

NORTHSTAR FUNDING

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DSCR Investor Guide

Master Debt Service Coverage Ratio Loans for Real Estate Investing

What is a DSCR Loan?

A Debt Service Coverage Ratio (DSCR) loan is a type of NON-QM mortgage that qualifies you based on the property's rental income rather than your personal income. This makes it perfect for real estate investors who want to scale their portfolio without income verification hassles.

How DSCR is Calculated

$$\text{DSCR} = \text{Monthly Rental Income} \div \text{Monthly Debt Obligations}$$

Example:

- Monthly Rent: \$3,000
- Monthly PITI: \$2,400
- DSCR: $\$3,000 \div \$2,400 = 1.25$

DSCR Loan Requirements

- **DSCR Ratio:** Typically 1.0 or higher (some programs allow 0.75+)
- **Credit Score:** Minimum 620-640 depending on program
- **Down Payment:** 20-25% for investment properties
- **Property Type:** 1-4 unit residential, condos, townhomes
- **Loan Amount:** Up to \$3M+ depending on property
- **No Income Verification:** No tax returns, W-2s, or pay stubs required

Why Investors Love DSCR Loans

- **No Income Verification:** Perfect if you have complex tax returns or write off a lot of expenses
- **Unlimited Properties:** No limit on number of financed properties (unlike conventional loans)
- **Fast Approval:** Simpler documentation means faster closing
- **LLC Friendly:** Can close in business name for liability protection
- **Cash-Out Refinance:** Pull equity out for next investment
- **Interest-Only Options:** Maximize cash flow with IO payments

DSCR Investment Strategies

- **BRRRR Method:** Buy, Rehab, Rent, Refinance, Repeat using DSCR cash-out refi
- **Portfolio Scaling:** Use DSCR to buy multiple properties quickly without income limits
- **Short-Term Rentals:** Some lenders allow Airbnb/VRBO income for DSCR calculation
- **Fix & Hold:** Finance renovated properties based on new rental income
- **1031 Exchange:** Combine with 1031 to defer taxes and scale faster

Ready to Scale Your Portfolio?

Contact NS Funding to discuss DSCR loan options for your next investment property. Our team specializes in investor-friendly financing.

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