Eastern Michigan Real Estate Investment Association

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Is It Time To Rent Your Home? By Blanche Evans

As a homeowner, you may be considering moving up to a larger home or a home in a different area. If you've built enough equity, it's a good time to sell because you can cover closing costs when you sell and have enough to put down on another home. But you might want to consider renting your home instead.

There are several reasons why renting a home you already own is a good idea. You used leverage to buy it, and you can also use that same leverage to get into another home while retaining an asset that's already building equity.

You may have more of a market for your home than you may think. Buyer demographics have changed a lot since the beginning of the housing recovery. Investors have decreased and first-time buyers have increased. Both targeted affordable homes at the entry level or distressed homes that could be purchased at bargain prices.

The result is that inventories of homes have shrunk and prices have grown. According to RealtyTrac, the November median sales price, which includes both equity and distressed homes, was $190,000, a 15 percent gain from the previous year.

But here is where the opportunity could be. Prices are up 35 percent from a low of $141,000 in March 2012, but they are still 20 percent below the previous peak of $237,537 in August 2006. If you've already purchased your home, you have already ridden that wave, plus have more distance to go.

As a buyer for your next home, you're still under all-time price highs, and with the reduction in down payment requirements from the Federal Housing Agency, you can get an FHA-guaranteed loan up to $417,000 or more in some high-cost areas.

If you have your home rented, particularly under an 18-month or two-year lease, you can qualify for another home as if you're not already carrying one. That depends on if you have good credit scores, low debt levels, and steady income, of course.

While your house payment isn't tax-deductible, the depreciation and some improvements you've made on your home to prepare it for the market are tax-deductible. Talk to your tax accountant about legal deductions so you can minimize profits and paying taxes on the profits.

The housing industry is carefully watching what the Millennials are doing. You'll be ahead of the tide when this largest demographic in American history starts to buy homes in greater numbers, which they are expected to do in 2015.

The National Association of REALTORS® research division says that renter households have increased by 4 million since 2010 while homeowner households have decreased by 1 million. At the present rate of sales, it will take at least two years for homeowner households to increase, and many years beyond that for the number of homeowner households to reach historical means.

Explains Lawrence Yun, chief economist for the NAR, "The typical homeowner today has a household net worth of around $200,000. Meanwhile, renters aren't benefitting from the rise in prices and are facing annual increases of their own in the form of higher rents."

Rents are at a seven-year high, and low interest rates and moderating price growth are likely to entice more buyers to enter the market in 2015, but with homes already at a 5.1-month supply, there won't be enough inventory to go around and the market for renters will increase. There are also lingering headwinds -- tight credit and lack of wage improvement that may keep some households renting instead of buying.

"We have also seen an increase in the median age and income of the average buyer, as well as in multigenerational household formations as adult children and elderly family members move back in with their families," explains Jessica Lautz, director of member and consumer survey research for the NAR.

As the owner of two homes, you'll be well poised to satisfy the rental or the sales market. That's a nice position to be in.

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Home Buyer Traps and How to Avoid Them by Gerhard Bernard Swiderski

Buyer Beware

No matter which way you look at it buying a home is a major investment.

But for many homebuyers, it can be an even more expensive process than it needs to be because many fall prey to at least a few of the many common and costly mistakes which trap them into either:

paying too much for the home they want, or

losing their dream home to another buyer or,

(worse) buying the wrong home for their needs.

A systemized approach to the home buying process can help you steer clear of these common traps, allowing you to not only cut costs, but also secure the home that's best for you. This important report discusses the 9 most common and costly of these homebuyer traps, how to identify them, and what you can do to avoid them.

9 Buyer Traps

❶ **Bidding Blind…**What price should you offer when you bid on a home? Is the seller's asking price too high, or does it represent a great deal? If you fail to research the market in order to understand what comparable homes are selling for, making your offer would be like bidding blind. Without this knowledge of market value, you could easily bid too much, or fail to make a competitive offer at all on an excellent value.

❷ **Buying the Wrong Home…**What are you looking for in a home? A simple enough question, but the answer can be quite complex. More than one buyer has been swept up in the emotion and excitement of the buying process only to find themselves the owner of a home that is either too big or too small. Maybe they're stuck with a longer than desired commute to work, or a dozen more fix-ups than they really want to deal with now that the excitement has died down. Take the time upfront to clearly define your wants and needs. Put it in writing and then use it as a yard stick with which to measure every home you look at.

❸ **Unclear Title…**Make sure very early on in the negotiation that you will own your new home free and clear by having a title search completed. The last thing you want to discover when you're in the back stretch of a transaction is that there are encumbrances on the property such as tax liens, undisclosed owners, easements, leases or the like.

❹ **Inaccurate Survey…**As part of your offer to purchase, make sure you request an updated property survey which clearly marks your boundaries. If the survey is not current, you may find that there are structural changes that are not shown (e.g. additions to the house, a new swimming pool, a neighbor's new fence which is extending a boundary line, etc.). Be very clear on these issues.

❺ **Undisclosed Fix-ups…**Don't expect every seller to own up to every physical detail that will need to be attended to. Both you and the seller are out to maximize your investment.

Ensure that you conduct a thorough inspection of the home early in the process. Consider hiring an independ-

Home Buyer Traps... conclusion

ent inspector to objectively view the home inside and out, and make the final contract contingent upon this inspector's report. This inspector should be able to give you a report of any item that needs to be fixed with associated, approximate cost.

❻ Not Getting Mortgage Pre-approval…

Pre-approval is fast, easy and free. When you have a pre-approved mortgage, you can shop for your home with a greater sense of freedom and security, knowing that the money will be there when you find the home of your dreams.

❼ Contract Misses…If a seller fails to comply to the letter of the contract by neglecting to attend to some repair issues, or changing the spirit of the agreement in some way, this could delay the final closing and settlement. Agree ahead of time on a dollar amount for an escrow fund to cover items that the seller fails to follow through on. Prepare a list of agreed issues, walk through them, and check them off one by one.

❽ Hidden Costs…Make sure you identify and uncover all costs – large and small -far enough ahead of time. When a transaction closes, you will sometimes find fees for this or that sneaking through after the "sub"-total – fees such as loan disbursement charges, underwriting fees etc. Understand these in advance by having your lender project total charges for you in writing.

❾ Rushing the Closing…Take your time during this critical part of the process, and insist on seeing all paperwork the day before you sign. Make sure this documentation perfectly reflects your understanding of the transaction, and that nothing has been added or subtracted. Is the interest rate right? Is everything covered? If you rush this process on the day of closing, you may run into a last minute snag that you can't fix without compromising the terms of the deal, the financing, or even the sale itself.

Why Do Tenants Not Pay Their Rent?

By Lawrence Jankelow

Here are the top ten most common reasons a tenant will cite:

1. I recently lost my job.
2. I mailed it to you already.
3. How am I supposed to pay my other bills?
4. Can I get a break on rent? My power bill is too high!
5. I'd have the rent for you but, we just bought a new car.
6. My work messed up my check.
7. The banks are closed by the time I get off work so I can't get your cash.
8. I used the money for gas so I could get to work.
9. I didn't know it was due again already.
10. My son lost his job so I had to pay his rent for him.

There can be many reasons a tenant doesn't pay rent on time, ranging from pure forgetfulness to inability to flat-out refusal. None of these reasons should be treated as special from any other. Veteran landlords will advise that sob stories and other emergencies, while extremely unfortunate, should not prevent you from taking the same action as you would against any other tenant. While it can be difficult to confront tenants about their rent payments, especially if you're a small-time landlord, your mortgage holder isn't going to accept excuses and neither should you.

How can this be avoided?

Simply put, prevention is your best friend. Always screen your tenants with a full rental application, credit report and criminal history check. Follow up by calling prior landlords and employers to learn if there have been problems in the past.

If you've already got tenants, we recommend that you set up a good rent collection process. This includes communicating what's expected to tenants. They should know what your policies are on timeliness of rent payments, late charges and that you don't give any slack at all. Establish a consistent practice in collecting rent. If you're expecting checks to be mailed, have a specific lockbox setup and instruct tenants when to mail their checks in so that they arrive on time. Consider using an online rent collection system to establish a consistent process that includes remind-

Four Ways to Find the Value of Your Home by Steve Cook

Would you like to know the current value of the most expensive asset you own—your home?

With a click of your mouse you can find out how much money you have in the bank or the current value of your investments to the penny. You can look up the value of your car in the Blue Book and surf EBay to see what antiques and prized art pieces similar to yours are selling for.

Unfortunately, determining how much your home is worth is a lot more complicated. Every piece of property is unique and therefore has a value all its own. The rules of supply and demand government real estate markets and changing market forces impact the value of every property, but market trends impact different properties in different ways. By making improvements or by poorly maintaining their homes, owners affect values. When sellers and buyers use the less than perfect ways described below to price homes or make offers on homes, they can impact the values of nearby properties.

Technology is improving the valuation of homes and the appraisal profession works hard to refine techniques and improve accuracy, but at the end of the day, a house is basically worth what someone will pay for it.

You might begin by deciding why you want to know your house's value. Taxes too high? Pricing to sell? Refinancing or financing a purchase? Taking out a home equity line of credit? Valuing an estate? Personal net worth? You can answer some of these questions with a lot less effort than others.

Ranked from easiest to most difficult, here are four ways to find out how much your house is worth.

AVM Estimates. Those calculators on real estate web sites that value homes are called automatic valuation models or AVMs. They were developed by lenders like Fannie Mae and popularized by Zillow. AVMs are algorithms that estimate values based on the wide range of data, including local sales, prices and inventories. Like all calculators, they are no better than the quality of their data. They have difficulty accounting for factors like improvements to homes. Some tend to value on the high side, others on the low side. If you a good picture of the value of your home, look it up on four different AVMs. You'll be surprised at the variations, which suggests you might get a rough estimate if you average all four. You might also think twice about using an AVM estimate to make major decision like selling your home or making an offer.

CMA. If you are already working with a real estate agent, ask them for a CMA, or competitive market analysis, or your home. Unlike the AVM, a real estate professional will do the analysis and will include the value of improvements and hyper-local changes that might affect the value of your property like transportation improvements, new retail services and schools. Your real estate agent also has access to the latest sales and inventory data from your local multiple listing service. Ask for a download of the latest data for your locale.

Do it Yourself. Even if you know a lot about real estate and economics it's hard to come in with a good valuation on your own because good local data is so hard to find. The best sources are multiple listing services and firms like DataQuest, CoreLogic and RealtyTrac that cost money. Few MLSs make their data available to the public but you can get good, current MLS data from your Realtor if you ask for them. By monitoring listings and sales activity in your neighborhood through online real estate sites you can get a good feel for the market. Long times on market and price cuts are not good signs; fast sales are good signs.

Appraisals. When it comes to financing a home, an appraisal by a licensed professional is almost always required. Sometimes lenders will do an AVM estimate on a refi when they know the owner. Appraisals include on-site inspections and the selection of "comps" or comparable sales - homes of the same size close to you that have sold in the past six months. Appraisers also review local market trends. An appraisal may not be the final word on the value of your home in an absolute sense; appraisers are human and two appraisers may come up with two different values. However, it's unlikely someone would buy your house for more than the appraised value plus the down payment.

By following market trends on local real estate web sites including your local newspaper, real estate brokerages and the larger real estate listing sites that provide research and data you can get a good feel for what to expect in your local market. Real estate is all about supply and demand. When a new employer comes to town or a new plant opens, the demand for housing increases and prices rise. When the opposite occurs, prices fall. Keep track of inventory trends - they are the keys to tomorrow's prices.

4 Tips for Selling Your Home Quickly by Simon Craig

Face it. Nobody really enjoys the process of selling a home, but sometimes it's a necessity. In most cases, homeowners would like to sell their home quickly, especially if their purchase of a new home is contingent upon the sale of their old home.

Selling a home quickly also has other advantages. When a home sits on the market too long, it may deter potential buyers as they will wonder why nobody has purchased the home yet. The less people you have interested in your home, the harder it will be to sell.

So instead of waiting months (or even years) to get someone to finally purchase your home, here are four tips that will help you get your home sold quickly.

1. Partner with the right agent.

Having the right real estate agent is very important when it comes to selling your home. Knowing how to choose a real estate agent that fits your needs can help improve the chances of selling quickly. You want someone who is not only experienced in your area, but who also has a great track record of selling homes in your area as well.
Not only should you do your own research to find an agent you trust, but you should also ask friends and family members for recommendations. This can help you receive first-hand knowledge of how their partnership went and if the real estate agent worked hard to sell the home quickly.

2. Improve your curb appeal.

Most people don't realize that curb appeal is important to the sale of a home, but it is. The outside of your home is the first thing potential buyers will see, and if they don't like it, they won't take the time to go inside.
Spend some time cleaning up the exterior of your home to make it more attractive. Fix any broken railings or fences. Give the exterior a nice wash or repaint it if necessary. If it's spring or summer, be sure to plant some flowers and bushes to liven up the yard, and always make sure that your grass is cut. The more beautiful your home looks from the outside, the better chances to have to sell it quickly.

3. Hire an interior designer.

You may think that your design skill is wonderful, but there's a good chance that your home isn't selling because of your taste. Remember that buyers are basing their decision on what your home looks like as well as if they can picture themselves—and their belongings—living there.

Hiring an interior designer to sell your home is a great idea. They not only know what potential buyers are looking for, but they have the skill and experience to maximize space and make your home look more attractive. You'll be surprised at just how much they can do, and just how much it will influence a potential buyer's decision to put an offer in on your home.

4. Price it right.

After all is said and done, the biggest factor in whether or not your home sells is the price, which is why it's important you price it right. If you price it too low, buyers may wonder why it's so cheap and assume that it has something wrong with it. If you price it too high, you may be putting your house out of buyers' leagues (and making other cheaper homes in your area more attractive).
Use the experience of your real estate agent to ensure that your home is priced to sell. If your home looks nice and has a nice price, it will fly off the market.

Estate Sales in Real Estate by Norm Werner

Getting an inheritance, even one that involves real property, is usually a good thing in the long run; however, it can be stressful and frustrating while going through the process of getting everything disposed of before splitting up the money. I have dealt with a number of instances of real estate that was inherited by one or more people upon the death of the owner. Most of the time it involves whatever home the owner was living in at the time of their death; but recently, I've also had vacant property (land or lots) cases.

Usually there are two or more siblings and one of them is designated as the Trustee or Estate Representative for the estate of the deceased. It is that person who usually has to make the decisions involved in selling the property – the listing price and the eventual sale price and all price decreases in between. They also have to deal with other issues, such as existing mortgages and tax issues. There is a good article covering some of the questions that can come up written by Benny L. Kass and published on the Realty Times web site - Dealing With An Inherited House. Benny's article focused upon a couple of questions about the potential consequences of informing the mortgage company and the tax consequences of a sale. You should read that article in addition to what is here.

The most normal scenario with most estates is that a small group of people (usually the children of the deceased) now find that they own and are responsible for a vacant house, perhaps nearby, but just as likely in another part of the state or even in another state. If the deceased still had a mortgage on the place they may now be responsible for paying that bill, as well as for taxes and insurance and any other bills that concern the property. If the deceased left no money in the estate that can be used for those purposes, those bills can quickly become a burden for all of the survivors. Not many things tear otherwise close families apart more quickly than disagreements about money and inheritances. Usually the decision to list and sell the property as quickly as possible is a no-brainer.

Determining what price to put on the property is the key to a quick sale at the best return for the estate. Overpricing will result in the property just sitting there with the bills mounting; however, underpricing it has a downside, too – the property may inadvertently become stigmatized, if people begin to believe that something must be wrong with it to justify the low price.

Many times homes that have been lived in by elderly owners in declining health will have suffered years of neglected or deferred maintenance. I have been appalled by some homes that I visited after a death and wondered how anyone could live like that. Such behavior is usually caused by a lack of money and a fear of being forced into a nursing home if the problems are brought up to children or relatives. We read about elderly people freezing to death in their homes every winter because they had a broken furnace and no money to fix it. What about their relatives? Many times they were too ashamed or too stubborn to ask for help.

If you're considering buying a home like this, make sure that you have a very thorough home inspection done, so that all of the issues and potential problems can be identified ahead of the purchase. The estate may not have the money to fix anything, but you

Estate Sales in Real Estate by Norm Werner

can usually bargain for a price reduction to deal with the issues. You should be aware that there are several things that could be wrong in a house that would prevent you from being able to get an FHA mortgage. You may need the flexibility of having a conventional mortgage lined-up, if you want to pick up a bargain estate house.

If you are the person responsible for selling the house, I'd advise that you get a really good Realtor who can identify the potential problems or get a home inspection done yourself, so that you know ahead what the issues are that you will be negotiating about later. I never advise putting much money into repairs at this point, unless the things that need attention will prevent a sale. Your Realtor should be able to advise you on the items that are currently on the list of things that an FHA or VA appraiser will be looking at that could impact the sale. You might not be able to offer the house with an FHA or VA mortgage.

When it comes time to actually close the sale, the executor of the estate should make sure that all of the beneficiaries of the estate are aware of the sale and the price and hopefully in agreement; so that he/she doesn't face a lawsuit from an angry sibling later. In most instances it is easy to gain that agreement.

The various beneficiaries usually just want to sell the place, split the money and get on with life.

Sometimes, however, the property that is involved may be a "family retreat" – a lake front cabin or "a place up north". In those cases not all family members who shared in the inheritance may wish to give the place up. They may have to work out a deal to put a value on the property and allow those who wish to retain ownership of the property buy-out the others who just wish to cash-in and move on. The key to allowing that to happen without acrimony is to get a good appraisal that all parties can agree with, before proceeding to any buy-out negotiations. Outright purchases or land contract will then be options, if the property is not mortgaged. If it is mortgaged then, usually, only an outright buy-out with new mortgage will work.

Whatever the case, get the advice of a good Realtor and a good estate lawyer then listen to their advice.

How to Prescreen Contractors to Build a Dream Team to Get the Job Done!

By Robyn Thompson

Many real estate investors shy away from the ugly house business because they fear hiring contractors. We have all heard the horror stories of rehabbers who lose their shirts because a contractor took them to the cleaners.

I am here to tell you that contractors can be your worst enemy or your best friend, depending if you hire a good one or a bad one. So how can the beginning novice real estate investor make the correct choice, i.e. find a hard working team player that gets the job done on time, on budget and at a high standard of quality? The answer is by following all eight of these critical prescreening steps:

1. Ask the contractor you are interviewing how long they have been in the business. I prefer at least five years of experience in the trades. I want a contractor who has seen and repaired every strange, odd, and crazy thing that could be wrong with a house. Experienced contractors know how to estimate all tough projects, and experienced professionals can give an accurate price to fix any problem.

Inexperienced contractors, on the other hand, under estimate repairs to get the business and then they try to push their mistake on the home owner by upping the price half way through construction. The investor needs to say NO. NO is the most powerful word in the dictionary, and a rehabber needs to use this tool. If they did not have the knowledge to make a good estimate, it is their problem-not yours.

2. Ask for three references from the last three major projects that the contractor has recently completed. Once you receive the reference letters, make sure you call to verify the references and the quality of the workmanship performed. The quality of work should be satisfactory to the homeowner and should have been completed in a timely manner.

If any of the references don't checkout, do not hire this contractor. If they gave you false information upfront, you know they cannot be trusted. Move on to the NEXT quote.

3. Ask for a copy of the contractor's license (if required in your state) and for a copy of their workman's comp insurance. Once you receive a copy of their license, make sure to check that they are not suspended. Also check to see if any complaints have been filed against the contractor with the Better Business Bureau.

It is absolutely mandatory that a contractor prove that he or she has Worker's Compensation for all the employees that will be working on the job site before they start renovations. Why is this so important? Well, if one of the workers has an accident, you do not want to be sued as a potential employer.

4. Make the contractor pull all necessary permits required by your local building department. The homeowner should NEVER pull the permits. The contractor should also be responsible to pass all necessary inspections required throughout the construction process so a certificate of occupancy (CO) can be obtained when construction is complete.

5. The real estate investor should make it mandatory for all contractors to buy all necessary materials to do the renovations. The investor should never waste their valuable time buying materials. If the investor buys the materials, the workers could be viewed as the homeowner's employees per the IRS guidelines. You do not want this.

6. The real estate investor should always demand a six month to one year warranty of all parts, labor, workmanship, and materials provided by the contractor. This warranty should be in writing. WARNING: If a contractor will not provide a warranty and stand behind the quality of his or her workmanship- DO NOT hire them!

7. Real estate investors should never agree to pay any contractor by the hour. You pay a fixed price for the complete job. Never pay the final payment in your independent contractor agreement until the project is 100% complete.

8. Ask for financial references (ex: where the contractor purchases materials). I will contact the supply houses to make sure the contractor is not behind on paying for materials because I do not want to give the contractor a check to payoff an old bill and then have no money for the materials they need to buy for my job.

The last words of advice I can give to anyone beginning a renovation project is to make sure every agreement with a contractor is detailed in writing with an independent contractor agreement. A detailed list of materials required should be listed in the comprehensive scope of work. The documents should have work completing time frames, penalty clauses for finishing late, required all permits be pulled and inspection completed before final payments are released.

Closing A Real Estate Deal by Mary Ann Keel

Closing a real estate deal is the final step in buying a house, and can be a complicated and often stressful process. There are many things that need to be taken into consideration, and a long list of things need to happen before you can get hold of your new house keys. Knowing what to expect when closing is key to avoiding common pitfalls, and there are a few steps you will need to take to ensure the process runs smoothly.

Open an Escrow Account

An escrow account is in effect a contractual agreement in which a third party handles the money and documents required to close a house sale. There is a lot of red tape to be navigated during the closing of a real estate deal after signing the purchase agreement, and large sums of money are involved. Having a neutral party holding the funds and important documents eliminates the possibility of foul play, and warrants a fair deal for both the buyer and the seller of the property. Recording important meetings with your realtor and lawyers is another way to avoid confusion, manipulation or miscommunication.

Title Search and Insurance

Before you can own a property, it is advisable to employ the services of a title officer. Their job is to do a thorough title search and make sure that nobody else has a potential claim to your property. Title insurance provides peace of mind and eliminates the possibility of a third party claiming ownership of and invalidating your claim to the property. For example, a relative of the last owner might make a claim on your home on the grounds of being left out of a will, or a tax collector might show up asking to be paid. If such a situation does occur, it pays to find out about it on time so that the problems can be resolved before the property comes into your ownership.

Lawyer up

Getting professional legal assistance is a smart move when closing a house deal. Closing documents can be complicated and difficult to understand. An experienced and professional real estate lawyer will know exactly what to look for in your paperwork and spot potential issues in the contract before they become a problem.

Closing Cost Negotiation

Escrow companies can try to take advantage of their customers' inexperience or ignorance by charging bogus fees. Junk fees you should look out for include settlement fees, appraisal review fees, administrative fees, application review fees, ancillary fees, email fees, processing fees and settlement fees. If you stand your ground and do your research, you can most likely reduce or eliminate junk fees from your contract. Even if there are no perceptible junk fees, negotiating a price cut can do wonders for your bottom line.

Do a Home Inspection

Although this is not a contractual necessity, performing a home inspection is a smart move. If you find a serious problem with your property, it can be grounds for a price correction on the part of the seller. If the problem is serious enough you might even consider backing out of the deal altogether in order to avoid exorbitant repair costs. The same applies to pest inspection. Wood destroying pests can wreak havoc on a property, and are a structural disaster time bomb. If a pest problem is discovered, mortgage companies will request you fix it before you can close the deal.

Lock Your Interest Rate

A good lender will closely monitor interest rates for you, and advise you what the best time for locking your interest rates is. Try not to fixate on locking rock bottom rates, as advertised minimal rates might not always be possible. Credit rates may vary greatly depending on credit score, the type of loan in question, geographic region and a variety of other factors.

In Conclusion

Even though closing can be an overwhelming process, with many variables and hundreds of pages of paperwork to be processed, the hardest part is waiting. Patience is the most important part of closing a home deal. Rushing can result in unexpected expenditure and a sub-optimal deal. Choose your team of experts carefully and leave the bulk of the process to them. Last but not least, be sure to read the fine print.

Rental Property Investment Advice by James Stevenson

When investing in property for buy-to-let opportunities, investors should be wary of low, attractive interest rates that may rise and put their investments to severe tests. Many investors who before prospered before the financial crisis of the 2008 struggled afterwards when mortgage rates rose and property values fell. Despite these ever-present dangers, low property purchase prices, increased rental market demand, rising rent levels, and mortgage conditions favourable for the moment tempt investors again. This apparently primrose path, however, can be hazardous, and it is well to be aware of its risks.

Commitments and Assumptions

Investing in buy-to-let commits thousands of pounds to a property and assumes a mortgage obligation. When house prices rise, they leverage gains above the mortgage debt, but when they fall the mortgage remains unaffected.

Buy-to-Let Maths

The main mathematical variables are the property purchase price and the rent it is likely to get tenants to pay. Lenders typically want rent to cover 125% of monthly mortgage repayments. The best buy-to-let mortgage rates require large arrangement fees. Having calculated likely monthly mortgage and rent estimates, it is then wise to be conservative in assessing investment prospects. What if the property remains vacant for several months? Such undesirable developments are not uncommon and must be considered in planning buy-to-let ventures.

Shop Around for a Mortgage

Potential investors should scout the buy-to-let mortgage market efficiently by checking lender websites for current rates, terms, and conditions. They should not for mere convenience limit their mortgage quests to banks or building societies where they already do business or maintain accounts. For advice they may consult with buy-to-let mortgage brokers, keeping in mind that mere consultation creates no obligation to use their services.

Target the Tenant

Instead of wondering whether the investment property would satisfy their own personal wants and needs, investors should consider the situations of their target tenants and what they want and need. If students, the property should be durable, comfortable, and easy to maintain but certainly neither lavish nor luxurious. For a family with plenty of personal belongings, only basic appliances, a stove and a refrigerator, suffice.

Tenant Default Insurance

Insurance against tenant failure to pay rent, rent guarantee insurance is available in standalone policies or as provisions of property insurance coverage.

Consider Distant and Distressed Properties

Most investors look for buy-to-let properties nearby, but the best investment opportunities may not be close to where they live. Properties nearby are easy to manage personally, but this fact is no advantage if an agent is involved. Investors should cast wide nets and look at areas with large potential tenant populations. Properties in need of rehabilitation or renovation also may be worth consideration. If hard negotiation gets a bargain purchase price, the investor can realize a good return by making repairs and enhancements that add value. Handing said investment over to letting agents to let out for you can be a good way of getting these distant and distressed properties rented out fast.

Haggle over price

Buy-to-let investors have the same advantage as have first-time buyers in negotiating discounts. If not under pressure to sell a property to buy another, their position as not part of a chain at risk of a sale failing to close is relatively strong when negotiating for discounts. They should make low but reasonable offers and not be persuaded into overpaying.

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