



JOHNETTA PAYE ESQUIRE

REAL ESTATE

OCTOBER 26, 2016

# Investing in real estate: Is it better to buy a flipped house or directly from last owner?



JPAYE

1





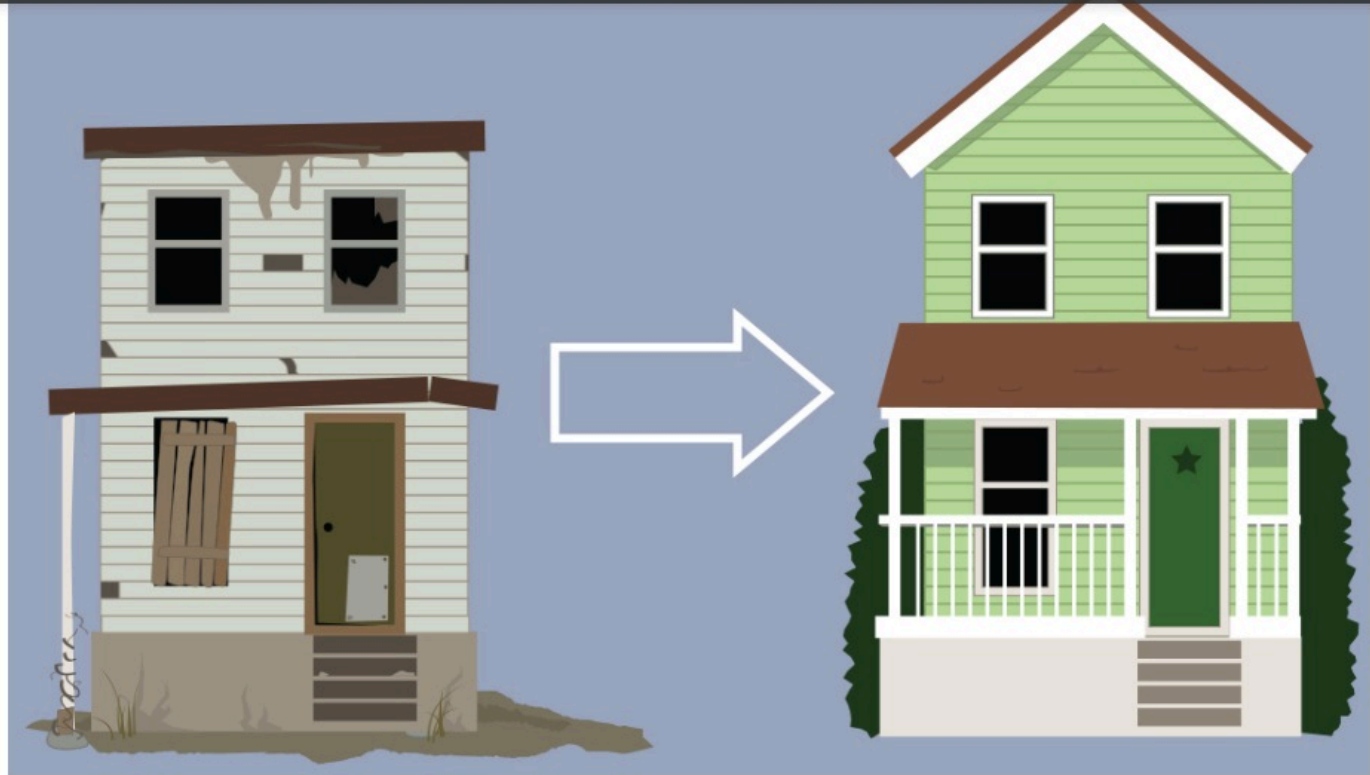
JPAYE

1  
SHARE

- SHARE
- TWEET
- PIN 1



**HELPING LANDLORDS:  
HOW TO LEGALLY GET A  
TENANT OUT OF A RENTAL  
PROPERTY AFTER LATE**



1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100

Let's say you're getting ready to date a new guy. Would you rather hear his live-in ex-girlfriend or ex-wife talk about what the best part of dating him was? Or, would you rather that one "regular" person who sees him off and on at a nightclub or friendly gatherings do so? The latter person will clearly not be as invested or know as much as someone who lived with him day in and day out, in addition to not being as connected to this person anymore. Now let's assume both of these women have now moved on to new, happy relationships and have zero interest in this guy. Whose opinion do you trust more now? Or, is it about even?

This is the general theme of thoughts that may creep up in a potential homeowner's mind when it comes to purchasing a new home. Purchasing a home from someone who has already lived there means they'll know all of the pros and cons of living in this place, from water damage and notoriously loud traffic to the likelihood of friendly neighbors and excellent air/heat circulation. These are the kinds of things that someone who owns a home for 90 days or less, or those who flip homes, would not know.

Previous homeowners versus real estate investors who flip houses are about like the landlord who lives in the apartment building versus the one who comes around for maintenance and tenant conflict. Some may be more attentive than others, but the live-in person will just always be more familiar with the property. The downside of the more invested group though, especially if they're trying to break all ties to this sole property and move on, is they may not be as likely to be honest about the property's downfalls. The idea is to sell it, not to point out all the housing drama over the years. On the other hand, the person who flips homes may have a few homes on their radar, so if you don't like one, there's always another one they can offer later.

And once the potential homeowner is able to get past potential biases, there's also the legal issues of purchasing this home from the previous owner, a flip house and real estate wholesaling.

### **Don't be flippant while purchasing a flip house**

To make the process run smoother, here are a few tips to keep in mind for purchasing a flip home:



- **Appraisal:** When purchasing a flip home, the potential homeowner should have an appraisal done of the home beforehand. The appraisal will help the potential homeowner determine if the real estate investor's rehab of the property added increase value.
- **Property Inspection:** A property inspector will inform the potential buyer if there are any hidden issues from the rehab. A property may have been rehabbed to look pretty on the surface. For example, behind the walls the electrical wiring could have been done incorrectly.

**The 'real' scoop on real estate wholesaling**

In the case of real estate wholesaling, the real estate investor has never owned the home. Real estate wholesaling is when a real estate investor enters into a purchase agreement to buy property from a property owner for a specific price. Then the real estate investor assigns the purchase rights to a third-party buyer for a fee. The third-party buyer becomes

rights to a third-party buyer for a fee. The third-party buyer becomes responsible for paying an assignment fee, purchase price and any closing costs.

Real estate wholesaling is an attractive option for a potential homeowner who is looking to acquire property for a deal. Homeowners acquiring property through the real estate wholesaling process should be mindful of the following:

- **Title issues:** The real estate wholesaler has never held title to the property. He/she may not be aware of any issues that could affect title to the property. For example, the current owner of the property acquired the title through adverse possession and needs to obtain an adverse possession deed before selling the property. This can delay the closing, and the potential homeowner needs to be able to wait several months before



wait several months before

acquiring the title and possession of the property. In some cases, the wholesaler may never be able to transfer a good title to the property.

The potential homeowner will want to ensure the earnest money or purchase funds are being held in an escrow account so if the deal fails to close, the potential homeowner can get their money back.

- **Potential repairs:** The real estate wholesaler has never lived in the property. He/she may not be aware of any repairs needed to the home or mold issues. The potential homeowner will want to get a home inspection prior to signing the assignment agreement. Alternatively, negotiate an option to back out of the deal if a home inspection report reveals issues the potential homeowner is not prepared to take on.

Purchasing real estate is a substantial investment. The process can be more involved when purchasing a 90-days-or-less flip property or buying purchase rights for a property from a real estate wholesaler. It is advisable that potential homeowners work with a real estate attorney during the

that potential homeowners work with a real estate attorney during the process.

-----

Have more about real estate wholesaling or flipped properties questions? Contact [J. Paye & Associates](#) today.

Shamontiel L. Vaughn contributed to this blog. Find out more about her at [Shamontiel.com](#).

*The information contained here is intended to provide useful information on the topic covered but should not be construed as one-size-fits-all legal advice. Speak to an attorney specifically about your contractual agreement for specific terms and conditions.*

#### RELATED ITEMS

LEAVE A REPLY

Your email address will not be published. Required fields are marked \*