

A SHORT, HONEST FIELD GUIDE · FREE · ALAN FAITEL

The First Deal *Playbook.*

How to find one real estate deal, run the numbers without fooling yourself, pay for it, fix it, and get out — from someone who has done it four hundred times since 1986.

— Alan Faitel

BEFORE YOU START

A note before you *read this*.

I have bought and sold more than four hundred houses. I am going to tell you the truth about the first one, which is not what most people selling real estate education will tell you.

This is not a course. It is twenty-eight pages. You can read it tonight. There is no module two, no upsell at the end, no "certification." If at any point you want a second set of eyes on a real deal, the first call is free and I mean that literally — details are on the last page.

Everything here is general education, not legal, tax, or investment advice for your specific situation. Real estate laws, taxes, and lending rules vary by state and change over time. Before you sign anything, talk to a local attorney and an accountant who know your market. The numbers I use are illustrative, chosen to teach the math — not predictions about any particular city or deal.

What I can give you is the shape of the thing. The order the work happens in. The places first-time investors reliably hurt themselves, and how to not be one of them. The rest is reps.

THE ONE IDEA, UP FRONT

The first deal is almost never about the deal. It is about whether you can stay calm when six things go wrong, three of them on the same afternoon. The math you can learn in a weekend. The temperament is the actual product.

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The first deal is never *about the deal*.

In 1986 I bought a three-bedroom ranch in Pontiac for twenty-four thousand dollars. I had no money, no plan, and almost no idea what I was doing.

I held it nineteen months and sold it because I needed the cash. The buyer made roughly twice what I did over the next decade. That deal taught me nothing about cap rates and everything about myself: I sold out of fear, not strategy, and I told myself it was a win because I didn't lose.

Here is what nobody tells you. Your first deal will not be the one that makes you rich. Its job is smaller and more important — to turn you into someone who can do the second one without flinching. You are not buying a house. You are buying the experience of having survived buying a house.

"The math you can learn in a weekend. The nerve takes a deal."

So read this whole guide for the mechanics, yes. But understand that the mechanics are the easy ninety percent. The hard ten percent is what you do on the Tuesday the contractor ghosts you, the inspection turns up a surprise, and the holding costs keep ticking whether you panic or not.

What "staying calm" actually means

Calm is not a personality trait. It is a byproduct of having decided, in advance, what you'll do when things go wrong — so that the bad Tuesday is a checklist instead of a crisis.

Every experienced investor you admire has simply been surprised enough times that very little surprises them anymore. You can borrow some of that. Three habits get you most of the way there:

- **Underwrite the downside first.** Before you fall in love with the upside, ask: if everything that can reasonably go wrong does, do I survive? If yes, proceed. If no, the deal is too big for where you are right now.
- **Keep a reserve you don't touch.** The deal's budget and your "oh no" money are two different piles. First-timers who blend them are the ones who get forced into bad decisions at the worst moment.
- **Decide your walk-away number before you negotiate.** Write it down. The single most expensive sentence in real estate is "I've already put so much into this, I might as well keep going."

Do those three things and you'll handle your first deal better than people with twice your knowledge and none of your discipline. The rest of this guide is the mechanics — find it, price it, fund it, fix it, exit it. Let's go in that order, because that's the order it actually happens.

Decide what you *actually want*.

"I want to get into real estate" is not a goal. It's a mood. Before you look at a single listing, decide which of three very different things you're actually trying to do — because they lead to different houses, different math, and different lives.

The three games

Cash now (the flip). Buy below value, fix, sell, take the profit. It's a job — a project with a beginning and an end. Done right it pays well. Done wrong it pays you minimum wage for the privilege of enormous stress. Best when you want a lump sum and you can stomach risk on a clock.

Wealth later (buy and hold). Buy a place that rents for more than it costs to own, keep it, let the tenant pay it down while it appreciates. Slower, calmer, and the path most lasting fortunes actually took. Best when you want freedom in ten years more than money this year.

Both, in sequence (BRRRR). Buy, rehab, rent, refinance to pull your cash back out, repeat. The advanced move that lets a small amount of money do a lot of work. Powerful, and unforgiving if your numbers are off — which is why it's chapter material, not your first move.

Pick one. On purpose.

You can do all three over a career. You should not try to do all three on deal one. Pick the game that matches what you actually need — money now, or freedom later — and the kind of risk you can sleep next to.

A QUESTION THAT SORTS MOST PEOPLE

If a deal would make you \$30,000 in six months but there's a real chance it makes you nothing and costs you a stressful year — would you rather take that swing, or own a quiet rental that nets \$250 a month for the next twenty years? Neither answer is wrong. But your honest answer tells you which game is yours to start with.

Write your answer down in one sentence: *"On my first deal I am trying to _____, and I am willing to risk _____ to get it."* Tape it where you'll see it. Every deal you look at from here gets measured against that sentence. The ones that don't fit it — no matter how exciting — are not your deal. They're a distraction wearing a deal's clothing.

This sounds obvious. It is the single most-skipped step, and skipping it is why people end up six months in, exhausted, realizing they accidentally bought themselves a second job they never wanted.

Where deals actually *come from*.

A "deal" is not a house you like. It's a house you can buy for enough below its real value that the numbers work even after everything goes a little wrong. Those don't show up by accident. Here are the five places they come from, ranked for someone starting out.

1. The MLS (yes, really)

Everyone says the deals are gone from the open market. Mostly true, mostly. But on the MLS you'll find the tired listing that's sat 90 days, the estate sale nobody staged, the ugly house good buyers scroll past. It's the easiest place to *learn to analyze* deals even while you're still finding yours, because the data is all there. Start here on day one.

2. Off-market / direct-to-seller

Reaching owners before they list — through driving for dollars (literally noting neglected houses), targeted mail to absentee or long-tenured owners, or simply telling everyone you know what you're looking for. More work, less competition, better prices. This is where most real margin lives.

3. Wholesalers

People whose whole business is finding distressed deals and selling the contract to investors like you for a fee. You'll overpay relative to finding it yourself, but you'll see real off-market deals while you're still building your own pipeline. Get on a few local wholesalers' buyer lists this week. Vet every number they give you — their "ARV" is a sales pitch until you've checked it yourself.

4. Auctions and bank-owned (REO)

Foreclosure auctions and bank-owned listings. This is where I made my best run — between 2007 and 2012 I bought more than sixty bank-owned homes while most flippers were frozen with fear. The lesson wasn't "buy foreclosures." It was: when everyone else is afraid, the math gets generous. Auctions punish beginners (often all-cash, little inspection, hidden liens), so learn here before you leap.

5. Your network

The longer you do this, the more deals come to you — the wholesaler who calls you first, the agent who knows what you buy, the contractor who heard about a house. You build that by being known, reachable, and reliable. It pays nothing on deal one and becomes your best source by deal ten.

What to actually do with this

Don't try all five at once. For your first deal, run two in parallel: **the MLS** (to learn to analyze, every day) and **wholesalers plus word-of-mouth** (to see off-market deals without building a marketing machine yet). That combination gets a beginner to a real opportunity faster than anything else.

"You're not looking for a house. You're looking for a number that's wrong in your favor."

Set a simple rule: analyze one deal a day for thirty days, whether or not you buy. Most will be no's. That's the point. The thirty no's are how you teach yourself to recognize the one yes the instant it appears — and to move on it before the hesitant buyers do. Speed comes from reps, not nerve.

When a number finally looks wrong in your favor, you don't guess. You run it through the four numbers in the next chapter. If it survives those, you have a deal. If it doesn't, you have a lesson, and you've spent nothing to learn it.

Run the numbers without *fooling yourself*.

Almost every first-deal disaster traces back to one thing: optimistic math. The fix is to be ruthless about exactly four numbers and to write them down before emotion gets a vote.

The four numbers

1. ARV — After-Repair Value. What the house is worth once it's fixed, based on what comparable, recently-sold, fixed-up houses nearby actually closed for — not list prices, not Zillow, not hope. Pull three to five real comps. This single number anchors everything, so be conservative.

2. Repair cost. What it truly takes to get from current condition to ARV condition. Beginners miss this by a mile because they price what they can see and forget what they can't — the roof, the panel, the surprise behind the wall.

THE RULE THAT SAVES FIRST-TIMERS

Get a real contractor's written estimate before you close — not a guess off a photo. Then add a contingency of at least 10–15% on top. On your first deal, use 15%. You will need most of it.

3. All the other costs. The ones that quietly eat the profit nobody budgeted for: closing costs (both times you transact), holding costs (loan interest, taxes, insurance, utilities for every month you own it), and selling costs (agent commission, concessions). On a flip these routinely add up to 12–15% of the ARV. Budget them or they'll surprise you.

4. Your minimum profit. Decide, before you offer, the smallest number that makes this worth your time and risk. If you don't set it, you'll talk yourself into thinner and thinner margins as you fall for the house. Write it down. Defend it.

The formula it all rolls into

For a flip, work backward from ARV to the most you can pay:

After-Repair Value (ARV)	\$300,000
– Repairs (with 15% contingency)	\$55,000
– Other costs (~13% of ARV)	\$39,000
– Your minimum profit	\$35,000
= Most you can pay	\$171,000

Illustrative numbers, chosen to show the method. Your market sets the real ones — but the discipline is identical everywhere.

If you're renting it instead of flipping

The discipline is the same; the target changes. Instead of profit on sale, you're solving for monthly cash flow after *everything*: mortgage, taxes, insurance, and — the line beginners always omit — reserves for vacancy, repairs, and capital expenses (the roof and furnace that will someday need replacing). A rental that "breaks even" on paper usually loses money in real life because those reserves were pretended away.

“*A deal that only works if nothing goes wrong is not a deal. It's a bet.*”

Two habits will keep your math honest for the rest of your career:

- **Underwrite to boring assumptions.** Average rent, normal vacancy, real reserves. If it works on boring numbers, the good surprises are gravy. If it only works on optimistic ones, you've designed a trap.
- **Make the spreadsheet argue with you.** Your job at this stage is to *try to kill the deal*. The deals that survive your honest attempt to talk yourself out of them are the ones worth pursuing.

Get these four numbers right and you've done the part that actually separates investors from gamblers. Everything after this is execution.

Where the money *comes from*.

"I don't have the money" is the most common reason people never start, and it's usually the least true. You rarely need all the cash yourself. You need to understand the options well enough to pick the right one.

Your real options

Your own cash. Simplest, cheapest, slowest to rebuild. Fine for a first rental you'll hold; limiting if you want to do more than one deal a year.

Conventional financing. A bank loan, usually 20–25% down for an investment property. Cheap money and great for buy-and-hold, but slow and paperwork-heavy — and most banks won't lend on a house that needs serious work, which is exactly the kind you want.

Hard money. Short-term loans from lenders who finance the purchase *and* the rehab based on the deal, not mainly your credit. Expensive (higher rate, points, short term) but fast, and built for flips and BRRRR. The price of speed and leverage — only sane when the deal's margin comfortably covers the cost.

Private money. An individual — someone you know, or someone you've earned trust with — lending against the deal for a fixed return. Often cheaper and more flexible than hard money. This is how a great many investors scale: not their own money, and not the bank's, but a relationship and a track record.

Partners. Someone brings the capital, you bring the work and the deal, you split the profit. The right partnership lets you do a deal you couldn't do alone and learn beside someone who's done it before. The wrong one is a bad marriage with worse paperwork — so put every term in writing, before, in plain language.

A FRAME I'VE SPENT A CAREER ON

"You can be the bank." Most people think of real estate as buying houses. The durable money is often in becoming the one who lends — turning capital and trust into returns without swinging a hammer. You don't start there. But know from day one that owning houses is only the first half of the game.

What to do on your first deal

Match the money to the game you chose in chapter two:

- **First rental you'll hold?** Your cash or conventional financing. Boring and cheap is correct here.
- **First flip?** Hard money or a private lender for purchase + rehab, with your own reserve untouched behind it. Make sure the margin eats the cost of the money with room to spare.
- **Short on capital but you've found a genuine deal?** A partner who funds it while you run it — and learn — is often the best first move of all. A smaller slice of a deal that happens beats a hundred percent of a deal that never does.

One rule under all of it: **cheap, well-structured debt is a tool; expensive debt on a thin deal is a trap.** The financing doesn't make a bad deal good. It only changes how fast a bad deal hurts. Get the deal right first (chapter four), then choose the cheapest money that fits the timeline.

And never let "free" money from a partner or a lender tempt you past your walk-away number. Other people's money makes bad deals feel affordable. It isn't. It's just someone else's problem stapled to yours.

The offer and the *negotiation*.

Beginners think negotiation is about being the highest bidder. It usually isn't. On the deals that matter, the winner is the buyer the seller believes will actually close — quickly, quietly, without drama. Be that buyer.

Make it easy, not just high

A motivated seller — an estate, a tired landlord, someone who needs out — is often choosing certainty over the last few thousand dollars. You win those by being clean: a fair price, proof you can fund it, a realistic timeline, and no theatrics. I have bought houses for less than a higher offer because the seller trusted me to close. That trust is worth real money, and it costs you nothing but professionalism.

- **Lead with your walk-away in mind.** You set your maximum in chapter four. Offer below it with room to move, and never, ever talk yourself past it in the moment.
- **Use contingencies as real protection, not games.** An inspection period is your honest off-ramp if the house hides something. Keep it; don't waive your safety to win.

The inspection is where you re-trade — fairly

You make an offer on what you can see. The inspection tells you what you couldn't. If it turns up a real problem you didn't price — a roof at the end of its life, a failing foundation, electrical that has to be redone — that's not a reason to feel guilty about renegotiating. It's the exact reason the inspection period exists. Bring the estimate, not a complaint, and adjust the price or walk.

"The best negotiators aren't the toughest. They're the calmest — and they're willing to leave."

The most powerful position in any negotiation is genuine willingness to walk away. It isn't a tactic you fake; it comes from having other deals to analyze and a number you won't cross. When the seller can feel that you'll be fine either way, the conversation changes. Desperation is the most expensive thing you can wear into a room.

And when it's right, move. The clean, fair, fast buyer who actually performs becomes the buyer sellers and agents call *first* next time. Your reputation starts on deal one, in how you behave when a deal is hard — not in how clever you were when it was easy.

The rehab, where first deals *go to die*.

More first deals are ruined in the rehab than in the buying. The house was fine; the renovation ran long, ran over, and ate the margin. Three things keep you out of that ditch: a real scope, the right people, and a respect for the surprise.

Scope before you swing a hammer

Write down exactly what you're doing, room by room, before any work starts — and just as importantly, what you're *not* doing. The fastest way to lose a flip is "while we're in there" — the creep of small upgrades nobody budgeted that add up to a new car's worth of cost and a month of time. Renovate to the comps, not to your own taste. You are not moving in.

My most expensive lesson

In 1991 I bought a Detroit duplex for thirty-eight thousand dollars. There was foundation work that hadn't been disclosed and I hadn't caught. I spent more fixing it than I'd paid for the building, and it took two years to climb back to even. A proper inspection would have cost a few hundred dollars. Cheapest insurance I ever skipped.

The people make or break it

Your contractor is the single biggest variable in the whole deal. A great one protects your timeline and your money; a bad one quietly drains both. For your first deal:

- **Get it in writing.** A detailed, line-item scope and a fixed bid — not a handshake and an hourly promise. Vague scope is how disputes and overruns are born.
- **Pay for work completed, never far ahead.** Tie payments to finished, inspected milestones. The contractor paid in full on day two is the contractor you'll be chasing on day forty.
- **Check licensing, insurance, and recent references.** Call two people they actually worked for. Drive past a job if you can.
- **Communicate weekly, in writing.** A short Monday check-in catches small problems while they're still small.

BUDGET THE SURPRISE

Every older house hides something. Set aside that 15% contingency from chapter four and treat it as already spent. If you don't use it, that's profit. If you didn't have it, that's a stalled job and a panicked phone call for money you don't have.

Time is a cost, even when nothing's wrong

Every month you own the house, it costs you — interest, taxes, insurance, utilities — whether or not a single nail goes in. That's why a clean, well-managed rehab that finishes in eight weeks can beat a "cheaper" one that drags to sixteen. Speed isn't about rushing the work; it's about removing the delays: decisions made late, materials ordered late, the contractor splitting time across three other jobs.

"Manage the calendar as hard as you manage the budget. They're the same money."

Your job during the rehab is not to swing the hammer. It's to remove obstacles before they cost a week, make decisions fast so nobody's waiting on you, and keep the money tied to finished work. Do that and the rehab becomes the boring middle of a good story instead of the place the story goes wrong.

When the work is done and the house shows like the comps you priced it against, you're at the part everyone forgets to plan: getting out.

The exit, and what to do *with the money*.

You decided your exit back in chapter two, before you bought. Now you execute it. Three doors out, and the right one was chosen the day you defined the deal — not now, in the heat of wanting to be done.

Sell, refinance, or rent

Sell (the flip). Price it to the comps, not to your costs — the market does not care what you spent. Stage it enough to show well, list it where buyers actually look, and don't let pride hold out for a number the data won't support. A deal sold is a lesson banked and capital freed for the next one.

Refinance and hold (BRRRR). Once it's fixed and rented, a bank will often lend against the new, higher value — letting you pull much of your cash back out to do it again, while you keep the asset and its income. Powerful. Just don't over-leverage to chase the last dollar; leave a cushion.

Rent and keep (buy-and-hold). Place a good tenant, manage it properly, and let time do the slow, reliable work. The least dramatic exit and, over decades, often the richest.

The decision most people get wrong

In 1986 I sold that first Pontiac house because I needed the cash, and the next owner made twice what I did. The lesson wasn't "never sell." It was: *decide what you actually want before you sell, not in the moment you're tired of holding*. Selling a keeper for short-term relief is one of the quiet, expensive mistakes nobody warns you about.

"Figure out what you actually want before you sell. Then the exit is a decision, not a reaction."

And then there's the question almost nobody plans for: what do you do with the money? This is where wealth is actually built or quietly lost. The profit from deal one is not a reward to spend — it's the seed of deal two, and the beginning of the shift from *working* the houses to *owning* the returns. The investors who compound are the ones who treat early profits as fuel, not prize.

That's the whole arc: find it, price it, fund it, fix it, exit it, redeploy it. Do it once and you're no longer someone who wants to invest in real estate. You're someone who has. The second deal is a different thing entirely — and so are you.

Three mistakes that almost *ended my career*.

I've made every mistake in this guide myself, which is how I know they're real. Three nearly took me out early. I'm handing them to you so they don't get the chance.

One — I trusted what I could see

The Detroit duplex in 1991. I priced what was visible and skipped a real inspection. The undisclosed foundation work cost more than the house and took two years to recover from.

The lesson: the cheapest money you'll ever spend is on finding out what's wrong *before* you own it. Inspect everything. Assume the house is hiding one expensive thing, because it usually is.

Two — I sold out of fear, not strategy

That first house in 1986. I sold because I was nervous about holding, not because the numbers said to. I left a decade of gains on the table and called it a win because I didn't lose. **The**

lesson: decide your hold-or-sell logic with a clear head, in advance, and follow the plan — not the fear of a hard month.

Three — I let optimism do my underwriting

Early on, more than once, I used the rosy ARV, the contractor's best-case number, and a contingency of roughly zero. Every time, reality sent the bill. **The lesson:** underwrite to boring, conservative assumptions and make the deal survive your honest attempt to kill it. If it only works when everything goes right, it doesn't work.

ALL THREE, IN ONE SENTENCE

Find out what's wrong before you buy, decide your exit with a clear head, and let conservative numbers — not hope — make the call. Do those three and you've sidestepped the mistakes that take out most first-timers.

None of these are sophisticated. That's the point. The mistakes that end careers are almost never exotic — they're the basics, skipped because someone was excited, or tired, or in a hurry. Forty years in, I still run the same boring checklist on every deal. The discipline never stops being the job. It *is* the job.

Which brings us to the only thing left: what to actually do this week.

Where to start *this week*.

Knowledge you don't act on is just entertainment. Here are the first moves, in order. None of them require money. All of them are doable in the next seven days.

1. **Write your one sentence (chapter 2).** What you're trying to do on deal one, and what you'll risk to do it. Everything else measures against this.
2. **Pick your market.** Usually where you live, where you can drive a house in an afternoon. Learn its neighborhoods, its price tiers, its rents.
3. **Analyze one deal a day for thirty days.** Pull listings, run the four numbers, write down your max offer. You're not buying yet. You're building the instinct that recognizes a real deal on sight.
4. **Get on three wholesalers' buyer lists** and tell ten people what you're looking for. Deals come from being known and reachable.
5. **Line up your money before you need it.** Talk to a lender or two, or an honest conversation with a potential partner — so when the deal appears, you can move.
6. **Build your short bench.** One contractor for estimates, one agent who knows investors, one inspector. You don't need a team. You need a first call for each.

Do these six things and within a month you'll know more than most people who've "wanted to get into real estate" for years — because you'll have done the reps instead of just reading about them.

KEEP THIS ONE HANDY

The one-page *deal filter*.

The whole guide, compressed to a checklist you can run on any house in five minutes. If a deal can't clear these, it isn't your deal.

Before you offer

- Does it fit my one sentence — the game I chose and the risk I'll take? (Ch. 2)
- ARV from three to five real, recently-sold, fixed-up comps — not list prices or hope? (Ch. 4)
- Written contractor estimate, plus a 15% contingency on repairs? (Ch. 4 & 7)
- Other costs budgeted — closing (twice), holding, selling (~12–15% of ARV)? (Ch. 4)
- Does it still clear my minimum profit after all of the above? (Ch. 4)
- Do the numbers survive my honest attempt to kill the deal? (Ch. 4)

Before you close

- Real inspection done — and I re-traded fairly on anything it found? (Ch. 6)
- Financing lined up, with my reserve untouched behind it? (Ch. 5)
- My walk-away number is written down — and I haven't crossed it? (Ch. 1 & 6)

Before the rehab

- Scope in writing, room by room — including what I'm *not* doing? (Ch. 7)
- Fixed bid, payments tied to finished milestones, references checked? (Ch. 7)
- Exit chosen on purpose — sell, refinance, or rent? (Ch. 2 & 8)

"If it only works when nothing goes wrong, it's not a deal. It's a bet."

WHEN YOU WANT A SECOND SET OF EYES

You don't have to do *the first one alone*.

That's the whole guide. Find it, price it, fund it, fix it, exit it — and keep your head while you do. The mechanics are all here. The reps are yours to put in.

But if you get to a real deal and want someone who's done it four hundred times to look at your actual numbers before you commit, that's exactly what I do — and the first conversation is free. Not a disguised sales pitch, not a \$5,000 course. I don't sell courses. I coach and partner with investors across the country, and I keep the number small so I can be honest with each one.

THREE WAYS TO WORK TOGETHER

A free call — bring a deal or a question, twenty honest minutes, no pitch.

Coaching — real, ongoing access when you want it. \$1,000/month, or \$200/hour. Month-to-month, cancel anytime.

A marketing partnership — budget in hand and ready to scale? We build the engine together and share the upside.

Start with the free call: alanfaitel.com