



UPDATED **SOPHISTICATED** **INVESTOR BINDER™**

The New Banking Rules During The
Current Bank Tightening

For Members of the
Real Estate Investment Network™

www.myREINspace.com



REIN™ Sophisticated Investor Binder Checklist™

‘The New Banking Rules’

2008/ 2009 Sophisticated Investor Checklist

The times ‘they are a changing’. Securing bank mortgage financing post the sub-prime loan collapse in the U.S. is proving to be more difficult than it has in the past. Due to the irresponsible lending practices in the U.S. a ripple effect has hit the financial community, even the much more conservative Canadian banks. This has led to a tightening of rules and more scrutiny on the borrower’s financial information they want to see more proof of your financial strength. The pendulum has swung the other way past regular conservatism to major tightening. It won’t stay this tight forever however, as sophisticated investors we must adjust how we play the game when the rules change.

To provide you the most up-to-date systems and in response to these changing rules, we have worked with key bankers and brokers to update and expand the **REIN™ Sophisticated Investor Binder checklist™**.

There are now fewer players in this sandbox (Investment Property Mortgages) and they will be demanding more from you and your broker. Remember, don’t take the change in rules personally and especially in these tighter credit times do not shoot the messenger. Qualified mortgage professionals are here to help by providing you with the proper ‘rules of engagement’ when dealing with the banks.

It is now more important than ever to work all steps of your investment system if you want to take advantage in this marketplace. Some may have believed that steps in the system were ‘overkill’ and that may be true in a hot market that covered up your mistakes. However, the system was designed to protect you in ALL market conditions – but it will only work if all the steps are followed.

This tightening by the banks can have a positive spin for REIN™ members because we understand it and know exactly what the banks are looking for simply by following all the steps in the Sophisticated Investor Binder Checklist™.

Always provide your financial institution MORE than they need. Answer the questions before they ask them. There are some substantial changes to the checklist (now 2 pages long), and it is divided into four key sections.

The essential documents are those base minimum documents you must prepare to send to your mortgage professional in advance of making your application. In today’s market, you will find that without the essential documents your application may be sent back to you as incomplete or turned down completely for financing. Don’t set yourself up for disappointment; include all of this information right at the beginning of the process along with all of your back-up documentation. Banks will no longer chase you for documents.

What we used to provide as information to our Mortgage professional is no longer good enough for the banks. Completely follow the system and you will have a greater chance of securing your next mortgage even while others are being turned down outright.

REIN™ Sophisticated Investor Checklist

Upfront Information:

- ☐ Personalized Cover Letter
- ☐ Objectives & Summary
- ☐ Table Of Contents

Tab #1- The Essential Documents:

☐ **Income Verification:**

Salaried Employee:

- ☐ Letter from employer on company letterhead verifying the following:
 - a. Length of employment
 - b. Guaranteed salary and/or hourly wage
 - c. Capacity – full time, part time, contract, seasonal etc.
 - d. Contact information for employer for verbal verification
- ☐ Recent Pay stub
 - a. Current pay stub
 - b. Last year, year-end pay stub- confirms previous year's earnings
- ☐ Copy of Last Three Years' Income Tax "Notice of Assessments" and/or T4 Statements

Self Employed and/or Commissioned Sales:

- ☐ Copy of Last Three Years' Income Tax "Notice of Assessments" and/or T4 Statements (if less than 3 years provide what you can)
- ☐ Must be accompanied by last three years T1 Generals to verify source of income (if less than 3 years provide what you can)
- ☐ Last three years corporate financial statements if business is incorporated to provide proof of sustainability of self employment income (if applicable. if less than 3 years provide what you can)
- ☐ Analysis Letter From Accountant

☐ **Down payment Verification (for new purchases):**

- ☐ Cash in Bank Accounts
 - a. Cash from accounts needs 3 months proof/ official bank statements (not online printouts)
 - b. Need to be able to justify any large deposits on bank statements
- ☐ Liquid Assets including
 - a. RSP Statements
 - b. Mutual Funds Statements
 - c. _____

☐ **Rental Property Verification (current property owned)**

- ☐ DCR (Debt Coverage Ratio) Worksheet up to date and accurate
- ☐ Provide back-up detailed back-up information for all properties on the DCR spreadsheet
 - a. ALL Current lease agreements
 - Or original lease agreement with ‘tenant acknowledged’ rental increase letter.
 - b. Letter verifying ownership and rental amount is required for all properties if lease is in the name of a Property Management company
 - c. Appraisals
 - d. City Assessments
 - e. Copies of Mortgage Statements

Tab #2- Your General Information:

- ☐ Color Photo Of You and Your Family 8 ½ x 11”
- ☐ One Page Bio on You
- ☐ Personal Net Worth Statement (signed and dated)
- ☐ Completed Credit Application (signed and dated)

Tab #3- Your Detailed Back-up Information

- ☐ Verification Documents For Items On Net Worth Statement
 - a. Stock portfolios - Mutual Funds
 - b. RRSP Statements
 - c. Business Ownership Papers
 - d. Business Bank Statements
 - e. Business Profit & Loss Statements
- ☐ Copy of your Credit Bureau Report

Tab #4- Property Information

- ☐ Color Photo Of The Property 8 ½ x 11”
- ☐ Written Description of the Property
- ☐ Copy of Listing from Realtor (if applicable)
- ☐ Approved Appraisal (if you have one)
- ☐ Accepted Offer Of Purchase agreement
- ☐ Property Goldmine Scorecard
- ☐ Property Analysis Form- Property Cash Flow proforma
 - Include new property purchase in DCR sheet
- ☐ Due Diligence Checklists