

22 Question Non-Negotiable Investment Business Checklist

(What Today's Investor Must Know)

Congratulations! If you requested the document, then that means you are looking to get a competitive edge as an investor. As you will see, in this investor document, our investors do not make the mistake that other investors make every month because we put an investment plan together for them that is built from the smart investment funding foundation that avoids deal mistakes.

The reason for the checklist is that investors new and old need to make sure that their REAL ESTATE BUSINESS is on the right track. These razor sharp investor questions address the Top 22 Reasons that investor deals fall through the cracks or simply fall apart... PERIOD! You need to copy this and put it next to your computer where you will do most of your business and also put a copy in your car as a reference when executing deals. *This checklist will bullet-proof your real estate business* and give you the power to write contracts and close with confidence which already puts you 10 steps ahead of the competition. This is your ***Real Estate 22 Commandments***. Follow them with purpose and you are an instant "Deal Maker."

A journey begins with one step and here are your first 22 steps on the path to financial freedom through real estate whether you are a beginning investor or a seasoned investor that is tired of the minute-by-minute funding changes that frustrate even the best real estate investor.....

As the CEO of your investment business... take these questions, develop sharp investment questions of your own for us to answer and see how to get an appointment with our team to hammer out your best investment funding/acquisition plan. So... here you go. Below is a list of the Top 22 Reasons Investors limit their deal making ability when most deal breaking accidents could be avoided. Save this with notes for your Q&A appointment with our team. Read, Learn & Profit. And most of all... please avoid the big investor mistake you'll see at the bottom of the 22 questions that we are sharing with you.

What's a **good credit score** for an investor?

- A) 680 is technically approvable
- B) 700 is where you want to be (For Fannie/Freddie approvals with 1-4 homes financed)
- C) 720 score is mandatory (For home #5 financed and up)

Note: Home #5 and higher for training purposes includes the primary home always!

What Loan-to-Value do you need to be at to get the **best rates and costs** on investment financing?

- A) Need to be at 75% or less of the appraised value or purchase price (1-4 homes financed)
- B) Need to be at 70% or less on 2-4 families for the best rates and costs
- C) Important- Need to be at 70% or less without question on financed home #5 and higher

Can I get **cash out on investment property** financing?

- A) Only after you have owned the house for 6 months can you apply to pull cash out of the property. Fannie/Freddie guidelines say 6 to 12 months so be careful. (May be 12 months)
- B) 99% of lenders want to document that you have improved the property as well (more than just paint and carpet)
- C) There is NO CASH OUT on home financed #5 and higher which includes your primary home
- D) Paying cash for a house and then wanting to pull just the amount of the purchase back out or even less is still considered cash out
- E) Any cash back to you on a CLOSING STATEMENT that is \$2000 or more is considered cash out (This means if you paid 50k for a home and it is now worth 100k or even still 50k and you want a 2k loan- it is cash out and you would have to wait 6 to 12 months)

Note: Paying off private funds can also be considered cash out so be careful. Hard Money is different than private funds from an individual. There is specific language from Fannie and Freddie on this.

What is the **minimum loan size** needed to get investment financing?

- A) Loans are almost impossible to do on investment below \$50,000
- B) This does not mean that you cannot buy below \$50,000, you need to make sure that your final loan equals \$50,000 or you could be stuck in Hard Money or you cash could be stuck in the property
- C) The reason is that there can only be 5% in total costs and on a loan of \$40,000 for example your total costs can only be \$2,000.
- D) When you add up: Appraisal \$550, Underwriting \$500, Title Insurance \$400, Recording the Deed \$100 plus other costs- There is no room left to make money on a small loan and bankers/brokers cannot submit that loan for approval without getting questioned on why they are doing the deal

Note: Most bankers/brokers get 50% commission so in the example above the loan officer would make \$450 and only get half of that and then pay taxes on it- NOT GOING TO HAPPEN!!!

Note: You can have an undeniably good deal- it does not always equal financing... Small loan sizes better be cash deals or you may end up not being able to close or having to pay cash and not get it back via financing

How much **down payment** is required to close an investment deal? **Regular vs. Deal Maker**

- A) On a regular purchase deal it would be 25% or 20% but at a higher cost

- B) ZERO DOWN *** If you find a good deal that needs work, then as long as you have at least 30% equity of the After-Repair-Value (on a SFR) then you can get Hard Money at 100% financing and usually the money to fix the home
- C) Deal Makers know that if they find a deal that needs work and there will be at least 30% equity and 40% equity ARV, then there is plenty of Private Funds/Hard Money to close your deal
- D) You find a good deal, buy with Hard Money (no money down), fix it and then you REFINANCE to a 30 year fixed with no money invested from you
- E) This is how 99% of my students/investors buy real estate- Leverage of "OPM" Other People's Money because they have a good deal

Note: No Money Down is alive and well as long as you structure your deals the right way with equity

What **documents** do I need to provide to get investment financing?

- A) Last 2 pay check stubs, Last 2 months bank statement (all pages), Last 2 years W2's (or 1099s) and Last 2 years 1040 Tax Returns
- B) Copy of Driver's License or State ID and sometimes a social security card
- C) Any other assets- 401K, IRA, CD, stock, cash value in a Life Insurance Policy
- D) Social Security Income- Award letter and 1099s for 2 years
- E) Lease Agreements if you have investment properties or Schedule E if you have owned the house the previous calendar year
- F) All mortgage statements to show proof of whether or not you have escrows in your payment
- G) Tax and Insurance bills if you property is not escrowed to show proof of the amounts for each
- H) Documented improvements with receipts and cancelled checks
- I) HUD/Closing Statement showing proof of when you bought the property
- J) Copy of note for your Hard Money Loan and proof of payments made- Better be from your personal account or the bank mat NOT approve your loan- Better not be from your business or partners account or that could be a deal killer
- K) Copy of insurance coverage

Can I get **30 year fixed on investment property** loans and what about **interest only**?

- A) You can get 30 year fixed as long as you property is being financed in your personal name
- B) Biggest mistake is buying in your business name and then trying to get a Fannie/Freddie loan- They will only give you a 30 FIXED loan in your personal name
- C) Interest only used to be a real option, but Fannie/Freddie changed in 2008 the pricing hit on an interest only loan to 5 points which is basically saying "No More Interest Only" loans
- D) Commercial/Portfolio loan which are almost IMPOSSIBLE to get in today's are NOT FIXED LOANS and this get investors in trouble when the adjust and sometimes banks do not renew the loan which causes investors to search for new financing and the toughest times with higher rates

Does **number of units** of a property matter? SFR, 2-4 families or 5 units and up?

- A) SRF- Are the easiest to get financed and have the best rates (30% equity of ARV)
- B) 2-4 Units- Have more risk because more people live there- The rates are typically .500% higher and the cost is usually \$700 - \$1200 higher on 2-4 family properties (40% equity of ARV)
- C) 5 Units and up- These are commercial deals and are 20 to 30% down and on 3,5,7 year RENEWABLE NOTES on a 20 year term which means that your cash flow could drastically change at the renewal period as well as be lower right out of the gate- The bank DOES NOT have to renew your loan so when it comes due they may say to go elsewhere or they may take your house

How **many properties** can I finance?

- A) 4 homes with most Fannie/Freddie lenders (include your primary as 1 financed already)
- B) Home 5-10 is the next level- There are very few who will finance deal #5 and higher because they know that there are VERY FEW takers who will buy these loans and lenders need to be able to sell the loans for liquidity. (Remember: #5 and up equals 70% max LTV and a minimum 720 score) MEGA IMPORTANT RULES NOT TO FORGET
- C) 11 homes and higher- You would more than likely need to consolidate with a local bank which is super tough in a tight lending environment

Note: This is why every speech I give and investment plan I put together I say “The person with the MOST **equity partners** not matter how strong your financials are- **WINS.**” I’ve given you the script to bring on the partners and I want everyone to use it. My best client has over 32 equity partners and he is killing it in the market place and you should and will too...

What is “**Property Seasoning?**” Refinance vs. Seller seasoning?

- A) Seasoning- Is the amount of time you need to own a property before you can use the NEW appraised value to refinance or sell a property
- B) Most banks have 12 months seasoning which means if you bought the home for \$50,000 and put \$15,000 into it and it is now worth \$100,000 that they will not let you use the new value and base any sale or loan off of your purchase price until you have owned for 12 months
- C) We want to work with banks that do NON-SEASONED loans- There are not an infinite amount of investor friendly banks so you want to make sure you follow their rules to get the financing
- D) Refinance Seasoning- Your investment financing specialist (not most regular loan officers) should be able to refinance you in 1-90 days. Little to no seasoning with proof of improvements.
- E) Seller Seasoning- Which means how long do you have to own it before you can flip the house to someone else is 1 day for an FHA transaction.

Note: When you flip a house you will need to get 2 appraisals to make sure the value is there and the lender typically will make the seller (YOU) pay for the 2nd appraisal. Do not be surprised!

Do my **down payment funds need to be seasoned** on investment property purchases? If so, how long?

- A) Yes- Down payment funds need to be SEASONED for 60 days in a PERSONAL account

- B) Not a business account!!!!!!!!!!!!!!!!!!!!!!
- C) Some banks will still let you use your PRIMARY home Line of Credit as a source for down payment and not make you season it for 60 days, but they may not so be careful
- D) Acceptable accounts: Personal checking, savings, money market, CD and stock- if you use a stock or CD or even a 401k, then you will have to show PROOF of liquidation

What are **RESERVES** and how much do I need for investment financing approvals? (**#1 deal killer**)

- A) Reserves- Are the # of home payments in a liquid account needed to get a loan approval on an investment property- Banks need this because you don't live there and the risk is higher
- B) 1-4 homes financed: 6 months reserves of home payment on the Subject Property + 2 months of other investment homes owned
- C) 5-10 homes financed: 6 months house payments in reserves for all investment houses owned
- D) Business funds DO NOT count since the lenders do not know how much it takes to run your company monthly!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!

Note: Get a CD from a relative to help you with reserves if needed- pay them a premium when it matures. They win and you win because you can do more deals

Note: This is the #1 deal killer beside credit and income... Do not deplete your reserves by adding a roof that was not budgeted for because they make take your reserves below what is needed for approval!!

Can I **count my leases as income** against my payments to help my debt ratio for more investment approvals? MEGA IMPORTANT

- A) Yes- Provided that the lease is NOT a Month-to-Month
- B) Yes- Provided that the home attached to the lease is not on your Schedule E since you have owned it through the next tax period
- C) Yes- As long as you can show proof that you collected the security deposit via a cancelled check (sometimes wanted from the bank)- Not too often though
- D) Yes- But if you have less than 2 year experience managing rentals, then they DO NOT have to count the rents if the approval ask for 2 years experience. (This is why a 70 score is SUPER IMPORTANT) 680-699 score could trigger these type of stipulations
- E) Yes- But you only get credit for 75% of the lease amount since the lenders take off 25% for incidentals and anticipated vacancy/marketing time
- F) No- If you have the property on your Schedule E on your 1040 tax return. They will do a calculation a not even look at the lease. So it depends on what you write off on the Schedule E which you need to be very conscious of when looking to qualify for the next approval.

Note: Be careful how much of the rents you write off because it could hurt you in the long run

Should I close in my **Personal Name or Business Name**?

- A) Personal Name!!!!!! To get 30 year fixed rates you need to close personally

- B) People go to seminars, read books and watch infomercials and are spoon fed ASSET PROTECTION- The real answer is that for the good financing you need to title in your personal name
- C) You have insurance to cover you
- D) Quit Claim to your LLC or company after you secure your final financing
- E) There are advantages to titling in your LLC and Corporation- Tax and asset protection, but do it after you get the LONG TERM fixed financing

*** Always consult your Attorney or CPA for advice***

What is **“Rapid Acquisition?”**

- A) Underwriters have the right to say that you are a newer investor and they do not want to approve your 2nd and 3rd deal if they are bought in a rapid fire manner (it is in the guidelines and no one likes to talk about it)
- B) Layering of Risk (new investor, multiple acquisitions in short time frame, low reserves)
- C) It’s your job to look good (plenty of reserves, quality work, low LTVs, no mysterious funding sources)
- D) My favorite phrase I teach is to “Look pretty and not get stuck.”
- E) Solutions: Flip some, Equity Partners

What **Loan-to-Value should I buy** at?

- A) Personal Deals: 60% or lower of the ARV for SFR
- B) Personal Deals: 50-55% or lower of the ARV for 2-4 families
- C) Wholesale Deals: 50% or lower of the ARV to deliver them home to investors at 60% so they have room to fix-up with Hard Money
- D) Deal #5 and higher should always be a 55% or less because your max Loan-to-Value will be 70%
- E) Always need to buy at these levels or better to leave yourself fix-up wiggle room

Can I **refinance a listed property** if it does not sell and my Hard Money is coming due and how fast?

- A) No- 99.9% of lenders will make you UNLIST the property for 6 months before you can refinance
- B) You told the world you want to sell
- C) The lender paid an underwriter, the closer and the loan officer to close your deal and you may dump the loan if you find a buyer
- D) The lenders will not break even if you finance and sell quickly
- E) Some loan officers can get exceptions with banks to wait only 30 days
- F) **Always refinance before you list** for sale to get rid of the short term higher rate financing

Should I ask for the **seller to pay closing costs** on an investment contract offer?

- A) Not usually if you want to win the deal

- B) If you ask at all you should **NEVER** ask for more than 2% of the sales price (Fannie/Freddie)
- C) Ask for more than 2% is letting the world know you are a **NEWBIE**
- D) Write good contracts that get accepted and get a good reputation for closing

When would **negative cash flow NOT kill my deal**?

- A) If it is vacant because you are flipping it- Most banks do not like to finance vacant homes so when you refinance you need to make sure your loan officer is an investment specialist
- B) There are some banks that do not care about financing a vacant home
- C) Of course if you were keeping the home you would not do a deal with negative cash flow

What is **“rent loss”** insurance and do I need it?

- A) It is a provision on investment insurance policy that allows you to file a claim if a renter damages your home so that you can get rents paid for up to 6 months while you fix it
- B) It is an extra item on your insurance policy that most lenders are requiring in today’s lending
- C) It is usually inexpensive and gives you more protection (Typically an extra \$100 per year)

What may happen if I **“Flip” my financing** too fast with a lender?

- A) The lender can flag your name and social security number and not do loans for you anymore
- B) There are not an **infinite** number of investor friendly banks so follow the rules
- C) Pay cash or use true private funds when flipping if you can

Is getting **RENOVATION/REHAB financing** difficult?

- A) Not with at least 30 to 40% equity of the ARV
- B) Not with the right analysis and approach (You, realtor and appraiser all evaluate)

Following these principles take the guesswork out of investing and give you the strength to know that you can close any deal that has equity. We’ve combined the wisdom of over 7,000 investors to produce a business checklist that would make even the best real estate players blush. This is your competitive advantage to take to the marketplace. This is your funding-machine-matrix, so be an investor-machine and execute.

Investor Mistake Alert: * Remember *****

You are the CEO of YOUR business!...

...So everything you do and do not do for your business filters to your business-bottom-line.

CEO Decision Notification: As the CEO, make the smart business owner decision to ***set an appointment asap*** with our team to get your questions answered that develop from this investment planning document. Don't guess your way into losing a deal in the competitive investment real estate market.

Contact Us ASAP For Your Free 1-on-1 Planning Appt:

(Helping Investors For Over 18 Real Estate Years)

kevin@applywithkevin.com (314) 471-6254 or Jason@goseejason.com (314) 749-3737 to get your questions answered & leave with the best private & bank funding for investment real estate that helps you not only win deals, but CLOSE them as well.

Thank you,

Jason Palliser – National Investment & Marketing Trainer

Palliser/Shea Funding Team

(30 + Years Experience Funding The Investment World's Deals)