

WHAT IS A DSCR LOAN?

A Debt Service Coverage Ratio (DSCR) loan is a type of financing used by real estate investors to purchase or refinance investment properties.

The DSCR itself is calculated by dividing the property's gross rental income (GRI) by its total debt service (principal, interest, taxes, insurance, and HOA – PITIA).

Benefits of DSCR Loans

Simplified Qualification:

Focus is primarily on the property's income rather than personal income, making it easier for investors with fluctuating income or limited credit history to qualify.

Faster Closing Times:

Reduced paperwork and verification requirements can lead to quicker approval and closing processes.

No Income Verification:

Many DSCR loans don't require personal income verification, streamlining the application process.

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Eligibility Criteria

While specific requirements vary by lender, common eligibility criteria for DSCR loans include:

- **Financing:** The maximum is 80% loan to value.
- **Minimum DSCR:** 0.75 or No Ratio
- **Credit Score:** The minimum score is 660.
- **Property Type:** Eligible 1-4 rental properties.
- **Appraisal:** An appraisal is necessary to determine the property's market value and potential rental income.
- **Reserves:** The minimum is 3 months reserves.

DSCR loans are a valuable tool for real estate investors looking to finance income-generating properties. By focusing on the property's ability to cover its debt obligations, these loans offer a streamlined qualification process and greater flexibility compared to traditional mortgages.



All programs are subject to borrower and property qualifications. Rates, terms, and conditions are subject to change without notice.