



The Doorway to Rental Property Profit.

901-870-2301 www.renttoreward.com

DUE DILIGENCE QUESTIONNAIRE:

Ask your provider the following questions. It's an important step before purchasing.

1. The first question should always be: does the provider own rental property?

And why you ask? Simple. Do they believe what they preach. Most turnkey providers only buy and resale property, never investing themselves and not believing in the long-term benefits of passive income.

2. Do you as a turnkey provider manage the properties or do you sub out the property management to a third party?

If the answer is to a third party, who is going to be handle questions concerning the property you purchase once the deal is closed? You will have short-term issues if you stay in passive real estate investing. You need an advisor who has the experience necessary to handle the issues, and firsthand knowledge to consult with you over concerns you may have. Two of the principals at Rent to Reward own the management company in Memphis Tenn. We are here to sell you properties and help guide you with your properties. However, to give you a broad range of selections in different cities, Rent to Reward has carefully selected managing affiliates to help us bring you the best selection and management available.

3. Are you as a turnkey provider able to guarantee financing on the properties you have for sale?

Turnkey providers who do quality renovation and have professional management will have companies willing to loan money on the properties they offer for sale.

4. Are you as a turnkey provider licensed to do property management?

This is required in most states and gives you as the investor another level of protection. The licensed turnkey provider means additional education and a higher level of expertise and accountability in the management field. If the turnkey provider is not licensed, keep looking, there are more choices.

5. How long have you been a turnkey provider?

Experience is key in any business and the more experience the higher level of expertise. This is not part-time work, and a full-time professional should be used to help insure success. Experience can be the school of hard knocks! These hard knocks come with a price tag. The more experience the provider the less you suffer hard knocks.

6. Should I buy a house from a turnkey provider that has not been renovated?

The returns they project are unbelievable. This type of investing is the riskiest of all passive investing. If you decided this unfinished house is where you are going to invest your money. Beware! We advise only the seasoned real estate professional attempt this transaction. Why you ask? We hope all turnkey providers have your best intentions. But, why should you take on the risk of unfinished repairs, shoddy workmanship, inflated rental projections and bad cash management? This type of investing usually has two closings one for the renovations and one for permanent financing. This reduces your returns, and is necessary because the turnkey provider cannot afford to purchase or rehab the investment property. If you choose this route of investing make sure to have a home inspector give you an estimate on the overall scope of work. Make sure all repairs are covered before you close the deal. You might also want to escrow the money for repairs to ensure the work is satisfactorily completed. What motivation do the sellers have to finish the rehab on your investment house if they have already been paid?

7. What type of guarantee do you provide to insure quality renovations and repairs?

When dealing with any turnkey provider that does a quality renovation, a one-year warranty should be included. The turnkey provider that does an outstanding job will gladly warrant their workmanship for one year.

8. What is the management companies' vacancy rate?

Should be a minimum of 92%.

9. Can you help me with insurance?

All professionally run turnkey providers with property management can help you with property insurance that includes liability. The availability of property insurance means that your house is pooled with hundreds of other houses and spreads the risk to the insurance carrier. The spreading of risk through several hundred houses can lower your insurance bill by several hundred dollars. Through Rent to Reward you can have replacement cost on the dwelling and \$1,000,000 worth of liability insurance.

10. Do you allow large aggressive dogs?

This is a tricky area and one only a season manager will know. While pets and especially large aggressive dogs need to be limited or eliminated from the properties make sure to inquire if the large dog is a service animal. While

you may not want any pets (recommended for liability purposes), denying a prospective tenant occupancy because of a service animal (Seeing Eye dog) is illegal.

11. Is the property currently occupied?

This is a question that can have great influence on your investment return. Looking for a true turnkey investment, the tenant should already be in place or you should be given a rental guarantee to ensure you have the proper rental amount and no vacancy upon purchase. If a property is vacant upon purchase the rental guarantee should be six months or until rented.

12. *The quality of the property management will determine the overall profitability of my investment.* Tell me how your company will maximize my returns?

We believe in fully renovated properties. We believe in getting fair market value. By renting the properties at market value and having a property that exceeds other rental properties in condition will keep tenants for longer periods of time. This greatly increases profitability due to less vacancy factor and less maintenance from turnover. See our property management section on our website, renttoreward.com, for more on this subject.

13. In what type of neighborhoods are your investment properties located? Do you, as a turnkey provider, purchase houses in “war zones?”

While most turnkey providers refuse to invest in “war zones” or run-down neighborhoods, the question needs to be how tolerant am I to risk? While we all have different tolerances to risk, price definitely is an insight into the quality of the neighborhood you are considering. While the cash flow may seem greater in lower income areas the appreciation is also less or non-existent. The homes are older and require more maintenance. The higher priced homes seldom have positive cash flow, but will appreciate. Rent To Reward provides you with a yield calculator to help determine what the best investment is for you.

14. Does the property management company give you 24/7 access to your property information?

This type of access helps when determining the professionalism of the property management company. Up-to-date information is very valuable for any investor.

15. Does the property management company have the ability to coordinate mortgage, insurance, banking and tax payments on your behalf?

When the turnkey provider has given you answers to all the questions above, plus any other questions that are necessary to make you comfortable.

Congratulations, you are ready to proceed with purchasing an investment property of your choice.