

LIVING & LENDING

Your monthly key to smart living and lending



IN THIS ISSUE

**FINANCING YOUR FIRST RENTAL
PROPERTY**

**PREPARING YOUR FINANCES FOR
INVESTMENT PROPERTY SUCCESS**

**LATE SUMMER REFLECTIONS:
MAKING THE MOST OF AUGUST DAYS**

BEYOND THE DESK

**YOUR VOICE MATTERS:
ASK KAREN OR SHARE YOUR STORY!**

AMORTGAGEARCHITECTS®

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Hello August!

This month explores investment property financing - from understanding rental property loan requirements to preparing your finances for success. Whether you're considering your first rental property or expanding your portfolio, we break down the key strategies that lead to approval.

We also celebrate late summer with simple ways to make the most of August days and create lasting family memories.

Financing Your First Rental Property

Building wealth through real estate investment requires more than just finding the right property—it demands a strategic approach to financing that differs significantly from traditional homebuying. Whether you're purchasing your first rental property or expanding an existing portfolio, understanding how lenders evaluate investment properties can make the difference between approval and decline.



The Investment Property Reality Check

Investment property loans aren't just "regular mortgages with higher rates." Lenders view these as business transactions with different risk profiles, which means you'll encounter several key differences:

- Higher down payments (typically 20-25% minimum)
- Interest rates 0.125% to 0.75% above primary residence rates
- Stricter credit requirements (generally 620+ minimum, best rates at 740+)
- Lower debt-to-income tolerances
- Larger cash reserve requirements (2-6 months of payments)

Your Rental Income Can Be Your Best Asset

One of the most powerful tools in investment property financing is leveraging projected rental income. Lenders typically allow 75% of expected rental income to count toward your qualifying income, but proper documentation makes all the difference in what they'll accept:

- Signed lease agreements (strongest option)
- Professional market rent analysis
- Rental appraisal from licensed appraiser



Pro Tip: While securing a tenant before closing can strengthen your application, it's not always practical—especially if you're planning renovations or it's your first investment property. Focus on providing solid comparable rent data and professional market analysis instead.

Smart Portfolio Growth Strategies

Plan your timeline. As a first-time investment property buyer, resist the urge to acquire multiple properties quickly. Rapid acquisition triggers additional lender scrutiny and can strain your finances. We recommend spacing investment purchases at least a year apart, allowing time to:

- Establish rental history and cash flow
- Build relationships with lenders
- Learn the landlord experience
- Strengthen your financial position for the next purchase

Start simple. Focus on single-family homes or small multi-unit properties in familiar areas. This allows you to learn property management basics without overwhelming complexity while building the experience lenders want to see for future investments.

Managing Multiple Property Financing

Document everything professionally. Multiple properties mean complex income streams and tax implications. Maintain separate accounting for each property and work with a trusted accountant who has real estate investment experience to optimize your tax strategy while keeping clear lender documentation.

Leverage professional broker relationships. As your portfolio grows, financing becomes more complex. Working with an experienced mortgage broker who maintains relationships with various lenders—including portfolio lenders who keep loans in-house—ensures you have access to the best financing options as your needs evolve.

Building Long-Term Wealth

The most successful real estate investors view financing as a strategic tool to build wealth. By maintaining strong lender relationships, keeping detailed financial records, and continuously improving properties to maximize rental income and appreciation, you create a self-reinforcing wealth-building cycle.

Remember: *real estate investment is a marathon, not a sprint. Focus on quality properties in strong rental markets, maintain adequate reserves, and reinvest profits strategically. The current market presents both challenges and opportunities—success lies in thorough preparation and strategic property selection.*

Are You Ready?

Preparing Your Finances for Investment Property Success

Before you start property hunting, laying a solid financial foundation is crucial for investment property financing success. Here's your step-by-step preparation guide to position yourself as a strong borrower.

Step 1: Build Your Credit Profile

Target Score: 700+ While some lenders accept scores as low as 680, the best rates and terms require scores of 700 or higher. If your score needs improvement:

- Pay down credit card balances to below 30% of limits
- Make all payments on time for at least 6 months before applying
- Avoid opening new credit accounts during your preparation period



Step 2: Accumulate Your Down Payment and Reserves

Down Payment Strategy Most investment properties require 20-25% down, but having more provides negotiating power and better rates. Consider these sources:

- Traditional savings accounts
- Tax-free savings account (TFSA) withdrawals
- Registered retirement savings plan (RRSP) withdrawals (consider tax implications)

Reserve Recommendation Beyond your down payment, lenders want to see 2-6 months of mortgage payments in liquid reserves. These funds demonstrate your ability to cover vacancy periods or unexpected repairs.

Step 3: Organize Your Income Documentation

For Employed Borrowers:

- Recent pay stubs (last 30 days)
- Employment letter confirming position and salary
- Last 2 years T4's

For Self-Employed Borrowers:

- Two years of complete tax returns and NOAs and CRA Statement of Account (no taxes owing)
- Professionally prepared business financials
- Bank statements showing business income flow
- Business license and registration documents

Step 4: Research Your Target Market

Know Your Numbers Before applying for financing, thoroughly research rental markets in your target areas:

- Average rent for similar properties
- Vacancy rates and seasonal patterns
- Property tax rates and insurance costs
- Expected maintenance and management expenses

This research helps you make informed investment decisions and provides realistic expectations when lenders conduct their own market analysis.

Step 5: Strengthen Your Application

Reduce Existing Debt Pay down credit cards, car loans, and other debts to improve your debt-to-income ratio. Every dollar of monthly debt payment you eliminate increases your borrowing capacity.

Separate Your Finances If you plan to hold the property in a business entity, establish separate business banking accounts. Even for personal ownership, maintaining clear financial separation demonstrates professional property management approach.

Build Professional Relationships Connect with experienced mortgage brokers who specialize in investment properties. Their lender relationships and expertise can be invaluable when challenges arise during the application process.

Common Mistakes That Derail Applications

Following these five preparation steps puts you ahead of most investment property applicants. However, even well-prepared investors can stumble on these frequent pitfalls:

Insufficient Reserves - Having only enough for the down payment. Lenders want to see 2-6 months of payments in reserves beyond your down payment.

Poor Market Research - Providing unrealistic rent projections based on wishful thinking rather than actual market data.

Mixed Personal/Business Finances - Complicating your application with unclear money sources and mixed account usage.

Rushing the Timeline - Trying to buy multiple properties too quickly without establishing a track record.

Skipping Professional Help - Attempting complex investment financing without experienced mortgage broker guidance.

The Bottom Line

Investment property financing success starts with thorough preparation. By taking time to strengthen your financial position, organize documentation, and understand market conditions, you'll approach lenders from a position of strength rather than hope.

Remember, lenders want to approve good loans. Your job is to make their decision easy by presenting a complete, professional application that demonstrates both your financial capacity and investment strategy.

MY MORTGAGE PLANNER

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Late Summer Reflections: Making the Most of August Days

There's something special about August that I've come to appreciate more over the years. Maybe it's because we've finally settled into the rhythm of vacation time, or maybe it's because everything in the garden is finally ready at once. Whatever it is, August just feels more relaxed.



Over the years, my husband and I have discovered that the best family memories happen when we take the time to be intentional. Sometimes it's easier to do this in August, in those weeks leading up to the start of school. While we've certainly made wonderful memories on big planned trips and special activities, there's also something to be said for the simple moments that cost almost nothing but somehow mean everything - especially when our plans don't go as expected and we learn to get creative regardless of the weather.

When our kids were little, August was more about them - setting up a pool in the backyard, heading to the local outdoor pool for the afternoon, extra slush-runs, and heading out to Kinsmen Park. We'd all get into the truck and pick a road to drive and see where it led, and when we got to a town they would get to pick something at the local bakery or convenience store and call it an adventure. It was a lot of fun to discover our beautiful province.

Now that our children are teenagers, August looks different but somehow just as special. They don't always want to join our evening walks or weekend adventures, but when they do, the conversations are deeper and more meaningful. And honestly? My husband and I are rediscovering how much we enjoy each other's company during these quieter moments. We're falling in love all over again, exploring our own community like tourists and finding new things to appreciate about the place we call home.

What I've realized while working on this article is that it's not just August being the perfect month to create these memories, but these should be things to be intentional about regardless of the time of the year. And what better time to start than now? The beauty isn't about having the perfect plan - it's about being open to whatever the day brings. Some of our best memories happened when we threw our to-do list aside and just followed our instincts instead.

Simple Ways to Embrace August's Magic

Slow Down and Notice

- Start each morning by stepping outside and taking three deep breaths
- Keep a small notebook to jot down one beautiful thing you notice each day
- Try eating one meal each day outside, even if it's just toast on the front steps
- Watch the sunset from a different spot each evening this week

Embrace Spontaneity

- Say yes to the next invitation that makes you smile
- Take a different route home and see what you discover
- Let your children choose the family activity for an entire day
- Visit a local farmers market or roadside stand you've never tried

Create August Traditions

- Designate one evening a week as "phones away" time for conversation and games
- Start a simple evening ritual like sharing the best part of each person's day
- Plan a weekly adventure to somewhere within an hour of home
- Try a new local restaurant or food truck each weekend

Connect with Your Community

- Attend a local festival or community event you've never experienced
- Take a walk through a neighborhood you don't usually explore
- Strike up a conversation with someone new at the park or coffee shop
- Support a local business you've been meaning to try

Make Memories on Purpose

- Create a simple August photo album or memory jar
- Try something you've never done before in your own city
- Have a themed movie night with snacks that match the film
- Write a letter to your future self about what you're grateful for right now

These activities have brought my family so much joy over the years. Some worked better when the kids were little, others are perfect for now. They're flexible - you can adapt them to whatever season of life you're in. As we move through these August days, the goal isn't to make them perfectly planned. Sometimes the best thing is to slow down, notice the beauty around us, and enjoy summer's sweet spot. These days are a gift - let's savor every moment.

Make
GOOD
Memories

Beyond The Desk

A glimpse into our team's lives outside the office

Last August, my family and I were doing some Google research on things to see and do in Saskatchewan when we came across the Claybank Brick Plant in southern Saskatchewan. We decided to take a chance on this lesser-known destination, and it turned out to be one of our favorite discoveries.

Walking through this historic site was like stepping back in time. The museum tells the fascinating story of Saskatchewan's brick-making industry, and even though many of the exhibits were closed off to the public due to safety concerns, there was still so much to learn. Did you know that Saskatchewan has sinking sand? I certainly didn't until our visit!

The grounds offer peaceful walking trails with stunning prairie views, and the old brick structures create incredible photo opportunities. It was exactly the kind of adventure that reminded us how much there is to discover in our own province.

What made this trip especially meaningful was finding a piece of Saskatchewan history that was completely new to us. Sometimes the best adventures come from taking a chance on something you've never heard of before - you never know what hidden gems you might uncover.



Photo Credit: Brenda Klassen

Your Voice Matters: Ask Karen or Share Your Story!

Do you have burning questions about mortgages, homeownership, or the real estate market? Or maybe you've had an experience with mortgage pre-approval that could help others on their journey? I want to hear from you!

Submit Your Questions

Got a question you've been pondering? Text or email me and I might answer it in one of my upcoming live videos! Whether it's about the current market conditions, mortgage tips, or anything related to home buying, no question is too small.



Share Your Experience

Have you recently gone through the mortgage pre-approval process? Share your story with us! Your experience could provide valuable insights for others and might be featured in a future newsletter or video.



How to Participate

Head over to our website & use the contact form to send in your questions or stories. I can't wait to hear from you and continue the conversation!



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