

*How to Use
Your Home to
Achieve Financial
Freedom*



THE HOUSE HACKING STRATEGY

CRAIG CURELOP

with a foreword from **BRANDON TURNER** real estate entrepreneur

THE HOUSE **HACKING** STRATEGY

*How to Use Your Home
to Achieve Financial Freedom*

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DENVER, COLORADO

Praise for **THE HOUSE-HACKING STRATEGY**

“House hacking is a real estate strategy that every investor should know, especially those who want to become financially free as early as possible. If I had known about house hacking when I was getting started, I could have jump started my financial trajectory faster.”

—**Joe Fairless, Co-founder of
Ashcroft Capital and co-host of
The Best Real Estate Investing Advice Ever Podcast**

“House hacking has the power to forever change your financial position in life, and this book is your roadmap to getting there.”

—**Brandon Turner, #1 bestselling author of
*The Book on Rental Property Investing***

“House hacking is simply the best tool available to middle-class Americans that want to drastically improve their financial futures. Craig just wrote THE book on this subject. If you purchase a house-hack by applying this book’s principles, you have an extraordinary probability of becoming a millionaire within the next ten years. Maybe five.”

—**Scott Trench, CEO of BiggerPockets.com
and bestselling author of *Set for Life***

“There are many ways to make money in real estate, but one of the most simple and most profitable is often overlooked. Whether you’re someone who wants nothing to do with real estate, someone who has been investing for decades, or are anywhere in between, house hacking is an opportunity for you to get paid to own your home! In *The House-Hacking Strategy*, Craig guides you through the journey of your first (or next) house hack in a way that anyone can understand and profitably put into practice. If you’re wondering if this book is for you, it is.”

—J Scott, Co-host of *The BiggerPockets Business Podcast* and bestselling author of *The Book on Flipping Houses*

“House hacking is the perfect first leap toward real estate success, and this book is the one-stop guide to all things house hacking. With pages of practical tips and actionable advice, Craig makes it easy to learn how to eliminate that pesky housing expense and use those savings to thrive early in life.”

—Mindy Jensen, co-host of *The BiggerPockets Money Podcast* and author of *How to Sell Your Home*



INTRODUCTION

Why Am I Writing This Book?

Let's talk about the largest investment that the average middle-class American makes during their lifetime. Their house. Whether it be the first, second, or third home purchase, the down payments for these properties will be some of the largest cash outlays that they will experience. The typical strategy is to go to the bank, see what you can afford, purchase the largest possible house and live there for thirty or more years. The problem with this is that by buying the most expensive home, they are disposing of most of their investable cash in a down payment and then losing much of their monthly cash flow in mortgage payments. This limits their ability to save, and they get trapped. Trapped in the rat race. Trapped in a job that they hate for eight hours a day, five days a week, fifty weeks of the year to afford the house that they don't have the time to enjoy.

Why do people do this? It's not intentional. It's just "the way life works." Or at least that is what society tells us. What if there was another way? What if you could live in that same house, but instead of paying thousands of dollars a month, you *make* thousands of dollars a month? What if instead of working for forty years, you build enough wealth to escape the rat race and retire in five or ten years? You can enjoy your best years rather than give them away to a fat cat you don't even like working for. You can do what you want, where you want, when you want, and with whom you want.

That is why I am writing this book. I want to persuade you to abandon the long-held belief that buying a nice home in a nice neighborhood that maximizes the limits of your purchasing power is a smart investment. Instead, I will aim to convince you to turn your home into an investment that substantially reduces your living expenses, puts cash into your pocket on a monthly basis, and gives you the opportunity to escape the rat race in five to ten years rather than thirty to forty years. This book is designed for the American worker with a full-time job as his/her main source of income while starting to invest their extra money on the side. Through this strategy, you will have the ability to build massive amounts of wealth, attain financial independence, and live the life of your dreams. You do not need to worry about showing up to an office, arbitrary deadlines, or sitting in traffic to and from work.

Not only will this strategy allow you to build wealth at an outstanding rate, but it will also give you the confidence to advance much further as a real estate investor. You need a lot of money and experience with traditional real estate investing, making the barriers extremely high for newcomers. However, my strategy is different. Anyone can do it. You do not need absurd amounts of money (though you do need some), and zero experience is required.

So, what is this strategy? What is it that allows you to build hundreds of thousands of dollars of wealth, grow your confidence as a real estate investor, and gives you the opportunity to retire from wage work in just a few years?

If you read the title, you have probably already guessed it: house hacking! This book is going to show you the power of house hacking. It will challenge you to live on the upper limits of your comfort zone, and it gives you all the tools you need to go out and execute a house hack with the highest probability of success.

I wrote this book so that you have a full understanding of how you can take the first (or next) large step to take control of your life, break free from the norm, and live the life you were meant to live. Before we get into all the details though, let's define house hacking.

What Is House Hacking?

What the heck is house hacking anyway? In short, house hacking is the single most powerful way to build wealth. There is little luck involved and

anyone can do it. The idea is that you buy a piece of residential real estate (one to four units), and you live in one unit while renting out the remaining unit(s). The rental income partially (or fully) covers your mortgage so you can live cheaply (or for free) while building equity in the property as the loan gets paid down, and the property value appreciates over time.

You will likely be obtaining an owner-occupied loan with a house hack. This means that you will be required to live in the home for a year. However, you will likely have saved enough money from your first house hack investment to do another hack after you complete your year requirement. Watch the snowball begin to form now that you have an investment property and your second house hack in the works. Repeat this process for three to four years and you have a high probability of achieving financial freedom in five to ten years.

Throughout this book, you will be able to see how you can build hundreds of thousands of dollars of wealth over the course of five to ten years as you gain experience with real estate investing, all with less time expensed than your regular wage-paying job.

Anyone can successfully execute this house-hacking strategy, but this book is not for everyone. It is for those who are willing to read with an open mind and slightly change the way they live to amass significant amounts of wealth. As I describe later, there is a spectrum on just how aggressively you can pursue a house hack. On one end, there is a strategy where your living situation changes minimally, but the financial benefits will also be minimal when comparing with the more aggressive end of the spectrum. My goal is to push you further along the spectrum so that you can experience the best possible financial outcome while still living a comfortable life.

Meet the Author: Craig Curelop

I graduated from Northeastern University in Boston, Massachusetts with a finance degree in 2015. I pursued my dreams of being a Silicon Valley venture capitalist and was “living the dream.” I had a nice apartment just a few blocks from Oracle Park (formerly known as AT&T Park) where the San Francisco Giants play and worked in downtown Palo Alto, California.

After about twelve months into my stint as a venture capitalist, I concluded that I absolutely hated it. There was no way I could spend the next forty years or more doing this job. I looked at the people around me, and

they seemed content with their day jobs. Did I want to be like them, living the same life that I was then, but just a few feet down the hall? Surely, not! There had to be a better way.

Enter the concept of financial independence, real estate investing, and BiggerPockets. The concept of financial independence can be lost on some people. Growing up in a middle-class family, it was lost on me. That was until I read *Rich Dad Poor Dad* by Robert Kiyosaki and Sharon Lechter. In that book, I learned the secret that separates the rich from the middle class: The middle class tend to exchange time for money by working salaried jobs and spending almost everything they make on their living expenses. The rich, on the other hand, focus on building wealth. They save and invest their money in assets that provide a passive stream of income. Once the income stream from these assets cover their expenses, they can quit wage work and do whatever it is they want with their lives. This is financial independence!

Let me give you an example of what this looks like. Oscar has been working a salaried job for ten years now. By saving and investing much of his extra income into real estate, he now has ten properties that pay him a total of \$5,000 per month or \$60,000 per year. Oscar is confident that he can spend less than \$60,000 per year and is now able to quit his salaried job and do whatever he likes: travel, spend more time with family and friends, start a business, volunteer, or anything else he desires.

Real estate is not the only asset that can provide you with passive income. Stocks, bonds, index funds, and businesses are a few others. My favorite—as you might have guessed—is real estate investing. The idea of owning a tangible piece of property that gives me a monthly paycheck, appreciates overtime, and allows me to have total control fascinates me.

Though I knew I wanted to invest in real estate, I had no idea how to begin. Similar to almost anything else, the first step is the educational phase. I read books on real estate, listened to podcasts, watched webinars, and soaked up as much information as possible. That was when I discovered what the most logical first step to real estate investing was—what this book is all about—house hacking.

I thought of the quote by well-known businessman Jim Rohn: “You are the average of the five people you spend the most time with.” I realized that I was in the wrong place and needed to get out. After six months of intense learning, I saw a job posting for a financial analyst at BiggerPockets. On a whim, I applied for the job and was lucky enough to receive an offer.

In April 2017, I made the move. I quit my job in Silicon Valley and moved to Denver, Colorado. I was ready to get started and buy my first house hack. I had a laundry list of things to do when I arrived in Denver: Start a new job, buy a car (to Uber), find a lender, find a real estate agent, and finally find a house-hack property.

I closed on my first house hack only a few months later, a newly renovated duplex just north of City Park, Denver's largest park. The duplex had two units, each with one bedroom/one bathroom. The selling price was \$385,000 and I purchased it with a 3.5 percent FHA loan and \$17,000 down. I lived in the first floor unit and rented out the top unit. Despite living in the less desirable unit, I was still unable to live for free with cash flow from my rental unit. Real estate prices in Denver were just too high!

So, what did I do? I took what I could get, grabbed a box of Twinkies, and started watching *Friends* reruns.

Just kidding! Of course, that's not what I did. I would not be writing this book if that's what I had done. I started thinking to myself, "How can I make this property work? How can I live for free?"

I had an answer. I decided to list my bedroom on Airbnb (and throughout this book I will reference Airbnb because that's what I have used, but you can research and utilize any of the home sharing/vacation rental websites out there). Since I would no longer be able to sleep in my room, I converted my living room into a quasi-bedroom by putting up a cardboard room divider and a curtain. I put a futon behind the curtain and that is where I lived for a year. Sounds horrible, right?

Surprisingly, I enjoyed it. Not only was I able to make an extra \$500-\$700 per month while also living for free, but I was also able to satisfy my travel bug by meeting people from all around the world. I had guests from Australia, Poland, Portugal, Brazil, and a number of destinations throughout the United States. In fact, I am still in touch with a few of my guests today (including one that I kind of dated for a few months).

After a year of living behind the curtain, I decided that enough was enough. I had saved enough money to purchase my second house hack. This time, it was a five-bedroom/two-bathroom single-family residence in Thornton, Colorado, just ten miles north of my office in Denver. I live in one bedroom (an actual bedroom with real walls, windows, a door, and a closet) while renting out the other four bedrooms. The rent from the four bedrooms exceeds my mortgage payment by over \$1,000, and I still live for free.

I now have two properties: the duplex that is rented out and makes \$500–\$700 per month after expenses, and the single-family residence that I currently live in that makes \$700–\$1,000 a month. Given that my living expenses are so low, I am almost financially independent. To clarify:

Property 1: \$700 per month

Property 2: \$1,000 per month

Total monthly real estate income:

$\$700 + \$1,000 = \$1,700$ per month

What do I do for fun? I am a lot like any other twenty-something in Colorado. I hang out with friends, play basketball, snowboard, rock climb, exercise, bike, and of course learn about real estate and personal finance.

What to Expect from This Book

Now that you know more about me, let me tell you more about this book. Or better yet, let me tell you what this book is not about. This book is not going to give you financial independence. It is not going to contact real estate agents and lenders, or analyze properties for you. And it is certainly not going to provide offers, find tenants, and manage the house hack for you.

What it will do is tell you exactly *how* to do all these things. It will show you the way, but it will not force you to act: That is on you! You can lead a horse to water, but you can't make it drink.

This book is a one-stop shop for everything you need to know about house hacking. Little of this content is brand new information, as much of it can be found on the BiggerPockets forums, blogs, podcasts, and webinars. But who has that much time? I understand that you probably don't have the time, but I do. I have taken all of that information and rolled it up into one place so that you don't have to search endlessly for house-hacking tips.

I am a perpetual student of house hacking and real estate investing. I frequently meet with fellow house hackers and learn from their experiences. And you already know that I walk the walk and house hack myself. This book distills all of the information that I have garnered, and it puts it into just a couple of hours of reading.

I will crunch some numbers and show you the power behind house hacking. I will introduce a new concept called net worth return on investment (NWROI), a percentage that represents your total net worth in relation to your initial investment. I will show you the multitude of ways that you can house hack. You will learn how to find and analyze properties that you can house hack. How to assemble the best possible team. How to get over the common obstacles and roadblocks. How to manage the property. How to know what work you should do yourself versus what should be hired out. I will teach you all of these, and much more!

Do you remember in high school or college when the instructor presented a problem that COULD only be solved in one way? That is one of academia's biggest problems. In reality, problems can rarely only be solved one way. There are multitudes of ways to solve a problem, and at the end of each chapter in this book, I will have a case study of a fellow house hacker, which will show different methods used to solve house-hacking problems. I hope that you can take the information from the chapters and see how it applies in real life scenarios.

By the end of the book, you should have all the knowledge required to house hack. The only thing that will be standing between you and your first house hack is action. Starting something is often the hardest part, especially when you know nothing about that subject. That is where I come in with this book designed to give you the tools you need to feel confident about taking on your first house hack.

I will give you actionable steps at the end of each chapter so that no matter where you are in your house-hacking journey, you can find your place in this book and you can look at the next actionable step you can take to continue moving forward. The actionable step of this chapter? Turn the page!