

SFR Capital Guide to BRRRR

SFR Capital

The **BRRRR Strategy** is one of the best ways for real estate investors to build wealth. The acronym **BRRRR** stands for: **Buy – Rehab – Rent – Refinance – Repeat**. Like any form of investing, it does have risks but it also is relatively easy to learn and be successful.

The basics of **BRRRR** investing:

Buy: Buy a property that after repairs will be worth much more than total cost of the property and rehab.

Repair: Repair both inside and outside of the residential property. Turn a 2 bedroom, 1 Bathroom into a 3 bedroom and 2 bathroom by converting a sunroom or another area of the home.

Rent: Once the repairs are done, you can now find a rental tenant and get a lease signed.

Refinance: After a lease is signed and the tenant has paid rent for a few months, you can now refinance the property based on the new property value and real cash flow. Pay off the original loan used to buy the residential property and generate new cash that can be used for your next residential property.

Repeat: Use that new cash to purchase your next property to repeat the **BRRRR** Strategy.

When you refinance your leased residential rental property you may be able to borrow up to 80% of the new property value with [SFR Capital](#).

BRRRR Summary Tips

Buy

To maximize profits and wealth, you must find the right property to buy. This is where you make your money. Find a property that needs repairs, you can do this through residential investment property wholesalers, the MLS or a good residential investment real estate agent.

1. Find the right residential property – Flyers, Wholesalers, MLS, Investment Real Estate Brokers
2. Find a property that the seller is prepared to sell at a good as-is price
3. Inspect the property to make best estimate of rehab needed and costs
4. Make sure your rehab/improvements substantially increase property and rental value
5. The residential property should be located in a strong rental market

Why are these items important?

Once you have found the right property, there are a few things you should do to confirm your belief that this property works for **BRRRR**.

Perform a deal analysis. There are a number of tools out there, we like [DealCheck](#). It's a free tool that will provide you necessary metrics and a Purchase Criteria Analysis to assess your deal. This will include calculating the cost of renovations, estimating monthly rental expenses, and ensuring that the resulting rental income will provide a sufficient positive monthly cash flow.

Rehab

By the time you purchase the residential investment property, you should know the rehab needed and your rehab team is ready to start.

Two things to remember:

1. Don't over invest in the property. Only do rehab items to the property that make the property competitive with nearby rental comparables
2. Use professional contractors to do larger jobs

Many **BRRRR** investors like to create a quick rehab estimate by splitting the property rehab needs into interior and exterior.

Interior consists of, paint, windows, electrical, plumbing and HVAC. Then break down the interior into various rooms. Bedrooms may need new flooring, casings, doors and fixtures. Bathrooms, shower enclosure, cabinets, counter-top and sink. Kitchens will include additional items like appliances. Garages, sealing and garage doors.

Exterior upgrades could include fresh paint, landscaping, roof, patio, pool and decking.

Rehab labor availability, schedule and dependability are critical aspects to insuring a successful residential real estate investment. Time is money.

Rent

Rent has a big impact on refinancing options. Rent covers your principal, interest, taxes, and insurance (PITI). You need to cash flow at LEAST 10% each month. Meaning, if your PITI was \$1000, rent should be at least \$1,100. The higher the monthly free cash flow after expenses, the better your refinancing terms and loan amount results.

So, how do you find a rental tenant as a landlord? Signs Signs Signs
You can advertise your rental on real estate sites such as Realtor.com or Zillow.
You can also list your rental property through a local real estate agent on the MLS.

Make sure you have all the necessary paperwork ready - leases, deposits, agreements, walk-through checklist. You can find templates online.
You can also use real estate professionals to help you through the process.

Refinance

Once you have a rental tenant moved in with the lease in hand, you can refinance into a long-term, 30 year fixed rate rental loan.

[SFR Capital](#) can provide up to 80% loan to value (LTV) cash outs on a short term basis. Another benefit, there is NO seasoning. You can cash out the new market value as soon as you have a renter in place.

What does this mean? It means you can get 80% of the market value of your property funded. You pay off your outstanding debt (hard money loan), and the excess money left over is available to invest in your next real estate opportunity.

Repeat

Use this new cash from your refinance for your next **BRRRR**. Find your next **BRRRR** property and repeat the process.

Have a new property targeted? Get a loan quote from [SFR Capital](#).

There are many reasons smart residential real estate investors use SFR Capital for their property funding. Some of the reasons are:

- 1) No borrower principal credit check
- 2) No borrower principal income statements
- 3) No borrower principal bank statements
- 4) No prepayment penalties
- 5) No third party appraisal
- 6) No application fee
- 7) No underwriting fee
- 8) No document preparation fee
- 9) No hidden junk fees
- 10) Simple Insurance Requirements
- 11) SFR Capital wants you to succeed
- 12) SFR Capital makes the [loan application](#) process – **Easy Fast Certain**

Conclusion

If new to the business, find someone successful who has a few properties already completed and find a way to collaborate with them. Take advantage of learning from the mistakes of others and avoiding those problems.

Read the articles and FAQs posted on the SFR website and take advantage of the tools and resources we recommend and have posted on our [SFR Capital website](#).

Still have questions? We are here to help -[schedule a call with SFR Capital](#).