



## ***MORTGAGE INVESTMENT OUTLINE:***

### **PRODUCT INFORMATION:**

Mortgages have traditionally been the preferred investment for banks; in fact, government regulations for trust companies and banks require a large percentage of their assets be based in either conventional or NHA insured mortgages. (Conventional mortgages are mortgages where there is a 20% equity or larger, and NHA mortgages are ones in which the equity is less than 20% and the mortgage is insured by a government approved insurer against default or loss to the bank.)

Mortgages are similar to bonds in that they are debt instruments whereby the investor's return is derived from a predetermined, agreed upon return (the interest rate,) they have security in the form of real estate (preferable to the security provided in bonds which are an unsecured corporate loan,) and the yield is typically greater than a bond. Mortgages offer the security of a blue chip bond (very low level of risk) and a locked in yield like a GIC but at a much higher return.

### **PIONEER WEST MORTGAGE OPTIONS:**

#### **1. PIONEER WEST MORTGAGE INVESTMENT CORPORATION**

Pioneer West's MIC offers shares in a pooled fund whereby investors can invest any amount at any time with the flexibility of receiving quarterly interest payments and may get their investment funds back at any time, subject to the retraction rules. The average historical yield in PWMIC is 7.88% and the 2022 projected MIC dividend is 6.5% - 7.00%, paid quarterly. PWMIC is a very safe option for investors who are new to mortgage investments or for investors who are more conservative by nature. The MIC is regulated by provincial and federal law and only invests in Canadian mortgages. All mortgages are registered in the MIC's name on title. All MIC shares are sold by Drake Financial Ltd. Please contact them for more information. [info@drakefinancial.com](mailto:info@drakefinancial.com) or 604-855-6661



This chart tracks the result of investing \$100,000 on January 1, 2006 with PWMIC shares, DJIA, TSE or S&P 500 and shows the values of the investments as at December 31st 2006 and for each year end until June 30, 2022. The PWMIC shares earned 250.36% return on the original investment over the 17 years whereas the DJIA earned 212.82%, the TSE earned 52.00% and the S&P 500 earned 215.40%. The dates we selected are the 17 year life span of PWMIC.

## 2. PIONEER WEST DIRECT MORTGAGE INVESTMENTS

Pioneer West DMI mortgages are mortgages where the individual investor selects a specific mortgage investment and funds the mortgage entirely. The investor makes a one year commitment and can get the investment funds back at the end of the year. The rates are generally higher but require some administration by the investor and there may be interruptions in the monthly payments for arrears.

### **BOTH INVESTMENT OPTIONS OFFER SIMILAR BENEFITS AS FOLLOWS:**

#### *SECURE*

- All mortgages are registered directly at land titles registry in the province the property is located. This ensures the property owner can not sell or refinance the property without dealing with the investor's mortgage.
- A professional appraisal or a provincial property assessment authority usually verifies all property values independently.
- All mortgages are completed through experienced law firms specializing in real estate transactions and include title insurance and ensure property taxes are paid.



- The investor/PWMIC funds the investment directly through the law firm “In Trust.” This ensures the investor’s funds are secure throughout the whole transaction.

#### *SUPERIOR RATE OF RETURN*

- Pioneer West mortgage investments offer rates of return at two to five times that of a GIC, depending on whether the mortgage is a first or second mortgage and various other factors.

#### *RRSP/TFSA/RESP ELIGIBLE*

- Pioneer West mortgages and Pioneer West Mortgage Investment Corporation are an eligible investment for all RSP’s and RIF’s in Canada, although not all trustees offer administration of mortgages. You may have to transfer an amount from your RSP to another trustee to fund mortgages. Pioneer West is an authorized agent for Canadian West Trust and as such can handle the process for you. Just ask your Pioneer West representative about it.

#### *FULL ADMINISTRATION*

- Pioneer West performs all administration at *no cost* to the investors. Administration includes originating and completing mortgages, handling dishonored payments, payouts, amortization schedules, renewals, insurance and property tax confirmations.

#### *FLEXIBILITY*

- Pioneer West mortgages are arranged on a one-year term so the investor’s commitment is for only one year at a time. At the end of the one-year investors have the choice whether to renew the investment for an additional year or not.

### **ABOUT PIONEER WEST:**

Pioneer West Acceptance Corporation was founded in 1995 and has grown to be one of the fastest growing and most reliable mortgage brokerage firms in Western Canada. Pioneer West is government licensed and has offices in North Vancouver and Calgary and is currently expanding. The company is a member of the Better Business Bureau (BBB,) and Mortgage Professionals Canada (MPC) and is proud to support their ethical codes of conduct.

Our goal is to provide clients with the best mortgage investments and financing available based on uncompromising honesty, integrity, and professionalism. Our aim is to build long term relationships with our borrowers and lenders alike through open communication and dedicated teamwork. Our objective is to have a satisfied customer at the end of every transaction.

### **RATE OF RETURN:**

#### **Current Pricing** (as at July 25, 2022)

**1) Pioneer West Mortgage Investment Corporation** – 14.4% 2006, 12.74% 2007, 10.0% 2008, 5.5% 2009, 7.0% 2010, 11.78% 2011, 7.00% 2012, 7.00% 2013, 7.00% 2014, 7.00% 2015, 5.77 2016, 6.13 2017, 6.60% 2018, 6.82 2019, 6.40% 2020, 6.30 2021, Projected 2022 return 6.50% to 7%



## 2) Pioneer West Direct Mortgage Investments –

First mortgages go from 6.75% to 8.75% depending upon the “pricing factors.”

Second mortgages go from 8.75% to 15.75% depending upon the “pricing factors.”

### **PRICING FACTORS:**

Mortgage return rates vary with the fluctuation of interest rates in the marketplace but the main “factors” that differentiate pricing between mortgages are mortgage charge (1<sup>st</sup>, 2<sup>nd</sup>, or 3<sup>rd</sup> mortgage,) location of property, type of property, loan-to-value, credit history, and overall strength of the borrowers.

*Mortgage Charge* – Investors will generally receive a higher yield for a 2<sup>nd</sup> mortgage than a 1<sup>st</sup> mortgage, and higher still for a 3<sup>rd</sup> mortgage than a 2<sup>nd</sup> mortgage. (3<sup>rd</sup> mortgages are rare and should only be considered by experienced mortgage investors.)

*Property Location* – A property with a good location is considered more marketable and because the property is more marketable, the mortgage will be more secure and command a lower yield.

*Property Type* – Residential properties are preferable to commercial or agricultural properties, and urban properties are preferable to rural properties. Single family properties are preferable to strata or multi-family properties. The better the property type, the lower the return on the mortgage.

*Borrower Strength (Covenant)* – This refers to the employment of the borrower, income, stability of employment, assets, liabilities, etc. The stronger the applicant the stronger the mortgage and the lower the mortgage yield.

*Loan-to-Value* – The lower the loan-to-value the lower the interest rate. Loan-to-Value is calculated as the mortgage investment amount plus any senior mortgages (if applicable) divided by the property value as determined by a professional appraisal or provincial property value assessment. Note: Chartered banks lend to a loan-to-value of 80% - a mortgage investment with a loan-to-value higher than 80% should only be considered by experienced investors.

*Credit History* – An applicant will generally qualify for a better rate of interest if their credit is good, and a higher rate if their credit is not good.

### **COMMON QUESTIONS:**

- *Why would a borrower take a mortgage from a private investor instead of a bank?*

Usually when a borrower takes a private mortgage they do not qualify at a bank. Banks require proof of income in the form of tax returns and many self-employed individuals have write offs sufficient to preclude their borrowing from banks. Additionally, there are numerous clients who make their financial decisions based upon expediency – especially if they are borrowing for investment or business reasons.

- *What if I receive a bounced cheque?* Pioneer West mortgages call for a \$150 dishonored payment fee, and a Pioneer West employee will collect the payment for you at no charge.
- *How long do I have to commit to a specific mortgage?* All Pioneer West mortgages are written on a one year term so that after one year if you need the money for something



else, you can chose to get your money back or renew for another year. If you chose to have your money returned or reinvested in another mortgage, Pioneer West will handle the collection of your funds which involves refinancing or transferring the mortgage to another investor.

- *For more information, or to answer further questions please call a Pioneer West mortgage broker, or log on to our web site at [pioneerwest.com](http://pioneerwest.com) to learn more about mortgage investments.*