LAWTON BUILDING AND LOAN

Fix and Flip for Beginners

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A plain-English guide from Lawton Building and Loan

Introduction: Why Fix and Flip, and Who This Book Is For

People get into flipping houses for a simple reason. They see a rough house on their street sell cheap, get fixed up, and sell again a few months later for a lot more money. They want to know where that difference went, and whether they could be the one who earns it.

The short answer is yes, you can. Flipping is not magic, and it is not reserved for people with construction backgrounds or deep pockets. It is a business of buying right, fixing smart, and selling on time. If you can learn those three things, you can do this.

This book is for first-timers. Maybe you have never bought an investment property. Maybe you own a rental or two and want to try a flip. Maybe you have a property already and you are trying to figure out the money side. Wherever you are starting, this guide walks you through the whole deal the way we explain it to our own clients.

Lawton Building and Loan helps investors finance fix and flip projects every week. We see the deals that work and the deals that fall apart. The ones that fall apart usually fail for the same handful of reasons, and most of them show up before the first hammer swings.

Here is what beginners get wrong most often. They fall in love with a house before they run the numbers. They underestimate the rehab, sometimes by half. They forget that the loan is not the whole cost, and they run out of cash in the middle of the project. And they assume the house will sell the week it is finished, at the price they hoped for, with no surprises.

None of those mistakes are fatal if you catch them early. That is what this book is for. We will cover the numbers, the property, the financing, the rehab, and both exits: selling the flip, or keeping it as a rental. Read it once before your first deal, and keep it nearby during the deal.

One promise before we start. This book will not hype you up with best-case stories. Flipping can make real money, and it can also lose money when the numbers are wrong. Our job is to help you see the difference before you sign anything.

Chapter 1: The Numbers That Decide Everything

Every flip lives or dies on three numbers. If you understand these three, you understand the business. If you ignore them, no amount of hard work will save the deal.

The first number is the purchase price. That is what you pay for the property, as it sits today, in its current condition. A beat-up house should come at a beat-up price. The worse the condition, the bigger the discount you need.

The second number is the rehab budget. That is the total cost to bring the house from what it is now to what a buyer will pay top dollar for. It includes labor, materials, permits, dumpsters, and the surprises hiding behind the walls. We will talk a lot more about this number later, because beginners almost always set it too low.

The third number is the after-repair value, called the ARV. That is what the house should be worth when the work is done, based on what similar finished homes nearby have actually sold for. Not what the seller hopes. Not what a website guesses. What real buyers paid for real comparable homes.

Here is how the three numbers fit together. Your purchase price plus your rehab budget is your total cost in the deal, before financing and holding costs. Your ARV is what comes back when you sell. The gap between the two is where your profit lives, and it also has to cover your loan costs, insurance, taxes, utilities, and selling costs along the way.

Carry costs: the number beginners forget

From the day you close on the purchase to the day you close on the sale, the property is costing you money every single month. Those are your carry costs, and they belong in your numbers from the start, not as a surprise at the end.

Carry costs include the interest on your loan, property taxes, insurance, utilities, lawn care, and anything else it takes to hold the house while you fix it and sell it. Add them up as a monthly figure, then multiply by the number of months you honestly expect to hold the property. Rehab time plus selling time, plus a cushion. If the rehab takes three months and homes like yours take two months to sell, budget for six or seven months of carry, not five.

Here is why this matters. A deal that shows a healthy profit on purchase price and rehab alone can quietly turn into a break-even deal, or a loser, once six months of carry costs come out of it. Time is money in the most literal way possible in this business. Every month a flip sits is a month of profit walking out the door.

Run the carry cost math on every deal before you offer. It takes two minutes, and it will save you from more bad deals than almost anything else in this book.

A simple way to think about it: the cheaper you buy and the more carefully you rehab, the more room you leave between your total cost and the ARV. That room is your safety margin. Deals with a wide margin can survive a surprise. Deals with a thin margin cannot survive anything.

Lenders think about these numbers too. When Lawton Building and Loan looks at a flip, we look at the same three figures you do. A deal with a solid ARV, a realistic rehab budget, and a fair purchase price is a deal we can usually finance. A deal where the purchase price is already close to the ARV is a deal nobody should touch.

Get in the habit of running these numbers on every property you look at, even the ones you pass on. It takes five minutes, and it trains your eye. After twenty practice runs, you will spot a bad deal in about thirty seconds.

Chapter 2: Finding the Right Property, and the Ones to Walk Away From

Good flips are bought, not sold to you. The money is made the day you purchase, because your purchase price sets the ceiling for everything that follows. A great rehab on an overpriced house is still a losing deal.

So where do the right properties come from? Wholesalers bring many of them. So do investor-friendly real estate agents, auction listings, estate sales, and plain old driving neighborhoods and calling owners of rough houses. There is no single source. The skill is not finding houses, it is recognizing the right ones.

The right property usually has cosmetic problems, not structural ones. Ugly paint, old kitchens, dated bathrooms, bad carpet, overgrown yards, and a roof near the end of its life are all fixable at predictable prices. These are the problems that scare off regular home buyers and create your discount.

Location still matters. A finished house sells fastest in a neighborhood where finished houses are selling. Look for streets with a mix of cared-for homes, recent sales, and other remodels under way. Be careful in areas where almost nothing sells, because your ARV is only real if a buyer shows up.

Rural properties and manufactured homes can work too, and many beginners overlook them. Competition is thinner outside the city, and prices are lower. Lawton Building and Loan finances flips on rural properties and manufactured homes regularly, including deals other lenders turn down on sight. Just be honest about your buyer pool and your timeline, because rural homes can take longer to sell.

Build the budget the first time you see it

Start building your rehab budget the first time you walk through the property. Do not wait, and do not plan on a second look. On many deals, especially wholesaler and auction properties, that first walkthrough may be the only time you get inside before your offer is due. It may be the only time you see it at all before you own it.

So treat that visit like it is the only one. Go room by room and write down everything the house needs, with a ballpark cost next to each item, while you are standing in front of it. Shoot video of every room and the whole exterior. Take close photos of the roof, the HVAC unit and its label, the water heater, the electrical panel, and the foundation. Those photos are your memory later, when you are finalizing numbers at your kitchen table.

When you get home, turn those notes into a real line-item budget the same day, while the

house is fresh in your mind. Add a contingency on top, because the one thing every rehab has in common is a surprise. If you cannot build a budget you believe in from that first visit, you are not ready to make an offer on that house.

Now the walk-away list. Pass on foundation failures you do not fully understand. Pass on fire damage, flood damage, and major environmental problems like buried oil tanks or meth contamination. Pass on properties with title problems, boundary disputes, or unpermitted additions that the city wants torn out. Those are expert deals, and some of them are not deals at all.

Also walk away when the seller will not budge and the numbers do not work. This sounds obvious, but it is the hardest rule to follow in practice. A house you wanted can feel like a loss when you let it go. It is not a loss. An overpriced flip is the loss, and you just avoided it.

Finally, verify your ARV before you commit. Pull recent sales of similar homes within a mile or so, similar size, similar condition after repair. If you cannot find real sales to support your ARV, your ARV is a guess, and guesses are expensive.

Chapter 3: How the Financing Actually Works

Most beginners assume they need to save up the full purchase price plus the full rehab cost before they can start. That is how it worked decades ago. It is not how most flips get funded today.

Here is the basic structure of a fix and flip loan at Lawton Building and Loan. We can finance up to 90% of the purchase price, plus 100% of the rehab budget. Read that again, because it changes the math completely. On the right deal, the loan covers nearly the whole project.

Say a house costs $150,000 and needs $50,000 in rehab. A loan at 90% of purchase puts $135,000 toward the purchase, and the rehab money covers the full $50,000 of work. Your loan is doing most of the heavy lifting. Your cash covers the rest, which brings us to the most important phrase in this book.

That phrase is total estimated out of pocket. Forget the idea of a simple down payment, because a down payment is only one piece of what you will actually spend. Your total estimated out of pocket includes your share of the purchase price, plus lender fees, broker fees, approximate title costs, and one year of insurance paid up front. We always quote it as a range, because until a file is fully priced, anyone giving you an exact figure is guessing. Ask any lender for that total range before you commit to a deal.

Rates on fix and flip loans start as low as 9.99%. That sounds high compared to a home loan, and beginners sometimes flinch at it. Keep perspective. This is short-term money, usually for six to twelve months, and it lets you control a property worth far more than your cash in the deal. The interest is a cost of doing business, like materials. What matters is whether the deal still profits after that cost, and Chapter 1 taught you how to check.

Payments during the project are typically interest-only. You are not paying the loan down while you work. You pay interest on the money you have actually drawn, which keeps your monthly cost lower during the rehab, when cash is tightest.

The rehab money does not arrive in one lump sum on day one. It is released in draws as work gets completed. You finish the roof, an inspection confirms it, and that portion of the rehab funds is released. This protects you as much as anyone, because it keeps the money matched to real progress. It also means you or your contractor may need to front some costs between draws, which is one reason reserves matter, and that is the next chapter.

A few more practical points. On most of our fix and flip loans there are no appraisal fees, which trims your closing costs. Loan minimums are around $75,000, and smaller deals are

considered case by case. And yes, first-timers are welcome. Everybody's first flip is a first flip. What we look for is a sound deal and a borrower who has thought it through, which, if you are reading this book, is already a good sign.

Chapter 4: Reserves and Credit, What You Actually Need

Let us talk about the two things beginners worry about most: how much cash you need sitting in the bank, and whether your credit is good enough.

First, reserves. Reserves are money you have set aside beyond what the loan provides. They are not spent on day one. They sit there for the surprises, and there will be surprises. A water heater lets go. The electric panel needs replacing to pass inspection. The draw takes a few extra days and your contractor needs a check.

How much should you hold? There is no single number, because it depends on the size of the project. As a working rule, you want your total estimated out of pocket covered, plus a cushion you could draw on without panic. If using your very last dollar is the only way the deal works, the deal does not work. Wait, save a little more, and take the next one.

Lenders look at reserves because they tell a story. A borrower with money set aside can finish a project when something goes wrong. A borrower with nothing set aside is one surprise away from a half-finished house, and a half-finished house helps nobody. Strong reserves also open doors. Bigger projects and better terms tend to follow borrowers who can show they are prepared.

Now, credit. Perfect credit is great, but it is not required. Bruised credit changes the shape of a deal more than it kills the deal. Here is what that usually means in practice: with stronger credit, you can generally borrow a higher share of the purchase price. With weaker credit, expect to bring more of your own money to the purchase, so the loan covers a smaller percentage. The deal can still work. It just needs more of your cash in it, which is another reason the margin from Chapter 1 matters so much.

Be straight with your lender about your credit from the first conversation. A surprise found late in the process can cost you the deal and your earnest money. The same history explained up front is just information, and it lets us structure the loan around facts instead of hopes. We work with rural properties, manufactured homes, unique properties, and bruised credit every week. The borrowers who do best are the ones who put everything on the table early.

One last point for this chapter. Do not drain your personal life to fund a flip. Keep your household bills, your emergency fund, and your sanity separate from the project money. A flip is a business venture. Run it like one, with its own numbers and its own cash, and you will make calmer decisions when the project gets loud.

Chapter 5: Running the Rehab Without Losing Your Profit

More flips die during the rehab than anywhere else. Not because the work is hard, but because the budget quietly bleeds. A thousand here, two thousand there, and by the end the profit is gone and nobody can say exactly where it went.

Start with the contractor, because this choice drives everything. Get referrals from other investors, not just from advertisements. Verify the contractor is insured. Get the bid in writing, broken down by job, not one lump number. A bid that says "kitchen: $18,000" tells you nothing. A bid that lists cabinets, counters, flooring, plumbing, and electrical line by line lets you manage the job and approve changes with your eyes open.

Pay for work in stages as it is completed, never far ahead of progress. This lines up with how your loan draws work anyway. A contractor who needs most of the money up front is a warning sign, no matter how good the price sounds.

Next, build your budget with a cushion inside it. If the bids total $45,000, budget $50,000. Call it contingency, call it the surprise fund, call it whatever you like, but it will get used. Old houses hide things. The only question is whether you planned for them.

Scope discipline is the third leg. Decide the finished product before you start, write it down, and resist upgrades mid-project. The tile that costs twice as much, the extra bathroom feature, the "while we are in here" addition: each one feels small, and together they eat the margin. Your buyer will pay for a clean, solid, attractive house. They will rarely pay extra for the upgrades you fell in love with along the way.

Sequence the work like a builder does. Roof, structure, and systems first: plumbing, electrical, and HVAC. Then the visible finish work: drywall, paint, flooring, kitchen, and baths. Cosmetics last, always. A beautiful kitchen under a leaking roof is money spent in the wrong order.

Timelines matter because time is a cost. Every month you hold the property, you pay interest, insurance, taxes, and utilities. A six-month project that drifts to nine months can hand a big share of your profit to the calendar. Put a completion date in writing with your contractor, check progress in person every week, and deal with delays the day they appear, not the month after.

Finally, photograph everything and keep every receipt. It helps with draws, it helps with taxes, and it gives you a record to learn from. Your second flip will be better than your first mostly because of what you wrote down during the first one.

Chapter 6: Selling the Flip

The rehab is done. The house looks great. Now the clock starts making noise, because every week on the market costs you money. Selling well is a skill, and it starts before the listing goes live.

Price it from the evidence, not from your feelings. Your ARV was built on recent comparable sales. If those sales support your price, list there. If the market has cooled since you bought, the comps will tell you that too. The most expensive words in flipping are "let us try a higher price and see." Weeks pass, showings slow down, and the price cuts that follow usually end below where a realistic starting price would have sold.

Presentation is the cheap profit. A deep clean, a tidy yard, good light, and professional photos make the same house look like more money. Buyers shop with their eyes online first. If your photos look dark and cluttered, many buyers will never book a showing, and the ones who do will arrive already discounting.

Work with an agent who sells to the buyers you want, or sell it yourself if you truly know your local market. Either way, respond to feedback fast. If three showings in a row mention the same flaw, fix it or adjust for it. The market talks. Listen early, while listening is still cheap.

Expect negotiation and inspection requests, and hold your margin in mind. Know your walk-away number before the first offer arrives: the lowest price that still makes the deal acceptable after all your costs. Decide it calmly, in advance, with a calculator. Offers are much easier to judge when the line was drawn before emotions got involved.

And plan for the closing timeline in your numbers. A financed buyer may take thirty to forty-five days to close after accepting your price. That is another month or more of holding costs after the sale feels "done." It is normal. Just do not be surprised by it, and do not spend the profit before the wire lands.

When the sale closes and the loan is paid off, write down the whole story of the deal: what you paid, what the rehab really cost, how long it took, and what it sold for. That page of honest numbers is worth more than any course. It is your real education, and it points straight at what to do better, or bigger, next time.

Chapter 7: The Other Exit, Keep It and Refinance

Selling is not the only way out of a flip. Sometimes the smartest move is to not sell at all. If the house will rent well, you can keep it, put a tenant in it, and refinance out of the short-term flip loan into a long-term rental loan. Investors call this the buy, rehab, rent, refinance strategy. Around here, we just call it keeping a good house.

Here is why it appeals to so many of our clients. You did the hard part already. You bought below market and forced the value up with the rehab. A sale turns that value into a one-time profit. A refinance can hand you back a large share of your cash while you keep the property, the rent, and the future appreciation.

The long-term loan used for this is called a DSCR loan. DSCR stands for debt service coverage ratio, which is a formal way of saying the rent should cover the payment with room to spare. These loans are built for rental properties and focus heavily on how the property itself performs. DSCR rates currently run about 7.25% to 7.875%, far below short-term flip money, because this is long-term financing on a finished, rented house.

At Lawton Building and Loan, a refinance of a finished flip can include cash out up to 80% of the after-repair value, if the numbers work. Run the logic on our Chapter 1 example style of deal. A house you bought and fixed into an ARV of $265,000 could support a new loan well beyond what you owe on the flip loan, letting you pull cash back out and roll it into the next project while the tenant pays down this one.

This exit is not always the right one. If the rent is weak for the value, the property may be worth more sold than kept. If you need all your cash back quickly, a sale returns everything at once, while a refinance returns most of your position over time through cash out, rent, and equity. And a kept property is a landlord commitment, with tenants, maintenance, and the occasional 2 a.m. plumbing call.

Our advice is to decide with numbers, not momentum. Compare the sale profit in hand against the refinance cash out plus the monthly cash flow after the new payment, taxes, and insurance. Many investors do both across a portfolio: sell the flips that barely cash flow, keep the ones that rent strong. There is no rule that every house gets the same exit.

One more benefit worth naming. Experience compounds. A borrower who has finished a flip and holds a performing rental is a stronger borrower on the next deal. Your track record becomes part of your financing, and each clean project makes the next one easier to fund.

Chapter 8: A Worked Example

Let us put it all together on one imaginary deal. These are round example numbers, chosen to teach the math. They are not a quote, not a promise, and not a prediction about any real property.

The property. A tired three-bedroom house in a solid neighborhood. The seller asks $150,000. Comparable finished homes nearby have sold around $265,000, so we will use $265,000 as the example ARV. The contractor's written bid for the work totals $45,000, and you budget $50,000 to leave yourself a cushion. Example purchase price plus budgeted rehab: $200,000 against a $265,000 ARV. That is a healthy margin, which is why this deal is worth financing.

The loan. At up to 90% of the purchase price, the loan provides $135,000 toward the purchase. At 100% of the rehab budget, it provides the $50,000 of rehab money, released in draws as work is completed. Total example loan: $185,000. Payments during the project are interest-only on the amounts drawn, at a rate we will illustrate at 9.99%, our starting rate for these loans.

Your cash. Your share of the purchase is $15,000. On top of that come lender fees, broker fees, approximate title costs, and one year of insurance. Altogether, a realistic total estimated out of pocket on a deal this size might land in the range of $28,000 to $36,000. Notice the honest way to say that: a range, covering everything, not a tidy "down payment" figure that leaves the fees as a surprise. You would also keep reserves beyond this, money set aside for the surprises described in Chapter 4.

The project. The rehab takes four months and finishes close to budget, at $48,000 of actual work. Holding costs during the project and the sale period, including interest, taxes, insurance, and utilities, come to roughly $9,000 in this example.

Exit one: sell. The house sells at the ARV of $265,000. Selling costs take their share. Your loans are paid off, your costs are covered, and the example deal produces a profit in the neighborhood of $30,000 to $35,000 before taxes. Not life-changing, and that is the point. Solid, repeatable, boring profit is the goal. Do it four times and the year looks very different.

Exit two: keep and refinance. Instead of selling, you rent the house for $1,950 a month. A long-term DSCR refinance at up to 80% of the $265,000 value could produce a new loan of up to $212,000, if the numbers work. That pays off the flip loan and returns a meaningful chunk of cash to you, while the tenant covers the new payment and builds your equity. The same house, the same work, two good endings. Your job is simply to pick the ending the

numbers prefer.

If the example made sense to you, you are ready for the checklist.

Chapter 9: Your First-Deal Checklist and Glossary

The First-Deal Checklist

Run every deal through this list before you sign a contract.

- **The three numbers work.** Purchase price plus rehab budget leaves a real margin under a verified ARV.
- **The ARV is proven.** Recent sales of similar finished homes nearby support it. No comps, no deal.
- **The rehab bid is written and itemized.** Line by line, from a contractor you have checked out.
- **The budget has a cushion.** Roughly 10% beyond the bids, set aside for surprises.
- **The walk-away problems are absent.** No foundation disasters, title trouble, or damage you do not fully understand.
- **You know your total estimated out of pocket.** The full range: your share of the purchase, fees, title, and one year of insurance.
- **Your reserves are real.** Money beyond the deal costs, untouched, for the surprises.
- **You have been honest about your credit.** Everything shared with your lender up front, so the loan is structured on facts.
- **Both exits pencil out.** You know what a sale should net, and whether the rent supports keeping it.
- **Your timeline is realistic.** Rehab schedule in writing, holding costs counted for every month including the sale or refinance period.

If a deal fails two or more items on this list, it is not your first deal. Let it go and find the next one. There is always a next one.

Glossary, in Plain English

- **ARV (after-repair value):** What the property should be worth after the rehab is finished, based on comparable sales.
- **Comparables (comps):** Recent sales of similar properties nearby, used to estimate value.
- **Draw:** A release of rehab funds after a stage of work is completed and verified.
- **DSCR loan:** A long-term loan for rental properties, sized mainly by whether the rent covers the payment with room to spare.
- **Hard costs:** The physical work of the rehab: labor and materials.

- **Holding costs:** Everything you pay while you own the project: interest, taxes, insurance, utilities, and upkeep.
- **Interest-only:** Payments that cover interest only during the project, with the loan balance paid off at sale or refinance.
- **Loan-to-value (LTV):** The loan amount compared to the property value, shown as a percentage.
- **Reserves:** Cash you hold back, unspent, for surprises and gaps between draws.
- **Total estimated out of pocket:** All the cash you bring to a deal, including your share of the purchase, lender and broker fees, approximate title costs, and one year of insurance. Always quoted as a range.

A Quick Word Before You Go

Terms, rates, and loan amounts in this book are examples of how these deals are commonly structured. Every property and every borrower is different, and final terms depend on the deal itself and on approval. Nothing in this book is a promise or a guarantee of financing. What we can promise is a straight conversation about your real numbers, before you are committed to anything.

Ready to Talk About Your First Flip?

Now you know how the numbers work, how the financing works, and what separates the deals that profit from the deals that bleed. The next step is a conversation about your specific property, or the one you are hunting for.

Lawton Building and Loan finances fix and flip projects for beginners and experienced investors alike, up to 90% of the purchase price plus 100% of the rehab budget, with rates as low as 9.99%. Rural properties, manufactured homes, and bruised credit are all conversations we have every week.

Call or text us at **(817) 862-6922**, or visit **lawtonbuildingandloan.com** to get started.

Bring us a deal at any stage. A rough address and your best guess at the numbers is enough to start. We will run it with you, tell you honestly whether it works, and if it does, help you fund it.

Your first flip does not have to be perfect. It just has to be bought right, financed right, and finished. Let us help you do all three.