



DSCR

LoanStream Correspondent

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Agenda

- 01 What is a DSCR loan?
- 02 DSCR Benefits & Summary
- 03 DSCR Highlights & closing in an entity
- 04 Short Term Rentals
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Debt Service Coverage Ratio (DSCR)

DSCR Overview

➤ **DSCR loan is for Real Estate Investors**

Under the Debt Service Coverage documentation option (Alt Doc) PROPERTY INCOME is used to qualify the transaction. Debt Service Coverage is available to Experienced and First-Time Investors purchasing or refinancing investment properties to hold for business purposes.

➤ **What is Debt Service Coverage Ratio (DSCR)**

- Gross rents divided by qualifying PITIA or ITIA.
- Depending on the ratio, there's 4 types: DSCR ratio >1.25 , >1.00 , & $< .75$.
- 100% of the rents can be used and no vacancy factor is required.

➤ **What makes it a business purpose loan?**

Official Interpretation to §1026.3(a) [CFPB Rules and Policies Exemptions]

Non-Owner-Occupied Rental Property. Credit extended to acquire, improve, or maintain rental property (regardless of the number of housing units) that is not owner-occupied is deemed to be for business purposes.

DSCR Benefits & Summary

Faster Closings

- Less Documentation and Disclosures
- Non-TRID loan and NO Waiting Period

No Income or Employment

- Do not include on the 1003
- No DTI
- Leverage existing cash flow to acquire more investment properties

Program Offerings

- As little as 15% down payment (experienced investor)
- Loan Amounts up to \$3,500,000
- Interest Only Options
- Close in Entity
- Short Term Rentals - OK to AIR DNA
- ITIN Borrowers (>1.00 DSCR grade only)
- Unlimited Financed Properties
- Waive Reserves with LTV < 65%!
- Cashout can be used as reserves (in most cases)

DSCR Highlights

- LTV's Up to 85% on Purchase/R&T
- Credit
 - Down to 620 FICO Core DSCR
 - Down to 640 FICO Sub1 (aka $\geq .75$)
- Vesting in an entity - Use the FICO of the largest % holder of an entity
- Loan Amounts
 - Up to \$3.5M
- Terms
 - 30yr and 40yr Fixed (true 480-month term)
 - Non-Standard Terms
 - IO Available (not available on 15-year term)
- Cash Out to 75% LTV
- Gift Funds Allow up to 100% (w/10% LTV reduction)
- Private Party VORs (LSM niche!)
 - LTV $\leq 80\%$ & ≥ 660 FICO
 - LTV $\leq 70\%$ & ≥ 600 FICO



DSCR – Where to Start...

> Know your Investor's Experience Level

Experienced / Inexperienced Investor	
<div>Experienced Investor:</div> <ul style="list-style-type: none">Borrower(s) with history of owning & managing NOO income-producing investment real estate for at least 1 yr within the last 3 yrs<ul style="list-style-type: none">Only 1 borrower has to meet the Experienced Investor definitionLiving rent free allowedMortgages Tradelines reflected on credit report that have been paid off or sold in the last 12 mos can be used to meet the above requirements. <p>NOTE: All properties to meet above definitions must be domiciled in the US (Foreign National excluded)</p>	<div>Inexperienced Investor:</div> <ul style="list-style-type: none">Borrower without history of owning & managing NOO income-producing investment real estate for at least 1 yr within the last 3 yrs80% Max LTV \$1,500,000 Max LA 60% Max LTV for Sub1 < 1.00 0x30x12 housing history (VOM/VOR) C/O not allowed for Sub1 Min 3 mos reserves, cash out cannot be utilized No Ratio, STR and 5-8 ineligibleAll borrowers must meet inexperienced definition, FTHB and/or living rent free not allowed <p>NOTE: All properties to meet above definitions must be domiciled in the US (Foreign National excluded)</p>

> Calculate the DSCR Ratio

- Select DSCR – Min 1.25 Ratio (Min FICO 700)
- Core DSCR – Min 1:1 Ratio (Min FICO 620)
 - Min 1.2 Ratio > 80% LTV
- Sub1 DSCR – <1:1 to min .75 Ratio (Min FICO 640)
- No Ratio – < .75 Ratio (Min FICO 700)

> Review the Matrix Guidelines

- Don't miss the second page with more specifics around unique properties, vacant options, etc.
- Don't forget about the PPP options and state restrictions!

Pre-Payment Penalty

Eligible for investment properties only where permitted by applicable state law and regulations



Vacant Properties – No Lease Exists

Vacant / Unleased Properties(7.7.10)

- Purchase Transaction – no LTV restriction
- Refinance Rate/Term
 - Loan Balance \leq \$1,000,000 – 70% LTV Max
 - Loan Balance \leq \$2,000,000 – 65% LTV Max
- Refinance Cash-Out
 - Loan Balance \leq \$1,500,000 – 60% LTV Max
 - Appraisal or (if Transferred appraisal) a 2055 Drive By can be used in lieu of CDA (Clear Capital)
- LOE for cause of vacancy
- No Ratio Ineligible (refinances only)

Closing in an Entity

What is it? Closing in the name of an Entity such as a Limited Liability Corporation (LLC), Corporations, S-Corporations, or Partnership.

- Only allowed on Business Purpose Loans
- Only allowed on Investment Properties

What's needed to close in an LLC or Business Entity? (2.7.3 houses Documentation required)

- Purpose and activities are limited to ownership and management of real property
- Restricted to investment properties, business purpose loans, only
- Entity must be domiciled in a US State
- Any business structure is limited to a maximum of 4 owners or members
- Largest % owner of the entity will also be used to determine qualification and pricing
- Each Member/Officer of the Entity must receive notice of the loan and its terms prior to closing (initial disclosures or equivalent) (SG NonQM 2.7.3)

Documentation Required

- Refi Only: When you take the property out of the LLC and put it into an individual name an LOX may be required.
- Minority owners with 15% or less ownership may remain off the loan; no Personal Guaranty required.



DSCR Lease Review

Purchase transactions (7.7.8)

- Use the rents provided on the comparable rent schedule from the appraiser (1007 required).
- If the subject property is currently rented, and purchase contract is assigning rental agreement to proposed buyers, then rental agreement can be used. LSM will use the lesser of actual rents or 125% of market rent.

Refinance transactions:

- Existing lease required AND market rent schedule (1007) up to 125% (LSM will use lesser of)
- Brand-new lease, use the validation of security deposit and first month's rent.
- Market Rent provided by the appraiser required
 - Lease not required on refinance transactions if loans amount < \$1MM and LTV < 65%. Utilize rents from appraisal (1007 or Rent Survey)
- Airbnb, VRBO or similar rentals can be considered
- ADU leases cannot be used unless verified by the appraiser & lease agreement is supported by rental comps (1007)

DSCR Short Term Rentals (STR)

Short Term Rental Opportunity

Purchase (7.7.11)

New STR (no STR history)

- AirDNA (income used to qualify)
 - If AirDNA data doesn't meet guidelines, property must qualify as LTR.
- Appraisal 1007 (required on all NOO transactions)
 - STR 1007 is not the income qualifying source for DSCR STR

Active STR (STR history)

- Seller to provide 12-month earnings verification (if available) (income option #1)
- AirDNA (income option #2)
- Appraisal 1007
 - STR 1007 is not the income qualifying source for DSCR STR
- If income options #1 and #2 are not obtainable, property will qualify as LTR

20% reduction to gross income for extraordinary costs

Refinance (7.7.11)

Active STR w/ 12+ months STR history

- 12 mos. earnings statement or 12 mos. bank statements (income used to qualify)
- Appraisal 1007 (support only, not income)

Active STR w/ 6-12 months STR history

- 6-12 mos. earnings statement or 6-12 mos. bank statements (income used to qualify)
- Average accordingly (i.e. If STR for 8 months, divide by 8 months)
- Be careful w/ seasonal properties (< 12 months may be ineligible)
- Appraisal 1007 (support only, not income)

Active STR w/ < 6 months STR history

- Unable to use earnings statements due to lack of history
- Exception required to use AirDNA (or treat as vacant)
- Appraisal 1007 (support only, not income)

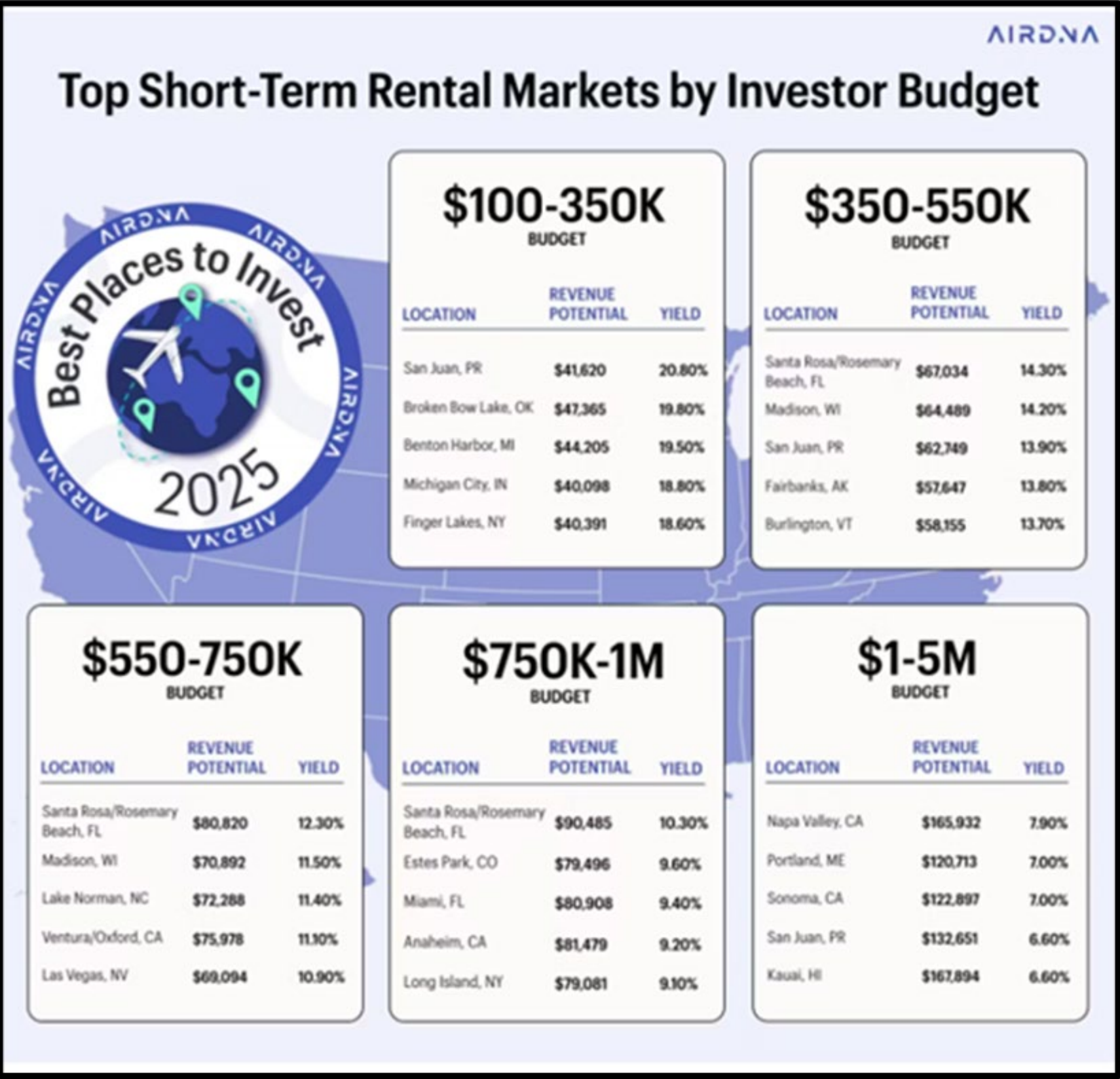
New STR (no history due to renovation/construction)

- Must be newly constructed/renovated
- Property is vacant
- Occupancy cert issued or renovation complete in last 60 days (prior to app date)
- AirDNA (income used to qualify)
- Appraisal 1007 (support only, not income)

20% reduction to gross income for extraordinary costs



Short Term Rental Opportunity



2025 Best Places to Invest

*Average Revenue Potential for properties that are currently listed for sale in that market. Growth refers to year-over-year change, 2023 vs 2024.

OVERALL RANK	MARKET	AVG. REVENUE POTENTIAL*	LISTING GROWTH*	GROSS YIELD	OCCUPANCY	ADR	REVPAR	REVPAR GROWTH*
1	Peoria, Illinois	\$31,131	21.1%	15.3%	58.9%	\$179.61	\$105.75	7.7%
2	Fairbanks, Alaska	\$49,459	17.4%	15.1%	66.5%	\$224.35	\$149.15	6.2%
3	Akron, Ohio	\$31,207	33.2%	12.6%	55.2%	\$245.42	\$135.45	11.5%
4	Columbus, Georgia	\$39,986	20.5%	13.4%	60.3%	\$187.04	\$112.81	5.5%
5	Crescent City, California	\$51,318	11.1%	11.9%	63.3%	\$269.16	\$170.33	8.8%
6	Shreveport, Louisiana	\$36,106	10.1%	12.2%	57.3%	\$185.04	\$106.00	12.6%
7	Page, Arizona	\$47,243	9.7%	11.0%	62.1%	\$303.96	\$188.72	11.2%
8	Rockford, Illinois	\$35,826	27.2%	14.0%	56.9%	\$281.93	\$160.37	5.2%
9	Dayton, Ohio	\$35,456	17.9%	11.7%	58.3%	\$191.25	\$111.42	8.1%
10	Frankfort, Kentucky	\$46,369	64.7%	13.1%	56.1%	\$303.56	\$170.18	6.1%

Note: Yield is the annual revenue potential divided by the sale price, as the key metric. Yield tells you what percentage of the sale price is covered by your projected short term rental earnings annually



DSCR 5-8 General Eligibility



Reach more Investors with 5-8 Units



Available for Experienced Investors ONLY

Borrower(s) with history of owning and managing non-owner-occupied income-producing investment real estate for at least 1 year within the last 3 years



First Time Investors / Inexperienced Investors NOT Eligible

DSCR 5-8 General Eligibility

Highlights (# of units that require a lease). (7.8)

- Minimum FICO 680= up to 70% LTV
- Minimum DSCR 1.00
- DSCR= Eligible monthly rents/PITIA or ITIA (interest only)
- Investment Properties only (borrower cannot occupy a unit)
- Residential 5-8 Units (legal/highest and best use)
- Interest Only available- I/O payment will be used to qualify DSCR ratio
- Min Loan Amount \$250,000- Max Loan Amount \$2MM
- Purchase, Rate/Term, and Cash-Out
- Cash In Hand \$1MM max, 65% Max LTV
- Mixed Use Properties are NOT eligible

Borrower Eligibility and Vesting

- US Citizens, Permanent Resident Aliens, Non Perm Resident Aliens
- Foreign Nationals, ITIN, and DACA - **NOT Eligible**

Acceptable Forms of Vesting

- Individual
- Inter Vivo Revocable Trust
- Joint Tenants
- Tenants in Common
- LLC, Partnership, Corp, S Corp

DSCR 5-8 Tips to Remember



Property 1
Good, Let's Proceed



Property 2
Umm..... Haunted
House?

GOOGLE IS OUR FRIEND!

When originating a 5-8 property, google the property first!

Check it out, how does it look?
Condition, Health and Safety,
Marketability?

DSCR Closed End Seconds

DSCR Closed End Seconds

Details	Concurrent Close	Standalone Close
Max LTV/CLTV/HCLTV	More restrictive of 1st lien program or Eligibility Matrix	Refer to Eligibility Matrix
Property Type CLTV Restrictions	2-4 Unit - 75% max CLTV ≤ \$500,000 & 65% max CLTV > \$500,000 (Second Home and Select Full Doc ineligible) Condo (warrantable & non-warrantable) - 75% max CLTV, All FL Condos: Purchase & R/T Refi - 70% max CLTV, C/O Refi - 65% max CLTV	
Income Types	<ul style="list-style-type: none"> Full Doc - Select and Core Alt Doc - Bank Statements, P&L w/3 mos Bank Stmt, One Yr Self-Employment, 1099, WVOE only, Asset Utilization DSCR 	
Alt Doc - One Yr SE, WVOE, 1099	5% CLTV reduction	
ITIN	75% max CLTV (Select ineligible)	
DACA	75% max CLTV (Select ineligible)	
Foreign National	700 min FICO, 70% max CLTV (Select ineligible)	
Eligible 1st liens	Refer to Product Restrictions 1st Liens - Concurrent Close	Refer to Product Restrictions 1st Liens - Standalone Close
Minimum Loan Amount	\$75,000	
Max Combined Liens	\$2.0MM: > 80% - 85% CLTV \$2.5MM: > 70% - 80% CLTV \$3.5MM: > 60% - 70% CLTV \$5.0MM: > 50% - 60% CLTV No max limit: ≤ 50% CLTV Combined loans amounts over \$2.5MM: Primary Residences only, min 700 FICO required All existing subordinate/junior liens (except solar liens/leases/UCC filings) must be satisfied	
DTI	<ul style="list-style-type: none"> ≤ 80%: More restrictive of 1st lien requirement or 50% max DTI > 80%: More restrictive of 1st lien requirement or 45% max DTI 	<ul style="list-style-type: none"> ≤ 80%: 50% max DTI > 80%: 45% max DTI
Full Doc - Select	<ul style="list-style-type: none"> Wage Earners: Paystub, 2 yrs W-2s, W-2 transcripts Self-Employed: 2 yrs personal and business (if applicable) tax returns, tax transcripts 	
Full Doc - Core	<ul style="list-style-type: none"> Wage Earners: Paystub, 1-2 yrs W-2s, W-2 transcripts Self-Employed: 1-2 yrs personal and business (if applicable) tax returns, tax transcripts 	
Alt Doc - Bank Statements	<ul style="list-style-type: none"> 12 months personal 12 months business Self-Employed only 	
Alt Doc - P&L + 3 Mos Bank	<ul style="list-style-type: none"> 3+ months business + P&L statement Self-Employed only 	
Alt Doc - One Year Self-Employed	<ul style="list-style-type: none"> 12 months banks statements and prior year W2 Self-Employed only 	
Alt Doc - WVOE	<ul style="list-style-type: none"> Written VOE Wage Earner only 	
Alt Doc -1099	<ul style="list-style-type: none"> 1099(s) only source of income 	
Alt Doc -Asset Utilization	<ul style="list-style-type: none"> Amortized liquid assets for income - May be all income or blended w/other income 100% Utilization (w/out DTI) 	
DSCR	More restrictive of 1st lien requirement or ≥ 1.00 DSCR	≥ 1.00 DSCR
Vacant/Unleased (DSCR)	Ineligible (refis only)	
STR (DSCR)	5% CLTV reduction • Experienced investors only, must also have ≥ 12 mos STR rental history in last 3 years	
Credit Event (BK.SS.FC.DIL)	48 months (Core Full Doc, Alt Doc & DSCR only (Select ineligible))	84 months -Select Full Doc 48 months - Core Full Doc, Alt Doc & DSCR

- Investors looking to cash out, but don't want to ditch those low rates on that investment portfolio?
- Take advantage of our DSCR Closed End Seconds!
- Turn equity into "Business Purpose" cash (property renovation or additional investment acquisition!!)

The ONE Lender for Correspondent

View individual [loan program guidelines](#) and matrices.



Access the [Seller Guide](#) [Forms](#) [Helpful Tips](#) [Webinars](#) [Marketing Materials](#) and MORE under this important section!



Access [Seller Connect](#) for registering, locking loans and keeping up-to-date with your loan status!

Documentation needed for CREDIT package submission:

- Corr Underwriting Loan Submission Form
- Application (REO schedule completed)
- 1008 Underwriting Transmittal
- Credit Report
- Lease Agreements/Proof of rents
- Full Interior/Exterior Appraisal; 1007
- Title/Escrow, Insurance
- Assets/Reserves
- LLC or loans held in a Trust: Borrowing Certificate or Certificate of Authorization (proof of holding title in the name of business/LLC; business purpose loan).

Business Purpose & Occupancy Affidavit		Download Form
Personal Guaranty		Download Form

Documentation needed for CLOSED package submission:

- Personal Guaranty: Only applicable when holding title in the name of a business (business purpose loans)
- Business Purpose & Occupancy Affidavit: Only applicable on investment property business purpose loans



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