

PARLOR EXCHANGE GLOBAL

OWN IT.

Real Estate & Wealth Building Guide

18 ways to be in real estate. The financing behind each one — what it actually costs, what it actually requires, and what it actually produces. No TikTok version. No YouTube hype. The real information so you can make a real decision.

- **Section 1 — Why Real Estate Builds Wealth: The Four Engines**
- **Section 2 — 18 Ways to Be in Real Estate**
- **Section 3 — Financing: What Each Method Actually Requires**
- **Section 4 — Hard Money Loans: The Real Version**
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- **Section 8 — Where to Start Based on Where You Are**

Part of the Parlor Exchange Global Build It • Protect It • Grow It Methodology

Read This First

Real estate has produced more millionaires than any other asset class in American history. It has also wiped out more people who went in unprepared, overleveraged, or operating on information that was incomplete or outright wrong. The difference between those two outcomes is almost always the same thing: one group understood the actual mechanics before they moved, and one group moved on excitement without doing that work.

This guide does not make real estate sound easy. It isn't. It makes real estate sound like what it actually is: a serious, learnable, accessible path to wealth that rewards preparation, penalizes impatience, and works over time — not overnight. Every strategy in this guide is real. Every warning is earned. Every number is honest.

PEG does not give legal, financial, or investment advice. Real estate involves significant financial risk. Consult a licensed real estate attorney, CPA, and financial advisor before making any investment decision. Laws vary by state — especially for creative financing strategies.

SECTION 1 — WHY REAL ESTATE BUILDS WEALTH: THE FOUR ENGINES

Real estate doesn't build wealth through one mechanism. It builds wealth through four simultaneously — and that combination is what makes it different from stocks, bonds, or any other common asset class.

Understanding all four is what separates investors who think strategically from people who just own property.

APPRECIATION

The property increases in value over time.

US residential real estate has appreciated at an average of 4–5% annually over the long term. On a \$200,000 property, that's \$8,000–\$10,000 in new equity every year — without doing anything. In high-demand markets, appreciation can be 2–3x that. In declining markets, it can be negative. Appreciation is not guaranteed, but historically, real estate held long enough in the right market has always recovered and grown.

CASH FLOW

The property generates more income than it costs to own.

When your rental income exceeds your mortgage, taxes, insurance, and maintenance costs, the difference is cash flow — money in your pocket every month without going to work for it. Even modest cash flow (\$200–\$400/month per unit) compounded across multiple properties over time becomes a significant income stream. This is what financial freedom from real estate actually looks like — not one big flip, but recurring income from held assets.

DEBT PAYDOWN

Your tenant pays your mortgage down every month.

Every mortgage payment reduces the loan balance — building equity. On a 30-year mortgage at \$1,200/month, roughly \$300–\$500 of each payment in the early years goes to principal (increasing over time as the loan amortizes). Your tenant is making that payment. Over 30 years on a single property, you accumulate the full value of the property as equity — funded largely by someone else's rent.

TAX ADVANTAGES

Real estate has more legal tax advantages than almost any other investment.

Depreciation: The IRS allows you to deduct the cost of the building structure over 27.5 years (residential) — a paper loss that reduces your taxable income even when the property is gaining value. Deductible expenses: mortgage interest, property taxes, insurance, repairs, property management, travel to the property. 1031 Exchange: sell a property and roll all gains into a new property, deferring capital gains tax indefinitely. These advantages are available to everyday investors — not just corporations.

All four engines running simultaneously — on one property.

You buy a \$250,000 rental house with 20% down (\$50,000 invested). Year 1: The property appreciates 4% → +\$10,000 in equity Year 1: Cash flow after all expenses: \$3,600 (\$300/month) Year 1: Tenant pays down \$3,000 in principal on your mortgage Year 1: Depreciation deduction reduces your taxable income by \$6,545 (building value / 27.5) Total first-year return on your \$50,000 investment: \$10,000 + \$3,600 + \$3,000 + tax savings That's \$16,600+ in real return on a \$50,000 investment = 33%+ total return No other common investment vehicle produces this result from four simultaneous mechanisms. This is why real estate builds wealth.

WHAT NOBODY TELLS YOU

Most people evaluate real estate deals by looking at one engine — usually cash flow. A deal with \$100/month cash flow that they dismiss as 'not worth it' may be producing \$8,000 in appreciation, \$3,000 in debt paydown, and significant tax savings. The full picture is always all four. Run all four numbers before you decide a deal doesn't work.

SECTION 2 — 18 WAYS TO BE IN REAL ESTATE

Real estate is not one thing. It is a collection of distinct business models, each with different capital requirements, different risk profiles, different time horizons, and different skill sets. The model that works for a surgeon with \$200K in liquid capital is not the model that works for someone starting with \$5K and strong hustle. Read every one before you decide which path is yours.

01 Buy and Hold — Single Family Rental
The baseline. Own a house. Rent it. Collect the difference.

ENTRY COST	CREDIT NEEDED	TIME HORIZON
15–25% down (\$30K–\$60K on median home)	620+ (680+ for best rates)	Long-term (5–30+ years)

You purchase a single-family home, place a tenant, and collect monthly rent. The rent covers your mortgage, taxes, insurance, and maintenance — ideally with cash flow left over. You hold the property for appreciation and equity buildup over time. This is the most common entry point into real estate investing and the foundation of most long-term real estate portfolios.

<p>WHAT WORKS FOR YOU</p> <ul style="list-style-type: none"> + Most people understand it — easier to explain to lenders, tenants, and partners + Appreciation and debt paydown work passively while you hold + Single tenant, single unit — simpler management than multi-family + Conventional financing widely available 	<p>WHAT TO WATCH</p> <ul style="list-style-type: none"> — One vacancy = 100% income loss while expenses continue — Cash flow margins are thin in most markets — requires buying right — Scalability requires repeating the process; capital is the bottleneck — Tenant quality is everything — one bad tenant can cost years of profit
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WHAT NOBODY TELLS YOU

The single family rental is not a get-rich-quick vehicle. The wealth is built over years through appreciation, debt paydown, and compounded equity. The investor who buys one house every 3–5 years and holds them all is worth far more at 60 than the person who flipped 20 houses and spent every dollar.

02 Buy and Hold — Multi-Family (2–4 Units)

The real entry point for serious investors. More units, more income, same loan.

ENTRY COST	CREDIT NEEDED	TIME HORIZON
20–25% down investor; 3.5% down FHA if owner-occupied	620+ conventional; 580+ FHA owner-occ.	Long-term

A duplex, triplex, or fourplex generates income from multiple units simultaneously. If you live in one unit (house hacking — see Model 3), you can purchase with FHA financing at as little as 3.5% down. If buying as a pure investment property, you need 20–25% down. The critical distinction: residential financing (and its favorable rates and terms) applies to 1–4 unit properties. Five units and above is commercial real estate with different financing, different rates, and different underwriting.

WHAT WORKS FOR YOU

- + Multiple income streams from one mortgage — one vacancy doesn't stop cash flow entirely
- + FHA eligibility if owner-occupied (one of the most powerful paths in this guide)
- + Easier to self-manage 2–4 units than larger multi-family
- + Appreciation plus rental income plus debt paydown in one asset

WHAT TO WATCH

- Higher purchase price than single family in most markets
- More maintenance, more tenants, more potential issues
- Finding below-market multi-family deals requires more effort than single family

WHAT NOBODY TELLS YOU

The 2–4 unit property — especially purchased with FHA while owner-occupied — is one of the most underutilized wealth-building tools in real estate. A 28-year-old who buys a fourplex, lives in one unit, and rents the other three can have their housing paid for by tenants while building equity in a \$400K+ asset for 3.5% down. That is a life-changing financial move at a price most people dismiss because they're looking for the glamorous version of real estate investing.

03 House Hacking

Live in one unit. Let tenants pay your mortgage. Build equity for free.

ENTRY COST	CREDIT NEEDED	TIME HORIZON
3.5% down FHA (\$7K–\$20K on most markets)	580+ FHA; 620+ conventional	Medium to long-term

House hacking means purchasing a multi-unit property (2–4 units), living in one, and renting the others. The rental income from your tenants covers your mortgage payment — sometimes entirely, sometimes partially. You build equity in an asset your tenants are paying for while living for free or near-free. FHA loans allow this at

3.5% down. VA loans allow it at 0% down. This is the single most accessible path to real estate wealth for someone with limited capital.

WHAT WORKS FOR YOU	WHAT TO WATCH
<ul style="list-style-type: none"> + Housing cost reduced or eliminated by tenant income + FHA or VA financing available — lowest down payment in real estate + Owner-occupied rates (lower than investment property rates) + Build equity and real estate experience simultaneously 	<ul style="list-style-type: none"> — You live on your property — tenant issues become personal — Must be your primary residence for at least 12 months with FHA/VA — Market limits — in very expensive cities the math may not work — Privacy and lifestyle considerations of shared property

WHAT NOBODY TELLS YOU

The people who are loudest about house hacking online are usually trying to sell you a course. But the strategy itself is legitimate and powerful. The only real requirement is the willingness to live next to or above your tenants for a period of time. Most people who have done it say the temporary lifestyle adjustment was the best financial decision of their life. One couple using FHA on a fourplex at 3.5% down in a Midwest city can be living rent-free within 90 days of closing.

04 BRRRR — Buy, Rehab, Rent, Refinance, Repeat

The wealth acceleration model. Recycle capital through distressed properties.

ENTRY COST	CREDIT NEEDED	TIME HORIZON
\$30K–\$100K+ (acquisition + rehab capital)	680+ for cash-out refi; hard money for acquisition	Medium-term cycle + long-term hold

BRRRR is a method, not a property type. You buy a distressed property below market value, renovate it to increase its value (the After-Repair Value, or ARV), rent it to establish income, then do a cash-out refinance based on the new appraised value. The refinance returns most or all of your original capital — which you then use to repeat the process. Done correctly, you can build a large rental portfolio with a relatively small amount of starting capital because you're recycling the same money through multiple deals.

WHAT WORKS FOR YOU

- + Recycles capital — one down payment can fund multiple properties over time
- + Forces appreciation through renovation rather than waiting for market appreciation
- + Strong rental income from day one after stabilization
- + Builds equity immediately through value-add work

WHAT TO WATCH

- Requires accurate ARV estimation — overpay for the deal or under-estimate rehab and the math breaks
- Construction management is a skill — bad contractors are a major risk
- Cash-out refinance requires 6–12 months seasoning on most conventional loans
- Market timing matters — rising rates reduce what you can pull out in the refi

UNDERSTAND THIS BEFORE YOU PROCEED

The cash-out refinance only works if the after-repair value (ARV) supports it. If you pay too much for the property or spend too much on the rehab, the refinance won't return your capital and you'll be stuck in a property with equity you can't access. Always get an independent ARV estimate before you buy — not from the wholesaler selling you the deal.

WHAT NOBODY TELLS YOU

BRRRR is real and it works — but the YouTube version makes it look frictionless. The rehab phase is where most beginners get hurt. Unexpected structural problems, contractors who don't perform, permit issues, and cost overruns can turn a \$30K rehab budget into \$55K and blow the deal's numbers entirely. Start with a property that needs cosmetic work (paint, flooring, fixtures) before you attempt structural or systems rehab on your first BRRRR.

05 Fix and Flip

Buy distressed. Renovate. Sell for profit. Short game.

ENTRY COST	CREDIT NEEDED	TIME HORIZON
\$50K–\$200K+ (purchase + rehab)	620+ for hard money; 680+ for conventional bridge	Short-term (3–9 months per deal)

Buy a property below market value, renovate it to increase its appeal and value, then sell it quickly for a profit. The profit is the spread between your all-in cost (purchase + renovation + holding costs + closing costs) and the sale price. This is an active business — not passive income. Successful flippers are running a construction and real estate operation, not just buying and selling houses.

WHAT WORKS FOR YOU

- + Potential for \$20K–\$80K+ profit per deal in the right markets
- + No long-term landlord responsibilities — you're in and out
- + Forces you to understand renovation, ARV, and market value deeply

WHAT TO WATCH

- High capital requirement — need purchase price plus full rehab budget upfront
- Profit is taxed as ordinary income (short-term capital gains) — not at the lower long-term rate
- Market risk: if the market shifts during your hold period, margins compress or disappear
- Hard money financing is expensive (see Section 4) and eats into profit margins

UNDERSTAND THIS BEFORE YOU PROCEED

Flipping is the highest-risk entry point in this guide. It requires simultaneous competence in deal analysis, construction management, financing, and market timing. Most new investors should not start here. Start with buy-and-hold to learn the market, then transition to flipping with a proven understanding of renovation costs in your specific area.

WHAT NOBODY TELLS YOU

Most people who say they want to flip houses have never managed a renovation. The profit on a flip is not made when you sell — it's made when you buy. If you don't buy at a deep enough discount to cover all costs and still net a real profit, the renovation and sale will not save you. Run the numbers before you make an offer, not after.

06 Wholesaling

Find undervalued deals. Assign the contract. Collect a fee. Never own the property.

ENTRY COST	CREDIT NEEDED	TIME HORIZON
\$500–\$5,000 (marketing, earnest money, legal)	No credit requirement	Short-term

Wholesaling is a real estate business, not a real estate investment. You find a motivated seller with a distressed property, negotiate a purchase contract at a price significantly below market value, then assign that contract to a cash buyer (usually an investor or flipper) for a fee — typically \$5,000–\$30,000. You never own the property. You never close on it. Your product is deal flow — finding opportunities and connecting them to capital.

WHAT WORKS FOR YOU

- + Lowest capital requirement of any active real estate strategy
- + No credit requirement — you're not borrowing money
- + Fast income — deals can close in 2–4 weeks
- + Develops deal analysis and market knowledge faster than any other method

WHAT TO WATCH

- Requires consistent marketing and lead generation — this is a sales business
- Income is inconsistent — feast or famine without a deal pipeline
- Assigning contracts is regulated and in some states requires a real estate license
- Requires building a cash buyer list to assign deals to

UNDERSTAND THIS BEFORE YOU PROCEED

In some states, assigning real estate contracts without a real estate license may violate state law. The legal landscape varies — Texas, Illinois, and others have specific regulations. Before you wholesale a single deal, consult a real estate attorney in your state to understand the license requirements and how to structure assignments legally.

WHAT NOBODY TELLS YOU

Wholesaling is marketed as the easiest way into real estate. It isn't easy — it's just low-capital. You're running a marketing operation. You need to generate leads (direct mail, driving for dollars, cold calling, online ads), negotiate with motivated sellers, analyze deals accurately, and have a buyer ready to assign to. The people who make serious money wholesaling treat it as a full-time business — not a side hustle they do when they feel like it.

07 Short-Term Rentals (Airbnb / VRBO)

Nightly rates instead of monthly leases. Higher income, higher operations.

ENTRY COST	CREDIT NEEDED	TIME HORIZON
20–25% down investment + furnishing (\$5K–\$20K)	680+ for best financing	Medium to long-term hold

Instead of leasing your property to a long-term tenant, you rent it by the night through platforms like Airbnb and VRBO. Revenue per night is significantly higher than long-term rental income in most markets — but so are the costs, the management demands, and the regulatory risk. Short-term rentals are banned or heavily restricted in many markets. In the right location with the right property and the right systems, they outperform long-term rentals by 2–4x on revenue.

WHAT WORKS FOR YOU

- + Revenue per night can be 2–4x what a monthly lease generates
- + Flexibility to use the property personally when not rented
- + Strong appreciation in tourist and destination markets

WHAT TO WATCH

- Platform dependency — Airbnb can suspend your listing or change its algorithm
- High operational demands — cleaning, restocking, guest communication, maintenance between stays
- Regulatory risk — cities are actively restricting short-term rentals
- Seasonality — revenue can be extremely uneven across the year

WHAT NOBODY TELLS YOU

The Airbnb arbitrage version of this (leasing a property from a landlord and re-renting it short-term) requires the landlord's explicit written permission. Most landlord leases prohibit subletting. Running Airbnb in a property without the owner's knowledge or permission puts you in breach of your lease — and in some jurisdictions it's also illegal. If you want to do STR arbitrage, be upfront with the landlord and get it in writing.

08 Real Estate Arbitrage

Lease from a landlord. Sublease at a premium. You never own the property.

ENTRY COST	CREDIT NEEDED	TIME HORIZON
\$3K–\$10K (first/last month, deposit, furnishing)	No ownership credit requirement	Month-to-month to 1-year cycle

You sign a long-term lease with a landlord, furnish the property, and then rent it short-term (Airbnb/VRBO) or to transitional housing clients at a higher rate. Your profit is the spread between what you pay the landlord and what you collect from guests or tenants. This model requires no mortgage and no ownership. It's a business layered on top of a lease.

WHAT WORKS FOR YOU

- + No mortgage, no down payment, no ownership risk
- + Can be tested with one unit before scaling
- + Works in markets where STR rates are strong relative to long-term rents

WHAT TO WATCH

- Landlord must explicitly permit subleasing in writing — most don't by default
- Platform bans, local STR ordinances, or HOA restrictions can shut the model down overnight
- You carry the full lease cost even during vacancy periods

UNDERSTAND THIS BEFORE YOU PROCEED

Do not attempt real estate arbitrage without written landlord permission to sublease and a thorough review of local STR permit requirements. Operating without permission is grounds for immediate lease termination. Operating without a permit in a regulated market can result in fines and forced closure of the operation.

WHAT NOBODY TELLS YOU

This model got extremely hyped on social media in 2020–2023. The platforms have gotten smarter about detecting arbitrage operators and banning listings. Local governments have gotten stricter about STR permits. The model still works — but it requires more due diligence, better landlord relationships, and proper licensing than the Instagram version suggests.

09 Subject-To

Take over existing mortgage payments. Property stays in seller's name on the loan.

ENTRY COST	CREDIT NEEDED	TIME HORIZON
\$5K–\$20K (closing costs, seller payments, repairs)	No credit check for the buyer — the existing loan stays	Medium to long-term

In a Subject-To deal, you acquire a property and take over the seller's existing mortgage payments — but the loan remains in the seller's name. The deed transfers to you. You make the payments on the seller's loan as if it were yours. This is used when a seller needs out of a property quickly — often to avoid foreclosure — and is willing to transfer the deed without waiting for a traditional closing. In a high-interest-rate environment, Subject-To deals let you acquire properties at the seller's lower interest rate (sometimes 2.5–4%) without qualifying for a new loan.

WHAT WORKS FOR YOU

- + Acquire properties without qualifying for new financing
- + Keep the seller's below-market interest rate — massive in today's environment
- + Can help sellers avoid foreclosure and protect their credit
- + Low out-of-pocket cost compared to traditional purchase

WHAT TO WATCH

- The due-on-sale clause — mortgage contracts include a provision allowing lenders to call the full loan balance due if the property transfers ownership
- Seller's credit is affected if you miss a payment
- Legal complexity varies by state — must be done correctly
- Seller retains liability on the loan until it's paid off or refinanced

UNDERSTAND THIS BEFORE YOU PROCEED

Subject-To transactions must be handled with full transparency to the seller. The seller must understand that the loan remains in their name, that their credit is affected if payments are missed, and that they cannot easily get a new mortgage while this loan is open. Misrepresenting these facts to a distressed seller is fraudulent and illegal. Always use a real estate attorney and full disclosure documents.

WHAT NOBODY TELLS YOU

Subject-To is legal and used by experienced investors regularly. But it carries a risk most people gloss over: the due-on-sale clause. When you take title to a property Subject-To an existing loan, the lender technically has the right to demand full payment of the balance immediately. In practice, lenders rarely invoke this clause if payments are current — they have no financial incentive to call a performing loan. But the risk is real and must be factored into your strategy. Work with a real estate attorney experienced in creative financing.

10 Mortgage Assumption

Formally take over the seller's existing loan with lender approval. Massive opportunity right now.

ENTRY COST	CREDIT NEEDED	TIME HORIZON
Down payment = sale price minus assumed loan balance + assumption fees (~\$1K)	620+ in most cases	Long-term

When you assume a mortgage, the lender formally transfers the loan from the seller to you. You take over the payments, the rate, and the terms. The seller is released from the obligation. This is different from Subject-To because the lender approves the transfer. CRITICAL in 2024–2026: FHA, VA, and USDA loans are assumable. Conventional loans are not. Sellers who bought in 2020–2022 may have 2.5–4% FHA or VA mortgages. Assuming one of those loans while new mortgages are at 6–7%+ is one of the best deals available in real estate right now.

WHAT WORKS FOR YOU

- + Keep the seller's below-market interest rate — this is enormous in a high-rate environment
- + Formally approved by lender — no due-on-sale risk unlike Subject-To
- + Seller is fully released from the mortgage obligation
- + FHA and VA loans are freely assumable by qualified buyers

WHAT TO WATCH

- Only works on FHA, VA, and USDA loans — not conventional (which is most mortgages)
- Process takes 45–90+ days through the lender
- You must qualify with the lender — credit and income verification required
- If the home has appreciated significantly, the gap between sale price and loan balance requires cash

WHAT NOBODY TELLS YOU

Assumable mortgages at 2.5–3.5% in a 6.5% market are one of the most underutilized tools available to buyers right now. Most real estate agents don't specialize in them. Most buyers don't know they exist. That gap is your opportunity. Search for FHA and VA listings where the loan origination date was 2020–2022 and approach the seller about assumption before listing with an agent.

11

Seller Financing / Owner Financing

The seller acts as the bank. You pay them directly. No traditional lender involved.

ENTRY COST	CREDIT NEEDED	TIME HORIZON
Negotiable — often 5–15% down	No lender credit check — seller decides terms	Negotiated (often 3–10 year balloon)

The seller agrees to finance the purchase directly. You make monthly payments to them instead of a bank. The terms — interest rate, amortization, balloon payment date — are negotiated between you and the seller. This works best with sellers who own properties free and clear (no existing mortgage) or with significant equity, and who don't need all their cash immediately. Many seller-financed deals include a balloon payment (full payoff required) at 3, 5, or 7 years — requiring you to refinance before that date.

WHAT WORKS FOR YOU	WHAT TO WATCH
<ul style="list-style-type: none"> + No bank underwriting — approval based on seller's comfort, not a credit algorithm + Flexible terms — rate, down payment, and amortization are negotiable + Can close faster than conventional financing — no bank appraisal required + Works for buyers who don't qualify for traditional lending 	<ul style="list-style-type: none"> — Most sellers want to be paid — fewer motivated sellers than wholesalers claim — Balloon payment risk — must be able to refinance when the balloon comes due — Seller retains a lien on the property until the loan is paid — Interest rates are negotiated — seller may charge more than a bank

WHAT NOBODY TELLS YOU

Seller financing is most common in three situations: the seller owns free and clear and wants income instead of a lump sum, the property doesn't qualify for conventional financing (unusual condition or mixed-use), or the buyer can't qualify for traditional financing. If you're approaching sellers about owner financing, lead with what's in it for them — monthly income, interest earnings, capital gains spread over time — not with what's convenient for you.

12

Lease Options / Rent-to-Own

Control a property without owning it. Lock in today's price for a future purchase.

ENTRY COST	CREDIT NEEDED	TIME HORIZON
\$3K–\$15K (option fee — often applied to purchase)	No immediate credit requirement	1–3 year option period

A lease option gives you the right — but not the obligation — to purchase a property at a pre-agreed price within a specified time period. You pay an option fee upfront (which may or may not apply to the purchase price) and make monthly payments, often slightly above market rent. During the option period, you work on improving

your credit, saving for a down payment, or waiting for your financial situation to change. At the end of the option period, you either exercise your right to buy or walk away.

WHAT WORKS FOR YOU

- + Lock in today's purchase price in an appreciating market
- + Time to improve credit before purchasing
- + Option fee is typically lower than a full down payment
- + If you decide not to buy, you're not locked into a mortgage

WHAT TO WATCH

- Option fee is non-refundable if you don't purchase
- Monthly payments are usually above market rent
- Seller can default on their mortgage during your option period — get title insurance
- Terms must be clearly documented — a bad lease option agreement is worse than none

WHAT NOBODY TELLS YOU

Lease options are frequently misrepresented in two directions. As a buyer: some sellers structure them with terms designed to cause failure (very short option periods, non-refundable option fees with unrealistic credit requirements). As a seller/investor: using lease options to sell properties to buyers who statistically won't qualify creates ethical and legal risk. Used honestly, with both sides understanding the terms, lease options are a legitimate tool for buyers who need time to reach qualification for traditional financing.

13 REITs (Real Estate Investment Trusts)

Own a share of real estate like a stock. Truly passive. No landlord responsibilities.

ENTRY COST	CREDIT NEEDED	TIME HORIZON
As little as \$1 (many platforms)	No real estate credit requirement	Long-term investment

A REIT is a company that owns income-producing real estate — apartment complexes, office buildings, shopping centers, data centers, warehouses — and sells shares to investors. You buy shares through a brokerage account or investment platform. REITs are required by law to distribute at least 90% of taxable income to shareholders as dividends. This is the most passive and most liquid form of real estate investment — you can sell your REIT shares in seconds, unlike a physical property.

WHAT WORKS FOR YOU

- + No management, no tenants, no maintenance, no capital calls
- + Fully liquid — sell shares any time the market is open
- + Dividend income distributed regularly
- + Accessible at any income and capital level

WHAT TO WATCH

- No control over the underlying assets
- Returns are tied to stock market sentiment as well as real estate fundamentals
- Dividend income is taxed as ordinary income — not at favorable capital gains rates
- No leverage benefit — you don't control the asset with a mortgage

WHAT NOBODY TELLS YOU

REITs are excellent — but they're not real estate investing in the traditional sense. You're buying a financial instrument, not a property. The four engines of real estate wealth (appreciation, cash flow, debt paydown, tax advantages) don't apply the same way to REITs as they do to direct ownership. REITs belong in a diversified portfolio as the passive, liquid real estate component — not as the primary wealth-building strategy for someone who wants to build serious wealth.

14 Real Estate Syndications

Pool capital with other investors. Passive role in large deals.

ENTRY COST	CREDIT NEEDED	TIME HORIZON
\$25K–\$100K minimum investment (most deals)	Accredited investor status often required (\$200K income or \$1M+ net worth)	5–10 year hold typical

A syndication is when a general partner (GP) — an experienced investor or operator — assembles a group of passive investors (limited partners, or LPs) to collectively purchase a large asset that no individual investor could acquire alone. Think 100-unit apartment complex, commercial strip center, self-storage facility. The GP manages the deal; LPs contribute capital and receive a share of profits. Syndications often offer 6–10% preferred returns plus a share of the upside on sale.

WHAT WORKS FOR YOU

- + Access to large institutional-quality assets without operating them
- + Passive income and potential appreciation
- + Experienced operators managing the asset on your behalf
- + Portfolio diversification into asset types requiring operational expertise you don't have

WHAT TO WATCH

- Most deals require accredited investor status (income \$200K+ or net worth \$1M+)
- Capital is illiquid — typically locked up 5–10 years
- You are dependent on the GP's competence and integrity
- Fees reduce returns: acquisition fees, asset management fees, disposition fees all apply

WHAT NOBODY TELLS YOU

Syndications are not a path into real estate — they're a path for capital that's already been built elsewhere. Most opportunities require accredited investor status. The ones that don't (Regulation CF crowd funded deals) have lower minimums but also lower-quality deal flow. If you're at the syndication stage, you've already built wealth — now you're deploying it passively into large assets.

15 Real Estate Crowdfunding

Fractional ownership starting at \$10. Passive. Low control.

ENTRY COST	CREDIT NEEDED	TIME HORIZON
\$10–\$1,000 depending on platform	No real estate credit requirement	3–7 year typical hold

Platforms like Fundrise, RealtyMogul, Arrived, and Groundfloor allow you to invest in real estate deals with very small amounts — sometimes as little as \$10. You own a fractional share of the deal or a real estate fund. Returns come through dividends and appreciation on exit. This is the entry ramp for people who want real estate exposure but aren't yet positioned for direct property ownership.

WHAT WORKS FOR YOU

- + Truly accessible — low minimum investments
- + Diversification across multiple properties with small capital
- + Passive — no management responsibilities

WHAT TO WATCH

- Limited control or transparency on specific assets
- Returns historically lower than direct property ownership
- Liquidity varies by platform — some have lock-up periods
- Platform risk — if the platform fails, your investment is at risk

WHAT NOBODY TELLS YOU

Crowdfunding is a starting point, not a destination. Use it to put money to work while you build the capital and credit to pursue direct ownership. The returns are real but modest compared to what direct investment with leverage produces. A \$5,000 investment on Fundrise at 8% annual return produces \$400/year. A \$5,000 down payment (with FHA on a \$142K property with house hacking) can produce \$10,000+ per year in combined returns from all four engines.

16 Transitional & Specialty Housing

Real estate as a business. Serve specific populations. Generate income from operations.

ENTRY COST	CREDIT NEEDED	TIME HORIZON
\$5K–\$50K+ (lease or purchase depending on model)	660+ for financing; lease model requires less	Ongoing business

Specialty housing uses real property to serve specific populations — sober living homes, reentry housing for people returning from incarceration, non-medical residential care, group homes, veterans housing, transitional homes for domestic violence survivors. This is simultaneously a real estate strategy and a business model. Revenue comes from individual residents, social service agencies, government contracts, and/or insurance reimbursement. The property is the vehicle. The business is the operation.

WHAT WORKS FOR YOU

- + Strong demand driven by unmet social needs in virtually every market
- + Government and agency contracts can provide stable, recurring revenue
- + Can be operated in leased property — no ownership required to start
- + Mission-driven business creates community impact alongside income

WHAT TO WATCH

- Licensing and zoning requirements vary significantly by state, city, and property type
- Insurance requirements are specific and can be expensive
- Government reimbursement models have payment delays (30–90 days) requiring cash reserves
- Neighbor and community opposition (NIMBYism) is a real operational challenge

UNDERSTAND THIS BEFORE YOU PROCEED

Medicaid and government insurance reimbursement models require patience. Payment timelines from state agencies can run 30–90 days. Reimbursement rates are set by state budgets and can change at any legislative cycle. If your financial model depends entirely on government reimbursement, you must have cash reserves to cover 90+ days of operations. This model can be excellent — but it requires honest operating capital planning.

WHAT NOBODY TELLS YOU

This is one of the most underserved and underbuilt housing categories in the country. The demand for transitional housing — sober living, reentry, supportive housing — far exceeds the supply in virtually every market. The operators who do this well are not primarily real estate investors — they're business operators who use real estate as their infrastructure. The licensing, zoning, and operational requirements vary enormously by state and property type. Research your state's specific licensing framework before you commit to this path.

17 Land Investing

Raw land. Lower competition. Lower carrying costs. Long game.

ENTRY COST	CREDIT NEEDED	TIME HORIZON
\$1,000–\$30,000 (land sells cheap when acquired correctly)	No financing required for small parcels	2–7 years typical hold

Raw land investing means buying undeveloped land — rural parcels, infill lots, suburban land in the path of development — at below-market prices, then selling to developers, builders, or end users who want it for a specific use. No tenants, no buildings to maintain, very low property taxes in most cases. The challenge: land doesn't generate income while you hold it. The opportunity: sellers of raw land are often highly motivated (inherited, tax-delinquent, forgotten parcels) and the buyer pool is much thinner than for improved property.

WHAT WORKS FOR YOU

- + Lower competition than residential real estate
- + Low carrying costs — no buildings to maintain
- + Significant discount opportunities from motivated sellers
- + No landlord responsibilities

WHAT TO WATCH

- No cash flow while holding — pure appreciation play
- Illiquid — land can take longer to sell than improved property
- Financing is harder and more expensive than residential real estate
- Zoning, wetlands, access, and utilities determine value — due diligence is critical

WHAT NOBODY TELLS YOU

Land investing rewards knowledge more than capital. The person who understands what makes a parcel valuable — access, utilities, zoning, topography, proximity to development — can acquire land for \$5,000 that sells for \$25,000 eighteen months later. The person who buys without that knowledge may sit on a parcel for a decade waiting for a buyer. Learn the market before you buy.

18 Note / Mortgage Investing

Buy the debt, not the property. You become the bank.

ENTRY COST	CREDIT NEEDED	TIME HORIZON
\$5K–\$100K+ per note	Not credit-scored — you're the lender	Varies by note

When a homeowner takes out a mortgage, the bank holds a 'note' — the legal document evidencing the debt. Banks and institutions sometimes sell these notes, especially when borrowers are delinquent (non-performing notes) or when the institution needs liquidity. You buy the note at a discount and either work out a new payment arrangement with the borrower (performing the note), modify the loan, or pursue foreclosure to acquire the

property. This is an advanced strategy that requires deep understanding of mortgage law, foreclosure process, and borrower communication.

WHAT WORKS FOR YOU

- + No property management — you manage paper, not buildings
- + Non-performing notes can be purchased at 30–60 cents on the dollar
- + Multiple exit strategies: re-perform, modify, sell, or foreclose
- + Good returns on both performing and non-performing note portfolios

WHAT TO WATCH

- Requires understanding of mortgage law, foreclosure process, and servicing regulations
- Non-performing notes involve distressed borrowers — requires ethical, careful handling
- Due diligence is complex — title issues, lien priority, property condition all matter
- Higher risk than direct property ownership for beginners

WHAT NOBODY TELLS YOU

Note investing is where real estate meets banking. The returns can be exceptional — buying a \$100,000 note for \$50,000 and re-performing it at the original terms means you're earning the interest on the full \$100,000 on a \$50,000 investment. But the path to get there requires legal knowledge, patience, and the ability to work constructively with borrowers in financial distress. This is not a beginner strategy. Build your real estate foundation first.

SECTION 3 — FINANCING: WHAT EACH METHOD ACTUALLY REQUIRES

Financing is where most real estate dreams die — not because the money isn't available, but because people walk into conversations without knowing what lenders actually look at. Every financing vehicle below has real requirements. This is what they are.

Conventional Mortgage

The standard bank loan. Not government-backed.

Minimum credit score	620 (680+ for best rates; 740+ for best terms)
Down payment	3–5% for primary residence; 15–25% for investment property
Debt-to-income ratio (DTI)	Maximum 43–45% (your total monthly debt payments as % of gross income)
Income documentation	2 years W-2 or tax returns; self-employed requires 2 years Schedule C
Time in business (self-employed)	2 years minimum to use business income
Loan limits (2026)	Up to \$766,550 in most markets; higher in high-cost areas
Investment property note	Rates are 0.5–1% higher than primary residence; 15–25% down required

WHAT NOBODY TELLS YOU

Conventional loans for investment properties require 15–25% down and carry higher interest rates. Many new investors are surprised by this. The 3–5% down options only apply to primary residences. If you're buying a rental and not living there, plan on 20–25% down minimum.

FHA Loan (Federal Housing Administration)

Government-backed. Lower down payment. Primary residence only.

Minimum credit score	580 for 3.5% down; 500–579 for 10% down
Down payment	3.5% (580+) or 10% (500–579)
Property requirement	Must be your primary residence — you must live there
Mortgage Insurance Premium (MIP)	1.75% upfront + 0.55–1.05% annual — for the LIFE of the loan if down payment under 10%
Multi-family	FHA covers 2–4 unit properties if you live in one (house hacking eligible)
Loan limits (2026)	Varies by county — check FHA limits for your specific market

WHAT NOBODY TELLS YOU

The mortgage insurance on FHA loans is the hidden cost most people miss. On a \$250,000 FHA loan, you'll pay \$4,375 upfront in MIP plus approximately \$1,375/year (0.55%) ongoing. That ongoing cost lasts for the life of the loan unless you put 10%+ down, in which case it drops after 11 years. For many buyers, refinancing to a conventional loan once you have 20% equity makes financial sense.

VA Loan (Department of Veterans Affairs)

0% down for qualifying veterans, active duty, and eligible surviving spouses.

Eligibility	Veterans, active duty service members, National Guard/Reserve members, surviving spouses — must obtain a Certificate of Eligibility (COE)
Down payment	0% (no down payment required in most cases)
Credit score	No VA minimum, but most lenders require 620+
Funding fee	1.25–3.3% of loan amount (waived for veterans with service-related disability)
No PMI	No private mortgage insurance regardless of down payment
Multi-family	VA covers 2–4 unit properties if the veteran lives in one — the most powerful house hacking tool available

WHAT NOBODY TELLS YOU

VA loans are one of the most valuable benefits available to veterans and are massively underutilized. A qualifying veteran can buy a fourplex with 0% down, live in one unit, rent the other three, and have tenants covering the mortgage payment. The VA entitlement can be restored after payoff and used again — meaning a veteran can use VA financing multiple times over their lifetime.

DSCR Loan (Debt Service Coverage Ratio)

Loan based on the property's income — not your personal income. No W-2 required.

What DSCR means	DSCR = Monthly Rental Income ÷ Monthly Debt Payment. A DSCR of 1.0 means the property exactly covers the loan. Most lenders want 1.2+
Personal income	Not required — this loan qualifies based on the property's ability to pay itself
Credit score	680+ typically required
Down payment	20–25% typical
Property type	Investment properties only — not primary residences
Who it's for	Self-employed borrowers, investors with complex income, anyone who doesn't fit the traditional W-2 lending box

WHAT NOBODY TELLS YOU

DSCR loans are one of the most important products in real estate investing in 2024–2026. They are designed specifically for investors who have rental properties with strong income but don't qualify for conventional loans due to complex tax returns, self-employment, or multiple properties. The lender cares about the property's numbers — not yours.

Portfolio Loan

Held in-house by the lender. More flexible underwriting. Local banks and credit unions.

Where to find them	Local community banks and credit unions — not national lenders
Qualification	More relationship-based; lender has flexibility that national banks don't
Credit score	Flexible — varies by lender
Down payment	10–25% depending on lender
Use case	Non-conforming properties, investors with 5+ properties, unusual income situations

WHAT NOBODY TELLS YOU

Portfolio lenders keep the loan on their own books instead of selling it to Fannie Mae or Freddie Mac. Because they're not selling the loan, they're not bound by the same strict guidelines. This is where deals that don't fit the conventional box can get done. Build a relationship with a local community bank or credit union before you need a portfolio loan.

SECTION 4 — HARD MONEY LOANS: THE REAL VERSION

'Just get a hard money loan' is one of the most casually given pieces of bad advice in real estate. Not because hard money is bad — it isn't. But because people say it as if it's free, easy, and risk-free. It is none of those things. Here is what hard money actually is.

WHAT HARD MONEY ACTUALLY IS

Hard money is a short-term loan from a private lender (not a bank) secured by real estate. The 'hard' refers to the hard asset (the property) used as collateral — not to how hard it is to get. Hard money lenders are private individuals, investor groups, or specialty lending companies that make decisions based primarily on the value of the property and the deal — not on your personal credit score or income. They move fast. They charge accordingly.

WHAT HARD MONEY ACTUALLY COSTS

Interest Rate	9%–15% annually (not APR — interest charged on the outstanding balance)
Origination Points	2–5 points (1 point = 1% of the loan amount, paid at closing)
Loan Term	6–18 months typical (this is short-term bridge financing, not a 30-year mortgage)
Loan-to-Value (LTV)	60–75% of ARV (After-Repair Value) — lender will loan 60–75% of what the property will be worth fixed up
Draw Process	Rehab funds are held in escrow and released in draws as work is completed — you don't get the full rehab budget at closing
Extension Fees	If you can't pay off in time, extensions cost 1–2 additional points

The real math on a hard money deal. Read this before you borrow.

You find a house that needs \$40,000 in repairs. ARV (after-repair value) is \$200,000. Purchase price: \$100,000. Hard money lender will loan 70% of ARV = \$140,000. At closing you receive: \$100,000 (purchase) + \$40,000 (rehab draw reserve) = \$140,000 loan Points (3%): \$4,200 paid at closing Interest at 12% on \$140,000 for 6 months: \$8,400 Closing costs on purchase and sale: ~\$8,000 Total cost of financing: \$4,200 + \$8,400 + \$8,000 = \$20,600 If you sell for \$200,000: \$200,000 – \$140,000 (payoff) – \$20,600 (costs) – \$40,000 (rehab if at budget) = \$0 profit. Every dollar of slippage in your rehab cost or sale price comes out of your pocket. This is why hard money only works when you buy the deal right — meaning at a large enough discount that all costs still produce a meaningful profit.

WHAT HARD MONEY LENDERS ACTUALLY LOOK AT

- The deal first: the ARV, your purchase price, the scope of rehab, and your exit strategy
- Your experience: first-time borrowers get worse terms or get declined; repeat borrowers get better rates

- The exit: how will you pay this loan off? Sell the property or refinance into a long-term loan?
- Your skin in the game: hard money lenders want you to have money in the deal — if you're overleveraged, they won't lend
- Credit: less important than for conventional loans, but significant derogatory history can still be a barrier

HOW GOOD CREDIT CHANGES YOUR HARD MONEY TERMS

Hard money lenders are not indifferent to your credit profile. A borrower with a 720 credit score, documented real estate experience, and established relationships with lenders will get 10–11% instead of 13–15%. They'll get 2 points instead of 4. They may get 75% LTV instead of 65%. On a \$150,000 loan over 9 months, the difference between 10% and 14% is \$4,500 — not including the point differential. Your credit infrastructure isn't separate from your real estate strategy. It directly affects what it costs you to borrow for every deal.

WHEN HARD MONEY MAKES SENSE VS. WHEN IT DOESN'T

Hard money makes sense when: You have a time-sensitive deal that can't wait for conventional financing approval (30–45 days vs. 7–10 days for hard money), the deal's numbers work after accounting for all hard money costs, you have a clear exit strategy (sale or refinance) before the loan matures, and you have experience to manage the rehab correctly.

Hard money does NOT make sense when: The deal's numbers only work if everything goes perfectly, you're using it because you can't qualify for conventional financing (the problem is usually the deal or your profile, not a financing gap), you have no clear exit strategy, or you don't have reserves to cover cost overruns.

WHAT NOBODY TELLS YOU

Hard money is not a hack for people who don't have money. It's a tool for people who have identified a deal with strong numbers and need to move faster than a bank will allow. The cost of hard money has to be absorbed by the deal's margins. If the deal doesn't have margins wide enough to cover 12–15% interest plus 3–4 points plus all other costs, the deal isn't a deal — it's a liability wearing a deal's clothes.

SECTION 5 — THE LESS KNOWN STRATEGIES

These strategies don't make it into most beginner real estate content. Some require specific market knowledge. Some require legal expertise. All of them represent real opportunities for people who understand them.

Foreclosure Intervention

When a homeowner faces foreclosure, their primary goal often isn't to save the house — it's to save their credit and avoid the public record of a foreclosure. Foreclosure intervention means approaching distressed homeowners before the foreclosure is finalized and offering solutions: a short sale (selling the home for less than owed with lender approval), a deed-in-lieu (homeowner deeds property to the lender to avoid foreclosure), or a Subject-To acquisition (investor takes over payments to prevent foreclosure). The homeowner gets to walk away with credit protection. The investor gets a property, often below market value.

WHAT TO KNOW

- Homeowner preserves credit relative to a completed foreclosure
- Investor acquires a motivated-seller property at favorable terms
- Subject-To allows acquisition of the existing below-market rate mortgage
- Solves a real problem for a real person — not an exploitative transaction if done ethically

UNDERSTAND THIS BEFORE YOU PROCEED

Full written disclosure to the homeowner is non-negotiable. They must understand every term of the agreement, what they're giving up, and what protections they have. Every state has specific foreclosure rescue laws. Some states have mandatory waiting periods, rights of rescission, and restrictions on how much profit an investor can make. Consult a real estate attorney in your state before approaching any distressed homeowner.

Mortgage Assumption Strategy (In a High-Rate Environment)

In 2024–2026, when new mortgage rates are at 6.5–7.5%, sellers who bought in 2020–2022 may have FHA or VA mortgages at 2.5–4%. Assuming one of these loans means you take over their mortgage at that rate — while new buyers on the same property pay today's rate. On a \$300,000 loan: at 3% your payment is ~\$1,265/month. At 7% your payment is ~\$1,996/month. That's \$731/month savings — or \$263,160 over 30 years. This is one of the most powerful tools available to buyers right now and is almost completely absent from mainstream real estate conversation.

WHAT TO KNOW

- Significant monthly payment savings (hundreds per month)
- Full lender approval — no due-on-sale risk like Subject-To

- Seller is fully released from the loan
- Only FHA, VA, and USDA loans are assumable — conventional loans are NOT

UNDERSTAND THIS BEFORE YOU PROCEED

The limitation: you must cover the gap between the assumed loan balance and the purchase price in cash. If a seller has a \$200,000 loan balance but the home is worth \$350,000, you need \$150,000 in cash at closing — unless you negotiate a second lien with the seller for part of the gap. Work with a lender experienced in assumptions — not all lenders process them and the ones that do may take 60–90 days.

Tax Lien and Tax Deed Investing

When a property owner stops paying property taxes, the government places a tax lien on the property. States then sell either the lien itself (tax lien state) or the deed to the property (tax deed state). In tax lien states: you buy the lien, the homeowner pays it off with interest to you, or you eventually foreclose on the property. In tax deed states: you bid at auction and may win the deed to the property outright, often at significant discounts to market value.

WHAT TO KNOW

- Potential to acquire properties significantly below market value
- Tax liens earn guaranteed interest (8–36% depending on state) if the owner redeems
- Government-created process — reliable documentation and legal framework
- Low competition compared to MLS deals in many counties

UNDERSTAND THIS BEFORE YOU PROCEED

Tax lien investing requires state-specific knowledge — every state handles this differently. Due diligence is critical: a property may have environmental issues, code violations, other liens (IRS liens survive tax deed sales in some states), or be in a condition that makes it unsellable. Never bid at a tax sale without researching the property first.

Mobile Home Parks and Manufactured Housing

Mobile home parks (also called manufactured housing communities) are one of the most overlooked and undervalued asset classes in real estate. The model: you own the land and infrastructure (roads, utilities, common areas). Residents own (or rent) their homes and pay you lot rent — typically \$300–\$600/month. Operating expenses are extremely low because residents maintain their own homes. Cash flow margins can exceed 40–50% of revenue.

WHAT TO KNOW

- Lowest operating cost per unit of any residential real estate class

- Residents rarely move — moving a manufactured home costs \$5,000–\$15,000 (high churn cost = low churn)
- Very little institutional competition at smaller park sizes (under 50 lots)
- Strong cash flow relative to purchase price in many markets

UNDERSTAND THIS BEFORE YOU PROCEED

Financing for mobile home parks is different from residential — commercial lenders, CMBS loans, and specialty lenders dominate. Additionally, there is an important ethical dimension: manufactured housing serves working-class families and seniors on fixed incomes. Operators who dramatically raise lot rents force displacement of residents who cannot easily move. This is a real business with real community impact — operate it with that awareness.

Note Buying — Buying the Debt

When a homeowner stops paying their mortgage, the lender holds a non-performing loan (NPL). Lenders and institutions sometimes sell these at deep discounts — 50–70 cents on the dollar — to get them off their books. You buy the note, then work with the borrower to either re-perform the loan (create a new payment plan), sell the note to another investor, or foreclose and acquire the property. You never have to manage a property if the loan re-performs — you become the bank and collect payments.

WHAT TO KNOW

- Buy at a discount — immediately creates equity
- Multiple exit strategies: reperform, sell, modify, or foreclose
- No property management if the loan re-performs
- Can generate strong returns without ever touching a physical asset

UNDERSTAND THIS BEFORE YOU PROCEED

Note investing requires understanding of mortgage law, servicing regulations, foreclosure timelines, and borrower communication — which varies enormously by state. Non-performing note buying is not passive — it requires active borrower engagement. Resources: PaperSource, Note School, and IMN (Information Management Network) conferences are established education sources in the note investing space.

SECTION 6 — THE REAL MATH

The most common mistake in real estate is running the math wrong — or not running it at all. Every number below is honest. None of them are from a YouTube video trying to make the deal look sexy.

THE REAL CASH FLOW CALCULATION

How to actually calculate what a rental property produces.

Start with Gross Rent: \$1,800/month = \$21,600/year Subtract Vacancy (5–10% — units are not always full): -\$1,080 (5%) Subtract Property Management (8–10% if you hire a PM — do not assume you'll self-manage forever): -\$1,728 (8%) Subtract Repairs and Maintenance (1% of property value annually — budget \$2,000–\$3,000/year on a \$200K home): -\$2,000 Subtract Capital Expenditures (CapEx — roof, HVAC, water heater, appliances amortized): -\$2,400 Subtract Insurance: -\$1,200 Subtract Property Taxes: -\$3,000 = Net Operating Income (NOI): \$10,192 Subtract Annual Mortgage Payment (at 7% on \$160K loan — 20% down on \$200K): -\$12,780 = Annual Cash Flow: -\$2,588 (NEGATIVE) This deal loses money at current interest rates with a 20% down payment at market rent. This is why the market you buy in and the price you pay matter more than anything else. Run this math before you make an offer — not after.

THE 50% RULE — A QUICK ESTIMATOR

A widely used approximation: 50% of your gross rent will go to expenses (not including the mortgage). If a property rents for \$2,000/month, budget \$1,000/month for all expenses before the mortgage. The remaining \$1,000 is what you have to service the debt. If your mortgage payment is under \$1,000, you have positive cash flow. If it's over \$1,000, you're paying out of pocket. This is a quick filter — not a substitute for real underwriting.

KEY METRICS EVERY INVESTOR NEEDS TO KNOW

6–8% is a reasonable range in most markets. Lower cap rates = comparing properties.

% cap rate

you put in. Accounts for financing. 8–12% is considered strong in

ed = 9% cash-on-cash

income covers the loan. DSCR of 1.25 = property earns \$1.25 for

s = 1.2 DSCR

What the property

based on recent comparable sales within 1 mile — not what you

gent before you buy

er deal relative to rent. Rule of thumb: under 10 is generally

THE RESERVE REQUIREMENT

Every rental property should have a cash reserve — money set aside for unexpected expenses. The standard recommendation: 3–6 months of total expenses (mortgage + taxes + insurance + management) held in a dedicated savings account per property. On a \$200,000 property with \$2,000/month in total expenses, that's \$6,000–\$12,000 sitting untouched for emergencies.

WHAT NOBODY TELLS YOU

The deals that look good on a spreadsheet and fall apart in real life almost always have one thing in common: the investor ran the income numbers but skipped the expense numbers. Vacancy, capital expenditures, and property management are not optional line items. They are real, predictable costs that every property will incur. A deal that only works if nothing unexpected happens is not a deal — it's a prayer with a mortgage attached.

SECTION 7 — HOW YOUR CREDIT INFRASTRUCTURE CONNECTS

Real estate and your credit profile are not separate conversations. Every financing vehicle in Section 3 is directly affected by the credit infrastructure you build — or fail to build. This is the bridge between the Money Infrastructure Guide and this one.

YOUR CREDIT POSITION	WHAT IT UNLOCKS IN REAL ESTATE	WHAT'S STILL OUT OF REACH
Personal 580–619	FHA at 10% down; select hard money; seller financing	Conventional loans; best hard money terms; most business credit products
Personal 620–659	FHA at 3.5% down; conventional (higher rates); some hard money	Best conventional rates; DSCR loans (most want 680+)
Personal 660–699	Conventional loans; DSCR loans start opening up; VA (if eligible)	Top-tier rate offers; portfolio lender relationships
Personal 700–739	Conventional at competitive rates; DSCR; portfolio lenders interested	Best possible rates (740+ gets you there)
Personal 740+	Best available rates on all products; personal guarantee requirements often reduced	Very little — this is the position to operate from
Strong Business Credit (PAYDEX 80+, multiple tradelines)	Portfolio lender interest; easier DSCR qualification; better hard money terms; commercial financing access	Cannot fully replace personal credit for most residential loans

The compound effect of credit on real estate over time.

Person A buys their first rental at a 620 score: 7.25% interest rate on \$200,000 = \$1,364/month Person B buys the same property at a 740 score: 6.50% interest rate = \$1,264/month Difference: \$100/month = \$1,200/year = \$36,000 over 30 years — on one property. Now multiply across a portfolio of five properties: \$180,000 in interest savings over 30 years simply from the credit score difference. This is not a hypothetical. This is compound math applied to a real scenario. Every basis point of credit improvement has a dollar value in real estate.

USING BUSINESS CREDIT IN REAL ESTATE

Once you have an established business credit profile and a real estate LLC, portfolio lenders and commercial lenders can begin evaluating your business credit alongside your personal credit. For investment properties held in an LLC, some portfolio lenders will lend to the entity rather than to you personally — reducing the impact on your personal credit utilization and debt-to-income ratio. This becomes significant when you're scaling

beyond 5–10 properties, where conforming loan limits restrict how many mortgages an individual can carry.

WHAT NOBODY TELLS YOU

Most people try to start in real estate and then figure out credit. The investors who build the largest portfolios fastest do it the other way: they build the credit infrastructure first, then deploy into real estate from a position of strength. Six months of credit building before your first purchase can change your rate, your down payment requirement, and your access to financing for every deal you do for the next 30 years.

SECTION 8 — WHERE TO START BASED ON WHERE YOU ARE

There is no single right entry point into real estate. The right starting point is the one that matches your actual resources — not the one you wish you had. Be honest about where you are and start from there. Not from where you want to be.

\$0 IN CAPITAL BUT GOOD CREDIT (680+)

You have financial positioning but limited liquid capital.

Wholesaling	Build deal-finding skills and generate cash without needing to buy. Your first 3–5 wholesale fees can fund a real estate down payment.
Partnerships	Find a capital partner who needs your hustle and market knowledge. You find and manage deals; they provide the capital. Split profits 50/50 or negotiate based on contribution.
House hacking with FHA	If you can save \$7K–\$15K for a down payment, FHA on a small multi-family with house hacking lets you enter real estate with minimal capital while someone else covers your mortgage.

\$10K–\$50K LIQUID CAPITAL

You have a real starting position. The question is which model maximizes it.

FHA with house hacking (duplex/triplex/fourplex)	The highest-leverage use of \$15K–\$25K. Live in one unit, rent the others. Tenants cover your mortgage. Build equity. In 12 months, move out and repeat.
Wholesale while saving	Use wholesaling income to stack capital while you find your first buy-and-hold deal. Each wholesale fee gets you closer to the down payment on a hold.
Real estate arbitrage (STR)	If your market supports it and you have landlord permission, arbitrage a furnished unit on Airbnb with \$5K–\$10K in startup costs. Learn operations without ownership.

\$50K–\$150K LIQUID CAPITAL

Serious entry territory. Multiple strong options.

BRRRR in a secondary or tertiary market	Your capital covers the rehab phase on a distressed property in a market where entry prices are lower. Force appreciation through renovation.
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Small multi-family (2–4 units) as investment	20% down on a \$200K–\$400K small multi-family puts all four wealth engines to work simultaneously.
Short-term rental in a destination market	Strong STR markets (mountain towns, beach cities, tourist areas) can generate 2–3x monthly revenue of long-term rentals on the same property.

STRONG INCOME, LIMITED LIQUID CAPITAL

You earn well but haven't saved enough for a conventional investment down payment.

DSCR loan on a performing property	Some DSCR lenders work with income documentation instead of equity. Strong income with a qualified deal can get you into investment property.
Partner with a capital-heavy investor	Your income stability makes you an attractive partner for someone with capital but limited income documentation. Structure it properly with a real estate attorney.
House hacking with conventional 5% down	If your primary income supports a conventional mortgage, 5% down on a primary residence (that you rent out rooms or units in) gets you in faster than saving 20%.

NO CAPITAL, LIMITED CREDIT — BUILDING FROM ZERO

The longest runway but a completely real path.

REITs and crowdfunding as the starting point	Start putting even small amounts (\$25–\$100/month) into Fundrise or Arrived to build the habit and mindset while you work on credit and capital.
Credit building in parallel (see Money Infrastructure Guide)	Build to 680+ personal credit over 12–18 months. Open net-30 accounts. Build business credit. This work directly unlocks future real estate financing.
Wholesale to generate first capital	Wholesaling requires almost no capital. A single deal can generate \$5,000–\$20,000 in assignment fees — your first real estate down payment.
Education first	Study your target market. Learn ARV calculation. Understand your local market's rental rates. When capital arrives, you're ready to move — not starting from zero.

THE REAL MOVE

The real estate investors who build lasting wealth share one common behavior: they buy properties and hold them. They don't trade in and out. They don't flip everything. They acquire, stabilize, rent, and hold. The short-term deals — wholesaling, flipping — are how you build capital. The long-term holds are how you build wealth. Keep that distinction clear as you build your strategy.

WHAT NOBODY TELLS YOU

The wealth gap in America is primarily a real estate gap. Black homeownership rates are 30+ percentage points below white homeownership rates. That gap represents trillions in generational wealth that was never built. It is not a talent gap. It is not a work ethic gap. It is an information gap, an access gap, and a credit gap — all of which are solvable with the right tools and the right knowledge. This guide exists because that gap should not persist for lack of information. The information has always been available. Now it's here.

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