

8 Creative Tactics: Come Up With Money for Your Next Rental

From Money Honey Rachel

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www.moneyhoneyrachel.com



If you're reading this, it's because you LOVE the idea of investing in real estate... but you're not sure how to get started if you don't have \$20k, \$50k, or \$200k lying around. Fear not!

Money only *feels* like an obstacle to getting started.

It's time to start building your real estate portfolio. To help you take that first step, here are the supplemental resources you'll find in this guide:

- **8 creative tactics for how to come up with money for your next investment property**
- **The script you can use to pitch any homeowner on the benefits of seller-financing**
- **My top 10 favorite real estate investing books, podcasts, and apps**

May the odds be ever in your favor!

Your friend,

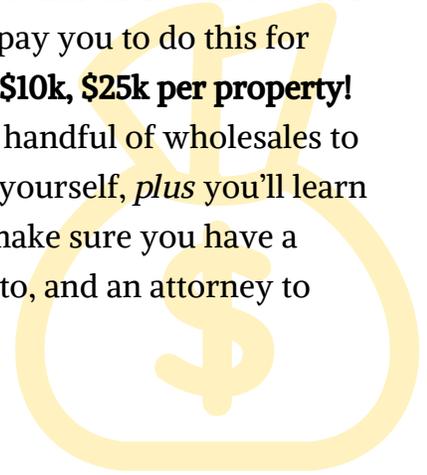
"Money Honey" Rachel

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Wholesaling

Wholesaling is when you find a great deal, make an offer on the property, and get something called an “assignable contract.” You then sell that contract to another investor who has the money to buy it. Basically: you act as the middle (wo)man and get paid a finder’s fee. Why does this work? **Finding great deals is the hardest part**, so bet your bottom dollar there will be other investors out there who are willing to pay you to do this for them. **I’ve seen wholesalers make \$5k, \$10k, \$25k per property!** The best part? You’d only have to do a handful of wholesales to have enough money to start investing yourself, *plus* you’ll learn a ton along the way. You just need to make sure you have a solid buyer's list to market these deals to, and an attorney to write up these complex contracts.



House Hacking

Normally when you buy an investment property, lenders require you to put 20% to 25% down, no ifs, ands, or buts. But with house hacking, you buy the property as your *primary residence* and live in it. That way, you don't need a huge down payment. **You can put down 0% with a VA loan, 3.5% down with an FHA loan, or as little as 5-10% down with a conventional loan.** You will pay PMI (private mortgage insurance) in some of these scenarios, but **you can get started years sooner** if it means you don't have to wait to save a down payment! Some people live in a single family home, fix it up over the course over a year, and then move out and rent it out. Others **buy a duplex or triplex, live in one of the units, and rent out the others.** House hacking is an amazing solution, and it's what I would do if I had to start all over.

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The BRRRR Method

This popular acronym stands for:

- Buy**
- Renovate**
- Rent**
- Refinance**
- Repeat**



With this method, you'll find a property that needs some TLC. You'll fix it up, thereby increasing the value. Now it's worth more, and you can do a cash-out refinance to access the equity you've created in your property. You can use that equity for the down payment on your next property. The BRRRR method is a **clever way to recycle the same down payment money over and over again** so you don't have to keep coming up with large chunks of money. Iconic.



Seller Financing

If you're self-employed, you might have run into the problem of how to get qualified for loans. This is where seller financing comes in. On any deal you find, you can ask the owner if they'd be open to seller financing. This is where **the seller of the home will give you financing instead of a lender or bank**. Not every seller is in the position to be able to do this, but you can always ask. Also, you could **negotiate more favorable terms, like less than 20% down**. You need to pitch this to the seller and educate them on why it's beneficial to them. You might be wondering how to do that...



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Seller Financing: *The Script to Pitch all Sellers*

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“ Hey seller, I’d like to make an offer on your property. I’m not sure if you’ve heard of seller financing, but I’d like to propose something to you that I think could be a win-win and in fact solve a lot of problems you could be facing selling this property.

First, as an investor, you’re already used to having this income stream. When you seller-finance the property, you can still **keep an income stream** by collecting mortgage payments from me.

Second, this income stream is **completely passive**, because you are no longer a landlord, you’re my lender. It’s totally hands off.

Third, you might be facing capital gains tax consequences on this sale. With seller financing, we can report the sale as an installment sale, and **spread the tax consequences out** over many years.

Lastly, it’s **pretty safe for you**. If I default on my payments, you can just foreclose, get the property back, *and* keep all the payments I’ve already made.

So, seller, what do you think? Would you be open to seller financing with 10% down? ”

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Invest Out-of-State

While it might seem obvious to invest where you live, it sometimes doesn't make sense (cents? hehe). Here are 4 factors to consider when finding a market:

1. **Is it affordable?** A down payment on a house in California is likely more expensive than buying a house in cash in Ohio. Let that sink in.
2. **Is it landlord-friendly?** Look for low property taxes, no rent control, and strong landlord rights.
3. **Is the market growing?**
4. **Are you familiar with the market?**

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Improve your DTI

Your debt-to-income ratio is a make-or-break it when it comes to getting more conventional loans. **If your debts are too high, lenders won't approve you for financing.** The problem with many lenders is that as you buy more rentals, they count the mortgages on those rentals against you, but they don't count the rental income for you. But every lender is different. Traditional lenders or bigger national banks will only count your rental income once you have history as a landlord, so the easy way around this is to **find a small local lender or credit union.** And don't just call 1 or 2. Call 10-15 in your area. Almost all financing problems can be solved by working with the right lender. There are so many of us with 7-10 financed rentals; **don't let yourself get bullied by big banks into thinking you "can't" do something.**

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Get a DSCR Loan

DSCR stands for debt service coverage ratio. It's been around for a long time, but it was traditionally used for business lending or commercial real estate. Now it's being used to help people get loans for Airbnbs and rental properties. So: what is it? Whereas your DTI, Debt to Income ratio, qualifies you, the *borrower*, to get the loan, **the DSCR qualifies the *property* to get the loan.** A DSCR loan looks at the cash flow generated from an investment property. **It does NOT look at your personal income, your employment, your personal debts.** If you are having a hard time getting qualified for financing, this could be a solution for you.



Find a Partner

To buy your first, second, or ninth rental, **you don't need any money or financing at all.** You can partner up with someone instead. The silent partner will fund or finance the whole deal. **YOU** will do *all* of the work. **Typically, you split the profits 50/50.** Any time you partner up with someone, you are entering a business agreement. To mitigate risk, you need an attorney to draw up a contract outlining this partnership. And how do you find a silent partner, you might ask? Networking. Meetups. It's much easier than you think. **Get really good at finding good deals and people will want to work with you.** If you can make me money, I want to work with you.



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My Top 10 Favorite Resources

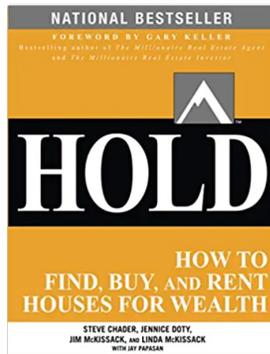
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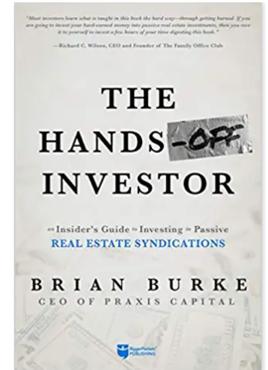
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Guide for buying rental properties.



Best real estate investing podcast. [Click here](#) for my episode.



Book about investing in syndications.

rentometer

Helps estimate rent.

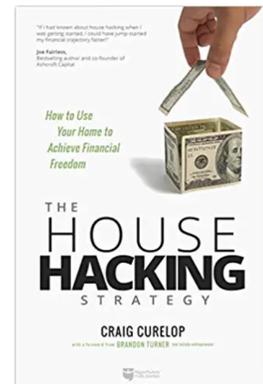
Capitalize

Do a rollover into a self-directed IRA for free.

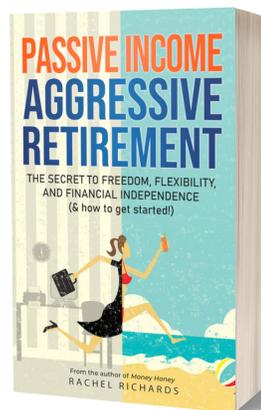


FUNDRISE

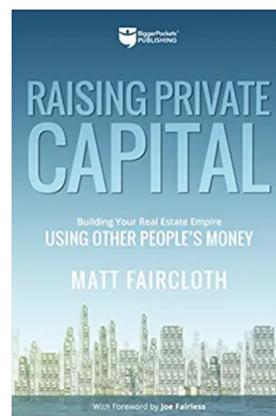
Invest in crowd-funded real estate. I personally have \$20k invested.



Book on house hacking.



Learn other ways to create passive income besides investing in real estate.



Guide for finding a silent partner.



Book about the BRRRR method.

Some links are affiliate links.