

HOW TO BUY A CASHFLOW INVESTMENT TOMORROW

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Problems into Profits
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HOW MANY OF YOU ARE
PLANNING ON BECOMING A
WHOLESALE
SINCE YOU HAVE NO \$\$\$

?

Lets run through a typical Wholesale Deal

Step 1. Find a House for sale

Lets run through a typical Wholesale Deal

Step 1. Find a House for sale



Formulas are very important so what is the formula for a wholesale deal?

**$(ARV \times 65\%) - REHAB - WS FEE =$
Max Price Paid**

**IE $(\$200,000 \times .65) - \$75,000 - \$5,000 =$
 $\$50,000$**

**HOW MANY PEOPLE ARE
GOING TO SELL YOU A \$200,000
HOUSE FOR UNDER \$50,000?**

HOW MANY PEOPLE ARE
GOING TO SELL YOU A \$200,000
HOUSE FOR UNDER \$50,000?

ANSWER NOT MANY

**HOW MANY OF YOU WHO DID
BUY A \$200,000 HOUSE FOR
UNDER \$50,000 ARE GOING TO
BE WILLING TO SELL IT FOR
ONLY \$55,000?**

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UNDER \$50,000 ARE GOING TO
BE WILLING TO SELL IT FOR
ONLY \$55,000?**

**STILL WANT TO BE A
WHOLESALE?**

REMEMBER THIS QUESTION?

**HOW MANY OF YOU ARE
PLANNING ON BECOMING A
WHOLESALE
SINCE YOU HAVE NO \$\$\$
?**

A QUICK ASIDE

HOW MUCH DOES A \$5 DAILY
EXPENSE COST YOU?

A QUICK ASIDE

HOW MUCH DOES A \$5 DAILY
EXPENSE COST YOU?

$\$5 \times 30 \text{ DAYS} = \150 A MONTH
 $\text{OR } \$1800 \text{ A YEAR}$

**\$1800 IN A ROTH IRA
INVESTED IN TAX LIEN CERTIFICATES
AT 15% FOR 30 YEARS TURNS INTO**

?

**\$1800 IN A ROTH IRA
INVESTED IN TAX LIEN CERTIFICATES
AT 15% FOR 30 YEARS TURNS INTO**

**\$157,573.79
IF YOU STOP AFTER 1 YEAR**

WHAT IF YOU KEEP GOING FOR 30 YEARS
\$150 A MONTH INTO YOUR ROTH
AT 15%

NETS YOU

?

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\$150 A MONTH INTO YOUR ROTH
AT 15%

NETS YOU

\$1,038,491.94

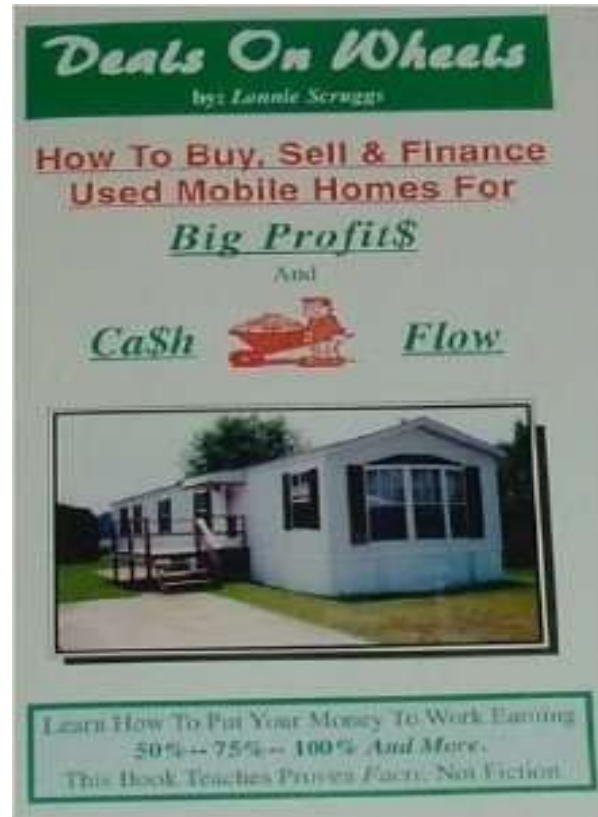
THE POWER OF COMPOUND INTEREST

**Who here can raise
\$5,000 in a pinch?**

**WHO HERE HAS
HEARD OF LONNIE
SCRUGGS?**



NO, NOT EARL SCRUGGS



LONNIE SCRUGGS

Disclaimer Time!!!

What I am going to share today
might not work.

You might need to add a zero in
your area.

DO YOUR DUE DILIGENCE

**WHO HERE CAN FIND A MOBILE
HOME PARK?**

?

**WHO HERE CAN FIND A MOBILE
HOME PARK?**

**WHAT TYPE OF PEOPLE LIVE IN
MOBILE HOME PARKS?**

**WHAT HAPPENS MORE TO
OLD PEOPLE THAN TO
YOUNG PEOPLE?**



**AND WHEN MOM DIES WHO
GETS THE MOBILE HOME
SHE'S LIVED IN SINCE 1986?**

AND WHEN MOM DIES WHO
GETS THE MOBILE HOME
SHE'S LIVED IN SINCE 1986?

HER SON THE BEVERLY
HILLS DIVORCE LAWYER

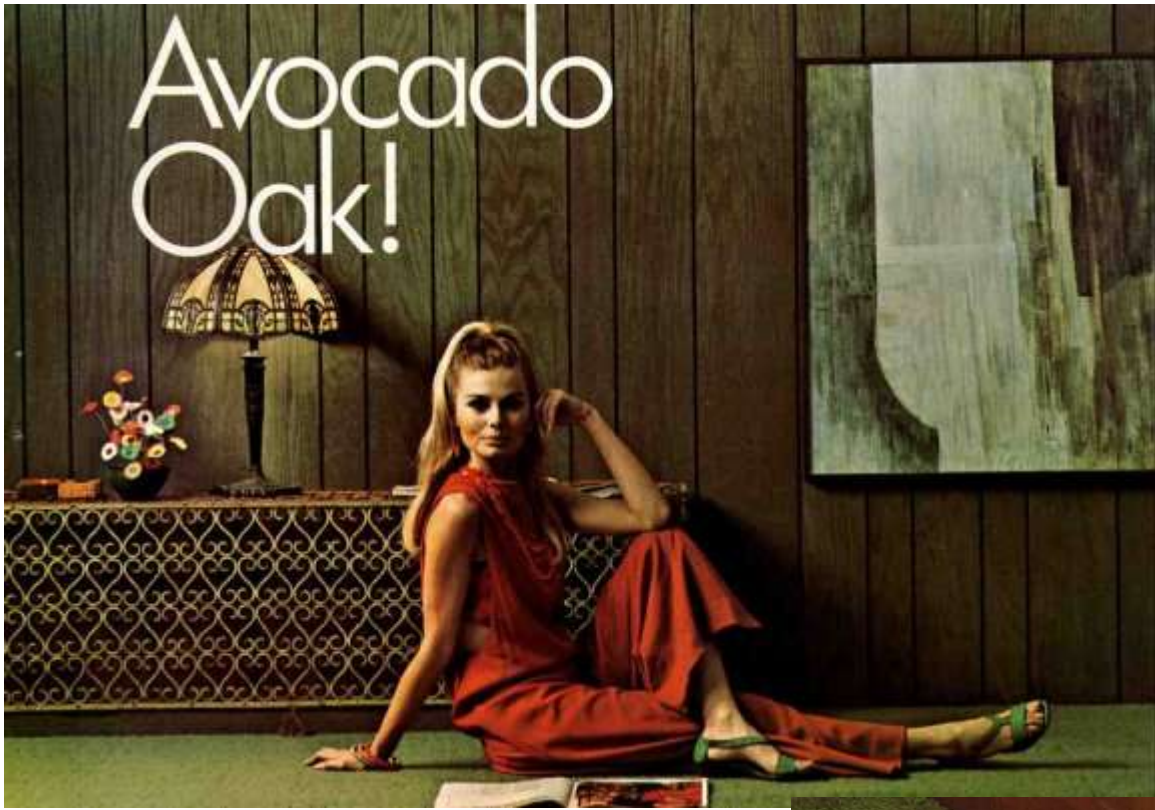


**FOR THIS EXAMPLE A
TYPICALLY REFRESHED
MOBILE HOME IN THIS PARK
SELLS FOR
\$10,000 to \$25,000**

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TYPICALLY REFRESHED
MOBILE HOME IN THIS PARK
SELLS FOR
\$10,000 to \$25,000**

**SO SONNY ESQ TRIES TO SELL
HIS INHERITANCE FOR \$15,000**

Avocado Oak!





**HE CAN'T FIGURE OUT WHY HE
HASN'T SOLD IT YET BUT HE'S
SICK OF TRYING TO SELL IT AND
TIRED OF PAYING SPACE RENT OF
\$580 EVERY MONTH ALONG WITH
A POWER BILL AND INSURANCE**

**HE CAN'T FIGURE OUT WHY HE
HASN'T SOLD IT YET BUT HE'S
SICK OF TRYING TO SELL IT AND
GETTING ANNOYED**

DOES HE HAVE A PROBLEM?

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DOES HE HAVE A PROBLEM?

DO YOU SEE AN OPPORTUNITY?

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SICK OF TRYING TO SELL IT AND
GETTING ANNOYED**

DOES HE HAVE A PROBLEM?

DO YOU SEE AN OPPORTUNITY?

**IF YOU SET AN APPOINTMENT
WITH HIM AND OFFERED TO PAY
HIM ONLY**

\$3,000

WOULD HE SELL IT TO YOU?

MAYBE

WHILE **NEVER** DOWNGRADING MOM'S
HOME, LIST THE COSTLY THINGS YOU'LL
HAVE TO DO TO SELL THE MOBILE

CLEAN OUT, DISPOSAL, PAINT, KITCHEN,
BATHROOM UPGRADE, A/C REPAIR
DRAPES.....

OFFER HIM \$3,000

THEN

OFFER HIM \$3,000

THEN

PAUSE!!!

**BREATH THEN ADD:
NO MORE SPACE RENT
PAYMENTS
NO CLEAN OUT, I'LL DISPOSE
OF EVERYTHING**

(THE HARDEST PART FOR ME IS THE PAUSE)

**IN THIS EXAMPLE WE'LL
ASSUME HE ACCEPTS OUR
OFFER AND WE OWN THE
TRAILER NOW**

STEP 2

ESTATE SALE



STEP 3

EVERYTHING GOES



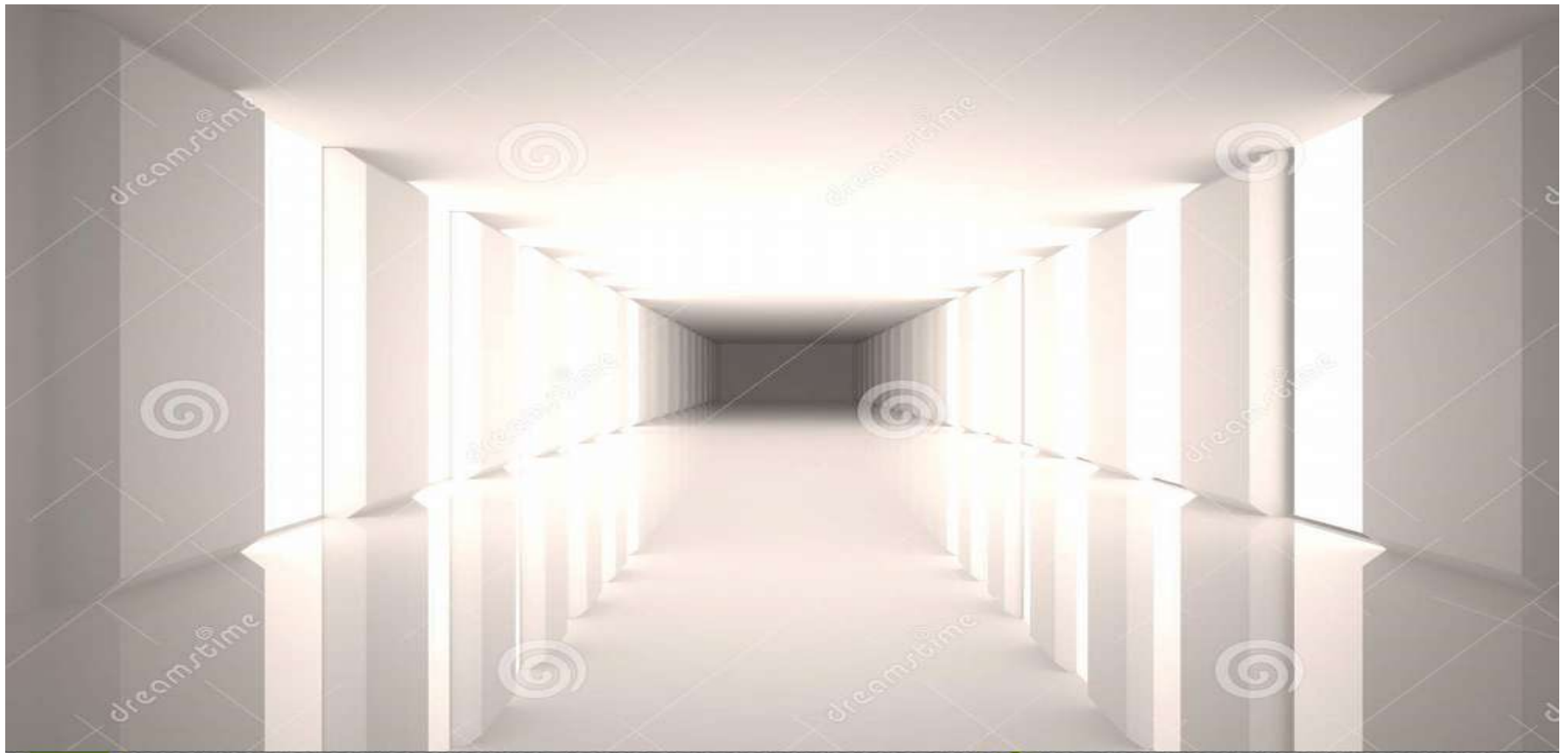


STEP 4

PAINT EVERY WALL WHITE



WHAT HAPPENS WHEN YOU PAINT WHITE?



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**EVERYTHING
APPEARS
LARGER!!**

**YOU'VE JUST ADDED EXTRA SPACE
= EXTRA \$\$\$\$\$\$**



STEP 5

**WALL TO WALL WOOD LAMINATE
FLOORING**

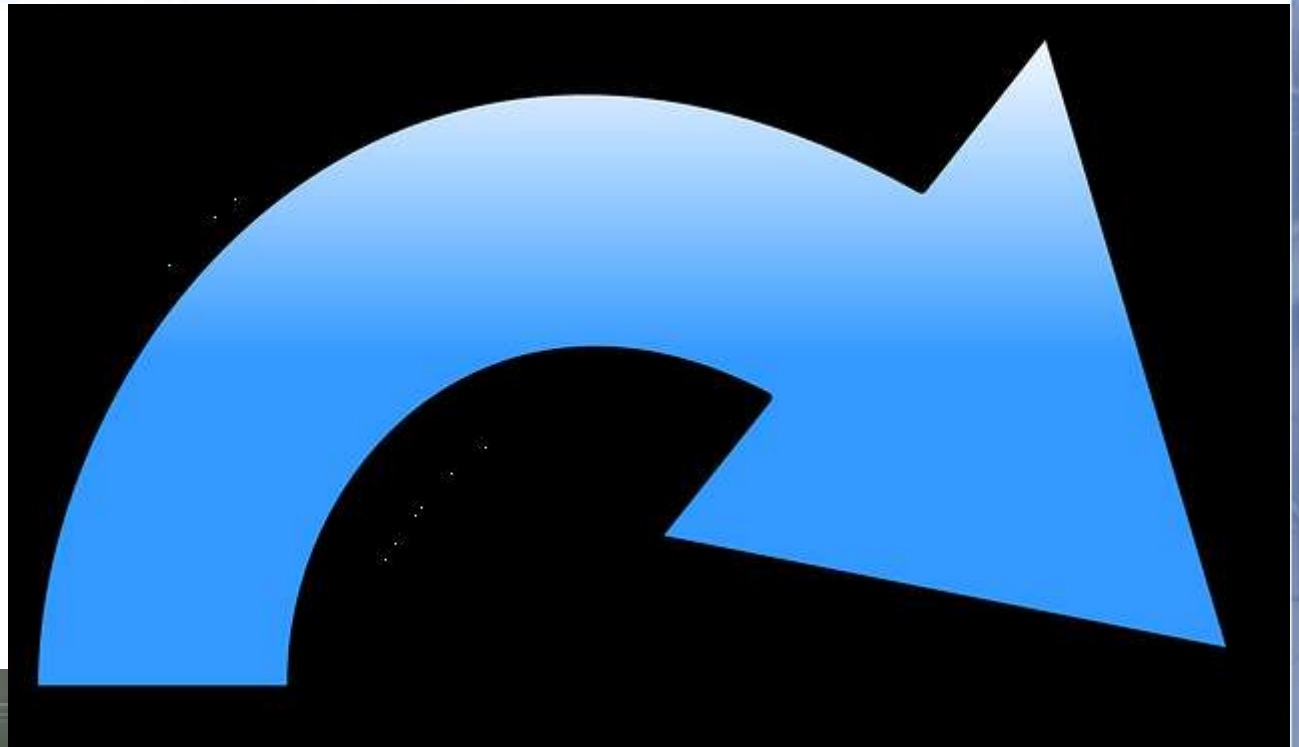
STEP 6

**FIX KITCHEN CABINETS AND
INSTALL NEW FORMICA COUNTER
TOP AND STAINLESS SINK**

**NOTE:
BIG SINGLE HANDLE FAUCET IS GREAT FEATURE**



**STEP 7 FIX BATHROOM
WHITE TOILET AND TUB ONLY**





STEP 7.5

PRETTY UP OUTSIDE

REPAIR PORCHES AND STEPS

MAKE HAND RAILS STRONG

STEP 8

ADD A FEW COLORFUL TOWELS
AND STAGE SOME NICE POSTERS

STEP 9

HAVE SOME GOOD
PHOTOGRAPHS TAKEN

STEP 10

**CREATE OPEN HOUSE FLIERS
PASS THEM TO EVERY HOUSE IN THE
PARK
ALSO DO CRAIG'S LIST ETC.**

TOTAL INVESTMENT AT THIS POINT IS
\$3,000 PURCHASE
+ \$2,000 REHAB
+ \$580 SPACE RENT
= \$5580

BAKE CHOCOLATE COOKIES IN YOUR
CLEAN FRESH KITCHEN AND MIX UP SOME
CRYSTAL LIGHT FOR YOUR GUESTS

GOOD SMELLS SELL

DUMP AN ENTIRE BOTTLE OF 99C
MOUTHWASH IN EVERY DRAIN
(MINT NOT MEDICINE FLAVOR)

STEP 11

**DETERMINE THE BEST SELLING PRICE
FOR YOUR SPRUCED UP MOBILE HOME**

**SURVEY SIMILAR SIZED
APARTMENTS IN THE AREA OF
YOUR MOBILE HOME**

**FOR THIS EXAMPLE LET'S USE
\$1,000 A MONTH**

MATH TIME

$$\begin{aligned} & \$1,000 \\ & -\$580 \text{ (SPACE RENT)} \\ & = \$420 \\ & -\$120 \text{ (PRICING EDGE)} \\ & = \$300 \text{ MONTHLY PAYMENT} \end{aligned}$$

MATH TIME

\$1,000

-\$580 (SPACE RENT)

= \$420

-\$120 (PRICING EDGE)

= \$300 MONTHLY PAYMENT

SO WHAT IS THE SELLING PRICE?

LONNIE WROTE HE WANTED TO AT LEAST
DOUBLE HIS INVESTMENT, OF COURSE HE
RARELY MADE IMPROVEMENTS TO THE
WOBBLY BOXES BACK THEN.

CALCULATOR TIME!!!

N	I	PV	PMT	FV
?	9%	\$18,000	-\$300	\$0
80=6.67 YEARS				
80	?	\$5580	-\$300	\$0
	63.47%			

OR

N	I	PV	PMT	FV
120	9%	? \$23683	-\$300	\$0
120	? 64.39%	\$5580	-\$300	\$0

WHY DID I USE AN INTEREST
RATE OF 9%?

WHY DID I USE AN INTEREST RATE OF 9%?

BECAUSE DODD-FRANK REGULATIONS STATE THE MAXIMUM AMOUNT OF INTEREST A NON-LICENSED LENDER CAN CHARGE IS 6.75% ABOVE THE APOR

WHAT IS THE APOR?

WHAT IS THE APOR?

The **Average Prime Offer Rate**

Which is currently at 2.9% or higher
(the rate increases with the term of the loan)

$6.75 + 2.9 = 9.65\%$ so I round down

NOW IT'S DECISION TIME

64.39% ON \$24,000

OR

63.47% ON \$18,000

WHICH DO YOU CHOOSE AND WHY?

**TO MY MIND IT DEPENDS ON WHETHER
I'M GOING TO SELL THE NOTE
OR KEEP THE NOTE**

**HOW DOES DODD-FRANK EFFECT THIS
SALE?**

DODD-FRANK SAYS THAT WHEN YOU LEND
MONEY TO A HOME OWNER/OCCUPANT
AND SECURE IT WITH HIS HOME YOU
MUST COMPLY WITH THE DF RULES

UNLESS

1. AS AN INDIVIDUAL YOU ONLY SELL **ONE** HOUSE A YEAR
OR
2. AS AN ENTITY YOU ONLY SELL **3** A YEAR

NOT ENOUGH FOR ME

WHAT CAN WE DO?

**DOES DODD-FRANK AFFECT
INVESTOR BUYERS?**

MY CURRENT PROJECT(S)





TRAMVIEW MOBILE HOME PARK IS AN OLD
DEVELOPMENT IN CATHEDRAL CITY
IT EVEN HAS A SMATTERING OF OLD,
SMALL BLOCK HOUSES LEFT OVER FROM
PATTON BEING IN THE DESERT

I WALKED INTO THE OFFICE A COUPLE OF WEEKS AGO AND ASKED IF THERE WERE ANY TRAILERS FOR SALE.

THE DESK CLERK WENT BACK, PULLED SOME FILES AND GAVE ME A LIST OF 5 WOBBLY BOXES THEY HAD FOR SALE THE CHEAPEST 2 WERE \$5,000 EACH AND THE NEXT WAS \$7,000

I ASKED ABOUT ANY PRIVATE SALES AND
SHE SUGGESTED I DRIVE THE PARK AND
LOOK FOR SIGNS ON THE HOMES

SO I WALKED THE ENTIRE PARK LOOKING
AT WHAT WAS FOR SALE NOTING PRICES
AND CONDITIONS

I SPOKE WITH A FEW TENANTS WHO CAME
OUT TO TALK WITH ME

I LEARNED THAT THE CHEAPEST FSBO
WAS \$9,000 AND PRICES WENT UP TO
\$50,000

SO I OFFERED THE PARK \$3,000 EACH
FOR THE 2 CHEAPEST THEY OWNED
AND ASKED FOR 60 DAYS FREE RENT
**THEY ACCEPTED AND I BOUGHT TWO
TRAILERS FOR \$6,500 TOTAL**

WE ARE FINISHED REHABING

**THE FIRST ONE AND I HAD THE FIRST OPEN
HOUSE IN LESS THAN 4 WEEKS ELAPSED TIME
SINCE CLOSING HAD AN APPLICATION TURNED IN
AFTER THIS OPEN HOUSE
OUR SECOND OPEN HOUSE WAS LAST SATURDAY**

**I WILL SPENT A TOTAL OF
\$6,000 ON THE POLISHED UP
TRAILER**

I WILL SELL THIS TRAILER FOR
\$1,500 DOWN AND \$250 A
MONTH FOR 55 MONTHS
WHAT IS MY SELLING PRICE

N	I	PV	PMT	FV
55	9	?	\$250	0

\$11,233

» +\$1,500 down

» = \$12,733 total price

ON THIS DEAL I DECIDED TO
CASH OUT NOW SO I
BORROWED \$11,000 AT THE
3 WEEK POINT
WHAT IS MY YEILD?

GOOD ENOUGH!!

IF I RUN THE NOTE OUT FOR 55
MONTHS
WHAT IS MY YEILD?

NET INVESTMENT (PV)

\$5250-\$1000 DP PV=\$4250

N	I	PV	PMT	FV
55	?	\$4250	-\$250	\$0

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\$5250-\$1000 DP PV=\$4250

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NET INVESTMENT (PV)

\$5250-\$1000 DP PV=\$4250

N	I	PV	PMT	FV
55	?	\$4250	-\$250	\$0
	67%			

SOMETHING SWEET ABOUT THIS \$5250
INVESTMENT I CAN MAKE THE ENTIRE INVESTMENT
USING ONE YEARS ROTH FUNDS AND EARN 67%

TAX FREE

**WHAT IF MY ROTH SELLS THE NOTE FOR
ITS FACE VALUE?**

**WHAT IF MY ROTH SELLS THE NOTE FOR
ITS FACE VALUE?**

**WHAT IF MY ROTH CAN DO 4 OF THESE
LITTLE DEALS THIS YEAR?**

WHAT IF MY ROTH SELLS THE NOTE FOR
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WHAT IF MY ROTH CAN DO 4 OF THESE
LITTLE DEALS THIS YEAR?

WHAT IF I KEEP STEPPING UP MY GAME
AND DO \$20,000 PURCHASE PRICE
TRAILERS?

**WHAT IF MY ROTH BUYS READY TO SELL
MOBILES FOR CASH CHEAP AND DOUBLES
THE PURCHASE PRICE TO DETERMINE THE
SELL PRICE?**

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MOBILES FOR CASH CHEAP AND DOUBLES
THE PURCHASE PRICE TO DETERMINE THE
SELL PRICE?

WHAT IF I CAN DO PRETTY MOBILE DEALS
IN UNDER 60 DAYS?

AND WHAT IF I CAN REINVEST 100% OF
THE SALE PRICE OF THE NOTES?

\$5,000 DAY 0
\$10,000 DAY 60
\$20,000 DAY 120
\$40,000 DAY 180
\$80,000 DAY 240
\$160,000 DAY 300
\$320,000 DAY 360

\$5,000 DAY 0
\$10,000 DAY 60
\$20,000 DAY 120
\$40,000 DAY 180
\$80,000 DAY 240
\$160,000 DAY 300
\$320,000 DAY 360

WHY WON'T THIS WORK?

QUESTIONS?

PROBLEMS INTO PROFITS

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**BOOKS BY LONNIE SCRUGGS:
WWW.CASHFLOWDEPOT.COM**

**INVEST IN DEBT BY Jimmy Napier
WWW.GaryJohnston.com**