

House Hacker's Guide

LESSON #1: GET A JOB

What is your monthly take-home pay from your job? _____

What are the costs that accompany your job (commute, wardrobe, business meals, etc.)? _____

How much are you paying towards housing? _____

What is your baseline budget? _____

Can you pick up a "side hustle" job? How much extra can you make? _____

Begin tracking these numbers using YNAB.com. Sign up for an account. This resource has greatly simplified our home budget, and many others. And it's only \$50 per year. Use my link (<http://tinyurl.com/bryceYNAB>) or sign up on your own. Either way, do it!

LESSON #2: Kill Debt

Aside from a mortgage, how much debt do you currently have? _____

If any of this debt is auto or consumer debt, consider signing up for Dave Ramsey's Financial Peace University (DaveRamsey.com)

If any of this debt is auto or consumer debt, go to the website MrMoneyMustache.com. Read the ENTIRE blog. It will take weeks. Worth it.

Take inventory of EVERYTHING you own. Is it necessary? Is it worth *more* to you than financial freedom? Can you sell anything?

Use craigslist.com and Facebook Marketplace to turn unnecessary *stuff* into money.

Use "curb alert" on Craigslist to get rid of unnecessary and unsellable items. Or donate to GoodWill or Salvation Army. Last resort: trash. Read the book *The Life Changing Magic of Tidying Up* by Marie Kondo

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LESSON #3: Housing Carrying Costs

If you already own a house, what is the total cost of Principal & Interest, Taxes (real estate), and Insurance? _____

Find comparable properties in your area. What are they renting for? _____

If you moved out, could your house make money as as rental? _____

LESSON #4: Suburban "Trap" Home?

If you own a home that *could not* rent for more than your carrying costs, consider selling. How much are comparable homes selling for? _____

If you sold, how much money would you walk away with? _____

No matter what your plan, take "showing" caliber pictures of each room in the house, and the outside. Save these on your computer. It's RISK-FREE!

What is the price of smaller, cheaper homes in your area that would meet your (or your family's) needs? _____ Are there suitable town homes?

LESSON #5: Renting *IS* Investing

If you rent, what is your monthly rent amount? _____

Are there other homes/apartments in your area that are less expensive? How much could you save? _____

Could you move to one temporarily without sacrificing too much quality of life? _____

Is long term financial freedom worth more than this temporary sacrifice? _____

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LESSON #6: People Own Apartments

You could be one of them. If you have completed lessons 1-5 in a way that leaves you with a little bit of money, call a local bank.

Ask to speak with a loan officer, and tell them you'd like to get a pre-qualification for a home loan. They will ask you to send many documents.

Once you send documentation, they should be able to issue you a pre-qualification amount. How high of a purchase price? _____

How high of a loan amount are they willing to give you? _____

Repeat this process with a few different banks and mortgage brokers. Determine who can give you the best type of financing. _____

LESSON #7: Location is Important

Are there duplexes, triplexes, or quadruplexes in your area? Search the MLS or Zillow to find out. Ask a Realtor to put you on an auto-email with this criteria.

If there are not, can you move to an area that has these kinds of properties? If not, are there single family homes in your area that could be a good rental?

Search for homes that are selling for less than your pre-qualification amount, and which could also rent for more than what your PITI total would be.

Realtors are helpful with this. Based on this preliminary math, what are the 3 most promising properties in your area? _____

LESSON #8: Don't Lose a Deal for \$2

If you can target a promising property, try aggressively to get it (like we did with our duplex.)

While you are searching and identifying properties, download a blank Realtor's Standard Agreement of Sale for your state.

Print it out and read through it 7-10 times. Use a "dummy" property to fill in the relevant data. Highlight parts you don't understand after 7 read-throughs.

Which sections did you highlight? _____ Ask the Realtor who has been sending you listings to explain those portions.

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LESSON #9: Ask For a Personal Loan

If you *still* don't have enough extra money for a down payment, check with your loan officer or mortgage broker about an FHA (3.5% down) loan.

If you have family that is capable and willing, ask if they'd be willing to lend you some of the down payment money. What did they say? _____

If they don't have 'ready' cash, explain to them that they might be able to open a Home Equity Line of Credit, and you can pay them the interest.

What did they say? _____ How much can they lend? _____

If this *still* doesn't yield enough money for a down payment, you must go into "penniless immigrant beast mode". Sell your car and buy a clunker. Get a side job delivering packages. Switch to oatmeal for breakfast, PB&J for lunch, and rice and beans for dinner. Sell your clothes. Even tap into your 401k. How much do you still need toward a down payment? _____

What are you willing to do to get it? Write the amount down every day on an index card or in a journal. Put it where you can see it. Obsess over it before you go to the grocery store or make any purchasing decisions. Tell yourself "I WILL save up _____."

LESSON #10: Property Lowers Taxes

If you manage to purchase a true House Hack duplex, triplex, or quadruplex, it may lower your yearly taxes.

Contact your tax preparer and give them a copy of your settlement statement. Ask how much your tax return will be affected. _____

If your down payment left you with only a few pennies, save your monthly profits toward potential repairs (a few thousand dollars per unit.)

How much do you need to set aside? Create a separate bank account to hold this amount. Consider using this year's tax return to fund the account.

LESSON #11: Get Rid of Bad Tenants

Do you have a 'problem' tenant? If so, when does their lease expire? _____

If they refuse to alter their behavior, it may be wise to inform them that you don't intend to renew their lease.

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LESSON #12: Increase Rent

The ideal time to increase rent is when you're advertising for a new tenant. Take REALLY GOOD pics while the unit is empty. Good pics = higher rent.
Check comparable apartments / properties in the area. What are they renting for? _____
How much can you increase your rents? _____

LESSON #13: Refinance out of FHA

If you used an FHA loan to purchase the multifamily property you are living in, and you have added value by doing renovations and increasing rents, it may be time to attempt to refinance into another loan that *doesn't carry mortgage insurance*.
Identify some comparable properties in your area. What are their sales prices? _____
What is your outstanding principal loan amount? _____
Is it possible that you are at an 80% Loan to Value ratio, or even a 90% LTV? _____
Contact a local bank and ask if they have any loan programs with above 80% LTV AND no mortgage insurance. _____
If it lowers your overall monthly payment, it may be worth conducting the refinance.
Begin looking for other properties that you may be able to purchase using ANOTHER FHA loan.

LESSON #14: Adjustable Mortgage

Like my wife and me, did you get saddled with an Adjustable Rate Mortgage? _____
Do you intend to hold on to the property for the foreseeable future? _____
If so, you should try to refinance out of the ARM *while you still live in the property*. This will give you the best fixed terms for the long run.

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LESSON #15: Leverage Your Job

At this point, your primary income is likely still your job. Have you pursued a raise? _____

I pursued a Master's Degree while working. Is something similar available to you? _____

How much would it increase your income each month? _____

LESSON #16: Know Your Neighbors

Do you know the owners of the properties adjacent to yours? Who are they? _____

Are the tenants willing to give you their landlord's contact number? What is it? _____

Tread lightly - you don't want to offend. But it's commonplace for owners to have contact number of neighbors for many reasons.

LESSON #17: Make a Written Offer

Would purchasing an adjacent property add value to yours, or be a good stand alone deal (as in our case) ? _____

Would an adjacent property owner be willing to sell to you? Can you put a physical offer in their hands without offending? _____

What price would make the deal work? Google "Mortgage Calculator" to work backwards from sales price. Real Estate Taxes are online, likely through the county's assessment department. Call your insurance carrier to get a ballpark monthly cost. Calculate P&I, T, I.

Will you be able to charge high enough rent to cover these costs and also deliver a healthy profit? If not, lower the purchase price, start over.

LESSON #18: Buy More Properties

Drive around your area and look for multifamily properties. Telltale signs include multiple mailboxes, gas meters, electric meters, etc.

Do other multifamily properties exist in your area? _____

Utilize the same process as above for contacting the owner. It's also a part of the public record. Are these owners receptive to an offer? _____

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LESSON #19: Borrow Intelligently

If you have been unable to buy a multifamily property, and are dead-set in staying in your current home, can you do a cash-out refinance?

Call the loan officer at your bank, or a mortgage broker, to find out. How much equity do you have available? _____

Would your bank consider a Home Equity Line Of Credit (HELOC)? This would mean you only pay *if* you borrow. _____

LESSON #20: Least Expensive Home

Once again, if you have “more house” than you actually need, how much cash could you free up by selling and moving to a cheaper home? _____

Can you change something about your home to reduce the monthly costs of ownership (like buying a high efficiency heater)? _____

How much could you increase your monthly cash flow with either of these strategies? _____

LESSON #21: Recycle Your Money

If you are already living in a House Hack, can you free up money by refinancing? _____

If you borrowed family/private money to help with the downpayment, has the value increased enough to refinance and pay them out? _____

Are they willing to re-lend this amount to you? If so, it may act as the downpayment money for your next acquisition. _____

How much cash can you access? _____

LESSON #22: Stay Local

Have you looked thoroughly for additional properties within a tight geographical radius of your first investment property? _____

Is there a Home Depot or Lowe's or similar hardware store nearby, thereby decreasing the difficulty and cost of repairs and renovations? _____

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LESSON #23: Set Big Goals

Have you read the book *Think and Grow Rich*? _____

Did you purchase a Moleskine journal in which to write down all of the lessons inside? _____

Are your goals written somewhere in your home that you can see them daily, or do you write them down daily? _____

LESSON #24: Keep Seeing Properties

Are you still on an active auto-email list with a Realtor? _____

Are you actively going to see listings, and walking through potential deals? _____

LESSON #25: Act Fast on Good Deals

Do you have your tax returns, pay stubs, mortgage application, and other pertinent information *on file and ready to email*? _____

LESSON #26: Start an LLC

Have you printed out the necessary paperwork to start an LLC in your state? _____

Does it make sense to create one *NOW*, so that you don't have to scramble in the midst of a deal (like I had to)? _____

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LESSON #27: Use the BRRRR Method

Do you have enough cash to complete a significant value-add renovation on your property? _____

Will this add enough value to allow you to refinance out the new equity AND increase cash flow, so that it can be used as a new downpayment? _____

LESSON #28: Divide Heating Costs

Can you divide the heat in your multifamily building(s)? _____

Is there another investment you can make to lower the monthly carrying costs, thereby increasing your profits? _____

LESSON #29: Dissatisfaction as Fuel

Is your job bringing you joy? _____

If it brings you joy - does it compensate you as much as you'd like? Will it be a dependable and sustainable job? _____

What factors are still motivating you to continue investing? _____

LESSON #30: Buy a 'Turnkey' Property

Adding value through renovations is good, but expensive and difficult. Are there any properties in your area that are "turnkey" and could yield cash flow?

If these properties seem overpriced, but have been on the market for a while, consider making an aggressively low offer.

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LESSON #31: Don't Circle the Wagons

It may be tempting to “circle the wagons” at this point. But even if you're not prepared to acquire another property *right now*, are you still analyzing deals?

Are you still making aggressively low offers, with little risk, so that you can continue to *learn* while you prepare to acquire again? _____

Are you checking out free books on investing from the library, or buying investing books online, so that your preparation stage is also productive?

LESSON #32: Answers > Guesses

Can you begin discreetly preparing to quit your job? What would the paperwork look like? Any zero-risk steps? _____

If you have employer-provided health care, can you begin shopping the ACA marketplace to quantify the cost of a personal plan? How much? _____

LESSON #33: Below-Market Rents

Below-market rents may be a good thing. Is there a property for sale with low rents which you could purchase and then increase rents? _____

Find a multifamily property for sale and calculate the profits based on PITI. Recalculate based on a \$100 rent increase per unit. How much profit? _____

LESSON #34: Negotiate Repairs

Does a prospective property need repairs? How much will the repairs cost? _____

In your offer to purchase, include a credit at settlement to pay for these repairs. Is the seller willing to include this? _____

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LESSON #35: Don't Retire Too Early!

Does the continuation of available financing hinge on your current employment? _____

Make sure you understand how your preferred lender will view the loss of your W-2 income. Are they ok with it? _____

LESSON #36: Don't Freeze the Money

If you are attempting to BRRRR a property, do you have a plan if the after-renovation appraisal is low? _____

Have you researched comparable properties? Can you provide the appraiser with comps that you feel are most appropriate for your property? _____

Vacuuming The Truck

Are there any remaining personal budget items that could be eliminated, thus increasing your overall cash flow? _____

Take the next, smallest step. Make the phone call. Download the paperwork. Send the email. Call the contractor. Set up the appointment. No action is too small, so keep taking at least on step TODAY toward your financial freedom.