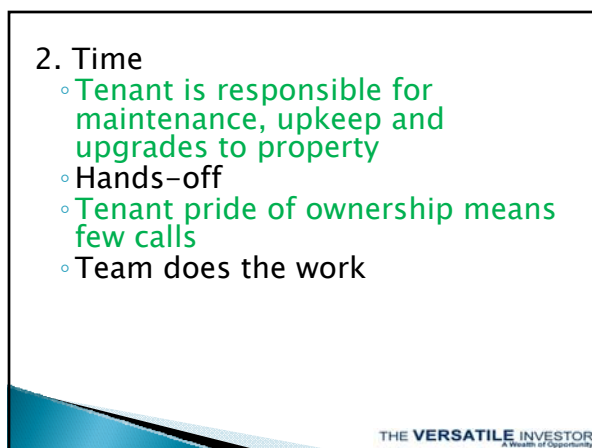


Rent to Own: Simple, Profitable and Versatile







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3. People: A Simple & Secure Solution

- Fixed exit strategy
- Cash flows in any market –
Actually easier in a down economy
- Promotes home ownership –
Dignity included
- Positive situation for everyone
involved
- Lease can be conditional on
securing qualified tenants

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1st Step: Choose Your Strategy

3 strategies you can use for Rent to Own:

1. Traditional Lease
2. Sandwich Lease
3. **Tenant First**



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1st Step: Choose Your Strategy

Type 3: The Tenant-First Strategy

The tenant-first strategy is just as it sounds. Before you find a property, you chose your tenant, then find the property to match their needs and qualification.

The E-Harmony of Real Estate!



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1st Step: Choose Your Strategy

Tenant-First: Huge Benefits

- ▶ No Maintenance – Tenant is responsible
- ▶ Pre-planned Exit Strategy
- ▶ Pre-qualified, Quality Tenant
- ▶ Solid ROI
- ▶ Low Risk



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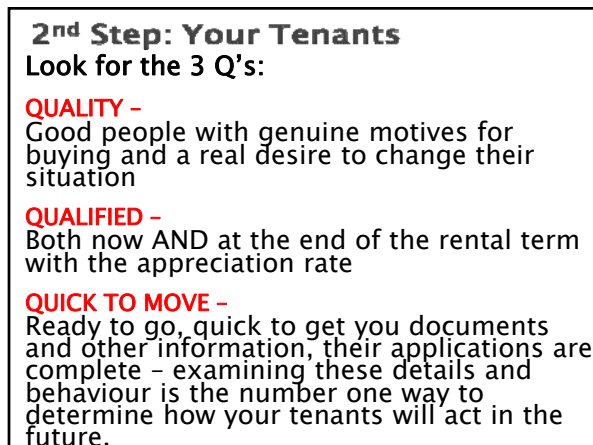
PLUS! PLUS! PLUS!

- + Tenant's deposit is used when you are locating your financing instead of your own deposit – OPM
- + Tenant is in place – no need to worry about the property being unoccupied, leaving you with no monthly cash flow
- + You have pre-qualified your tenant, leaving you with less to do

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3rd Step: Your Property

Here are some tips:

- ▶ Buy low, Sell high applies
- ▶ Don't buy the biggest most expensive house on the block
- ▶ 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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3rd Step: Your Property

Mark's Top 5 Cures for Property Headaches:

- ▶ Turn off all lights, take photo with digital camera with flash on, it will help you identify water marks on the ceiling
- ▶ If basement is exposed, look for knob and tube wiring

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- ▶ A typical furnace is 20-25 years IF it's been maintained, anything older than that you'll probably need to replaced
- ▶ If you see icicles hanging from the eaves there's heat-loss in the attic (insulation issue)
- ▶ Gauge the seller -meet them, trust your gut and find their motivation for selling the home.

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3rd Step: Your Property

You've Got A Property In Mind - But Is It A Good Investment?

The quick way to find out: A great spreadsheet!

This working spreadsheet, at 80% financing, is available on The Versatile Investor.com.



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Sample Spreadsheet:

Hamilton, ON
Property
4 Year Term

- Treat Each RTO as its own Profit Center.
- Each RTO has its own P&L

	Purchase Price	%	Monthly Figures	Actual Figures
				\$275,000
Financing Information				
1st Mortgage	80%			\$220,000
Total Mortgage				\$220,000
Investment				
Down Payment	20%			\$55,000
Land Transfer Tax				\$2,400
Legal Costs				\$1,140
Disbursements (GST + PST)				\$400
Tenant Locator Fee				\$8,000
Less: Security Deposit (from Lessee)				
Total Investment	21.69%			\$59,540
Profit from Sale/Transfer				
Sale/Transfer Price	6/5/5/6%			\$334,260
Add: Exercise of Option Fee				
Less: Remaining 1st Mortgage				(\$205,516)
Less: Legal Cost to discharge				(\$350)
Less: Initial Investment				(\$59,640)
Less: Security Deposit (from Lessee)				(\$7,500)
Less: Monthly Credits to Lessee				(\$13,932)
Total Profit from Sale/Transfer				\$47,312
Gain from Monthly Cashflow				
Lease Payments			\$1,935	\$92,880
Less: Debt Service - 1st Mortgage			(\$875)	(\$41,907)
Less: Property Tax			(\$308)	(\$14,748)
Less: Insurance			(\$60)	(\$2,880)
Less: Debt Service - Investor			\$4	\$4
Total Profit from Cashflow			\$692	\$33,219
Net Profit				\$80,581
Return on Investment (Per Annum)				34%

Your Target Marketing

Step 4 in Your RTO



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4th Step: Your Target Marketing

If you are using anything other than a tenant-first strategy, your marketing strategies will fit in here. If you choose a tenant-first strategy, you will use these marketing techniques before you hold your open house



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You Need A Tenant – Get The Word Out!

Internet

- More bang for your buck, you can write something, add pictures etc
- You will receive a more targeted base of inquiries instead of wasting your time with people who aren't educated about the area
- Reaches more qualified people than traditional advertising



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4th Step: Your Target Marketing

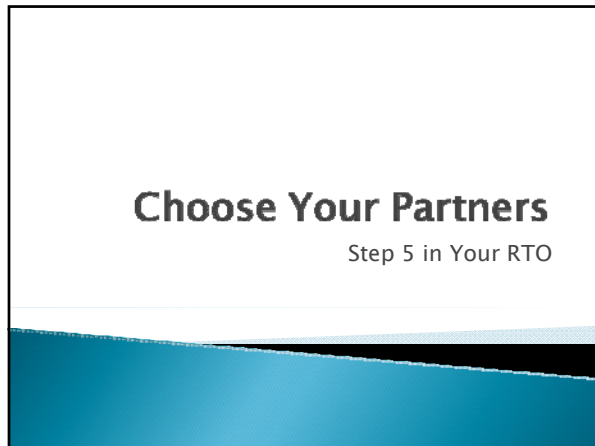
Offline Advertising:

- ▶ Local Newspapers
- ▶ Smaller local newspapers – usually cheaper
- ▶ Post flyers on bulletin boards and, if legal, lamp posts in the area your property will be
- ▶ Word of Mouth – use your network!



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Final Step?: Writing Your Deal

Determining The Rental Term

- ▶ Based on the credit score and the items on the report, you must now determine the rental period.



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▶ 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?
- Someone who has slightly bruised credit may only need a 1 year term, whereas someone with severely-beaten credit would need a 3 year term to give them the time to increase their score
- You are dealing with people, respect that

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Final Step?: Writing Your Deal

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



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