

Paul Wells Rehab Tips for Foreclosure Fix and Flips

Paul Wells Rehab Tips-How to choose a contractor when you buy foreclosures and REO's.

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Foreclosures are on the rise. REO's can be bought for a song. Here is a rehab journal that you all can use to make more money on your flips. This is just a tip, no selling. Sorry. As a national trainer and expert in foreclosures you probably expect me to see every chance I get like all the other guru's do. Sorry. This is just for you. I know a lot of you are rehabbing houses to flip them. Choosing a contractor can make or break your deal. Do not get over confident. Go slow, learn, ask questions, and get better at your profession. In construction there is an old saying of measure twice, cut once. Same in real estate. Check your measurements.

Here are some idea's I put together for you.

How to hire a good home contractor

Don't hand your foreclosure or REO home-remodeling project to an unreliable or dishonest contractor. Here are 6 things to look for.

Increasing your property value often entails remodeling especially when you are getting homes via the foreclosure or REO market. Whether you have a fixer-upper or a great house that you plan to stay in indefinitely, you'll probably hire a contractor sooner or later to finish the basement, remodel the kitchen, or renovate other rooms.

Decisions on home improvement should be made in a judicious manner. If you want to recoup your investment, choose projects that are likely to add value to your home, such as a new kitchen or an extra bathroom. Although it's tempting to hire the contractor who submits the lowest bid, there are other factors to consider:

Experience. This is so important when working foreclosures and the rehabs that go with them. The failure of most fledgling contractors can be blamed on poor work habits and shoddy business practices, according to the Small Business Administration. Choose a contractor with a minimum of five years of experience.

License. Most contractors are licensed by the state. While a license alone doesn't guarantee an excellent contractor, it is one way to weed out unlicensed amateurs. Some states also record complaints filed against contractors—you can look these up using the contractor's license number.

Bank account. A contractor with five years of experience and a solid record of bank deposits will, in all probability, stay in business long enough to complete your project. It also indicates that the contractor has sufficient capital and doesn't need your business to pay this month's bills. Also, NEVER give a contractor all the money up front. Give it to them in draws as work is completed and materials delivered to the job site. If the contractor can not afford some of the materials up front that ought to be a warning flag for you.

Insurance. The contractor should carry workers' compensation and general liability insurance. Lack of insurance could leave you liable for any injuries suffered on the job. Get copies of policies from the contractor's insurance company.

Workmanship. Many contractors carry photo books to show samples of their work. But the only way to judge the workmanship is through an on-site inspection. Ask the contractor for names of recent clients, and arrange to examine projects similar to yours.

Teamwork. The best contractors are those who care about the project as much as you do, and who can work around your schedule and your household's routines. If you want to be involved in every decision, hire a contractor who's comfortable with close supervision. If you want to leave the details to an expert, hire a contractor whose decisions you will trust.

The art of the bid. After you have selected several candidates for the project, the next step is to get bids from the contractors. To get comparable bids for the project, write out your project's specifications, including sample building materials and fixtures, and make copies for each contractor submitting a bid. The more detailed the specifications, the easier it will be to compare bids because all the contractors will be using the same fixtures and materials in their cost breakdown.

Project Specifications and Timelines:

CREATE A TIMELINE AND HAVE THE CONTRACTOR CONTRACTUALLY OBLIGATED TO MEET THOSE BENCHMARK DATES. PUT IN PENALTIES FOR NOT MEETING TIMELINES.

You may want to hire a designer to create project specifications if you're not comfortable doing them yourself. Specifications for a kitchen remodeling project, for example, might include cabinets, flooring, sinks, faucets, appliances, countertops, doors, windows, and any custom carpentry specifications, such as built-in shelves.

Cost Breakdown Most contractors have their own breakdown sheets, but you can also provide one to make comparing bids easier:

- **Expenses.** Itemize tasks such as subcontractor bids, building permits, and finish carpentry.
- **Materials.** Specify the costs of all building materials.
- **Fixtures.** List the costs of all fixtures to be installed.
- **Labor.** Calculate the cost of labor. (Note that subcontractor labor should be included under Expenses.)
- **Total.** Add the totals from the four categories (expenses, materials, fixtures, labor) to arrive at an estimated bid.