

Investor Jump Start...

How to Buy '2' Properties with 3.5% Down!

"I have been buying and selling properties over 40 years and John is one of the best I have run across in all that time." - Tom T. Oswego, N.Y.

Did you know that if you buy a home and decide one day to purchase a second property to rent out or flip, that the bank considers you an investor and requires you to plop down 25% of the purchase price plus closing costs?

Here is an example. Say you already bought a single-family home for \$100,000. But then you find a sweet two-family home in the same great neighborhood and this 2-family investment property happens to cost \$100,000.

Here's the problem. Because you already own a property to live in and your next purchase is one you will NOT live in, the banks consider you an Investor and in order to finance this investment property the bank will require a 25% down payment or in this example \$25,000. In addition, add taxes, insurance, legal fees and banks closing costs and you are up to around \$32,000 in out of pocket expenses. In addition, no longer is a credit score of 640 sufficient because as an "Investor" your credit score has to be at least a 720.

There is a little known strategy that will allow you to own two properties purchasing each with a minimum down payment of 3.5% and side step the "investor" label and expense. Here's how it's done.

Purchase of property #1 This whole strategy only works if you are beginning from scratch. You are renting and do not own a home. The type or style of your first purchase is critical. For your first purchase, here are the home styles you can choose from: Condominium, 2-4 Family or Townhouse. You buy, close and begin to live in this until you purchase property #2.

Purchase property #2 Your second purchase will be a single-family property. After closing on the second property you will then move from property #1 to property #2. Lending institutions consider this second purchase a "step up" when going from a two-family to a single family home.

Financing Type: F.H.A. Because this is a "step-up," the bank will allow you to purchase the first property with FHA financing with only 3.5% down plus closing costs and the second property with 3.5% down again without slapping on you the designation of "Investor" which would have required you to pay a 25% down payment on the second property.

What this means financially: So using the \$100,000 example above, your first property would require \$10,500 total out of pocket to close and your next single family home would be the same \$10,500. That means your total out of pocket for both properties, is \$21,000 to leverage \$200,000 in real estate assets. That's a difference of \$21,000 vs. \$42,500 in down payments. This allows you to jump-start your real estate investing with as little of an outlay of cash as possible. In addition to that, you now have the rental income from the 2-family to pay for itself and part of your own home mortgage.



Have questions? For a Free 30-minute investment strategic consultation, grab your phone and dial John Adolfi at **(315) 695-6434**