



10 Questions Every Realtor Should Ask About DSCR Loans Before Writing an Investor Offer

Your competitive edge in the investor lending space

Why DSCR Knowledge Matters

Realtors who understand DSCR loans close more investor deals. Period.

Investor buyers aren't using the same financing as traditional homebuyers. DSCR (Debt Service Coverage Ratio) loans qualify based on the property's rental income — not the borrower's personal income. When you understand how these loans work, you can write stronger offers, set accurate expectations, and position yourself as the agent investors want to work with.

No W-2s

No tax returns or income docs
needed

21 Days

Average close time for DSCR
loans

LLC Ready

Buy directly in a business entity

01

What DSCR ratio does my buyer need to qualify?



Most lenders require a minimum DSCR of 1.0 to 1.25, meaning the property's rental income must cover 100-125% of the monthly mortgage payment. A ratio of 1.25 is the sweet spot for competitive rates. Some programs allow ratios below 1.0, but expect higher rates and larger down payments.

Pro Tip: Run the DSCR calculation before your client makes an offer so you know exactly where you stand.



02

How do we estimate rental income before making an offer?

Lenders typically use a rent schedule or appraisal with a rental survey (Form 1007) to determine market rent. You can also use comparable rental listings and platforms like Rentometer for a quick estimate before writing the offer.

Why This Matters: If projected rents don't support the DSCR, you'll know to negotiate price or walk away before wasting time.

03

How fast can a DSCR loan close?



Most DSCR loans close in 21 to 30 days, with some lenders offering expedited timelines as fast as 14 days. Because there's no income verification or tax return review, the process is significantly streamlined compared to conventional loans.

Pro Tip: A fast close can be a powerful negotiating tool in competitive markets. Use it as leverage in your offer.

04

Can investors buy in an LLC?



Yes! This is one of the biggest advantages of DSCR loans. Investors can purchase directly in an LLC, corporation, or trust without the complications of transferring title after closing. This protects personal assets and simplifies business operations.

Why This Matters: Many investors specifically need entity vesting for liability protection and tax strategy purposes.

05

What kills DSCR deals in underwriting?



The most common deal-killers are low appraisals that reduce the DSCR ratio, title issues, property condition problems, and unrealistic rent projections. Insurance costs and HOA fees that weren't factored into the DSCR calculation can also sink a deal.

Pro Tip: Get a preliminary rent analysis and property inspection early to avoid surprises at underwriting.

06

Can DSCR loans be used for Airbnb or short-term rentals?



Yes, many DSCR lenders allow short-term rental income. Some use projected STR revenue from platforms like AirDNA, while others require 12 months of documented rental history. Program guidelines vary, so this is a key question to ask upfront.

Why This Matters: Short-term rentals often generate higher income, which can improve the DSCR ratio significantly.



What credit score and down payment are required?



Most DSCR programs require a minimum 660-680 credit score and 20-25% down payment. Higher credit scores can unlock better rates and lower down payment options.

Pro Tip: A 720+ credit score with 25% down typically gets the best pricing in DSCR lending.



Can investors refinance or pull cash out later?



Absolutely. Cash-out refinancing is available on DSCR loans, usually after a 6-month seasoning period. This allows investors to implement the BRRRR strategy effectively. Rate-and-term refinances may have shorter or no seasoning requirements.

Why This Matters: Understanding the exit strategy from day one helps you structure the initial purchase more strategically.

09

What documentation is required?



DSCR loans require surprisingly minimal documentation: no tax returns, no W-2s, no employment verification. Typically you'll need entity documents (if applicable), a lease or rent schedule, bank statements for reserves, and standard property documents.

Pro Tip: This streamlined process is why DSCR loans are the go-to for self-employed investors and portfolio builders.

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How do DSCR loans compare to conventional financing?



DSCR loans typically have slightly higher rates than conventional loans but offer major advantages: no income verification, LLC vesting, unlimited financed properties, and faster closings. For investors scaling a portfolio, the trade-off in rate is often well worth the flexibility.


Why This Matters: Knowing when to use DSCR vs. conventional helps you match the right product to each investor's situation.

Let's Structure Your Next Investor Deal Together

Whether you have a seasoned investor or a first-timer ready to build wealth through real estate, I'm here to help you structure the deal and get it to the closing table. Let's connect.

Keith Marshall

Mortgage Loan Originator

 716-425-6628