

NEELY **LENDING** GROUP



Everything You Need to Know About DSCR Loans

(Plus 3 Facts Almost No Lender Will Tell You)



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What is a DSCR Loan?

It's a loan investors use to buy rental properties without handing over their entire financial autobiography.

- No W-2s.
- No tax returns.
- No income documentation.
- Just a minimum credit score of around 660

DSCR = Debt Service Coverage Ratio, or fancy way of saying:

Does the rent, or projected rent cover the mortgage payment?

If yes, we typically will approve your loan.

Why Investors Love This Loan: It's Stupid Simple

No Personal Income Documentation

You could be self-employed, between jobs, or have two side hustles and it doesn't matter.

The PROPERTY Qualifies, Not YOU

If the house cash-flows, it is usually approved.

Close Deals Fast

No digging through tax returns.

No accountant trauma.

Just: rent → check → done.

Perfect for Scaling

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You want to buy one rental?
Great!

Want to buy more? This is a great way to scale.

How Lenders Actually Calculate DSCR

Here's the whole formula:

- $\text{Rent} \div \text{Payment} = \text{DSCR ratio}$
- Rent determined by lease, market data historical, or appraiser.
- Payment includes principal, interest, taxes, insurance, and HOA fees.

Most lenders are looking for a ratio of:

- 1.0+ (property covers its payment) → Typically approved
- 1.25+ → Will allow for lower rates
- 0.75–0.99 → Sometimes approved with higher rates or more down payment

Common Misconceptions

1. Aren't rates much higher?

- Rates are often similar to owner occupied interest rates

2. Don't you have to have a bigger down payment?

- Typically 20% down is needed, just like investment property loans with full documentation

3. Are these only for long-term rentals?

- No. DSCR loans can be used for short-term and mid-term rentals as well.

Who DSCR Loans Are PERFECT For:

- People buying under an LLC
- Self-employed borrowers
- Investors who write off everything under the sun
- Anyone who values speed over paperwork torture

Who DSCR Loans Are NOT For:

- Buyers planning to live in the property
- Byers with zero cash reserves
- Credit score below 660

Pro Tips to Not Get Burned

Here's how smart investors avoid rookie mistakes:

- ▶ **Know your prepayment penalty.**
 - Is it 1 year, 2 years, 3 years?
 - The longer the prepayment penalty, the better the rate
- ▶ **Work with a knowledgeable broker:**
 - Neely Lending Group specialize in DSCR loans
 - The appraisal is a key component and we have our own panel of experienced appraisers
 - We have five to six strong relationships with wholesale lenders who specialize in DSCR to broker to
- ▶ **Cash flow isn't the only metric.**
 - Look at cap rate, operating expenses, vacancy expectations, and appreciation.
- ▶ **Don't forget reserves.**
 - Most lenders want 3–6 months of reserves per property.

DSCR Bottom Line:

DSCR loans are the cheat code for investors who want to scale fast without the paperwork circus.

- ▶ They're simple.
- ▶ They're flexible.
- ▶ They're powerful.

And they're finally going mainstream – which means the best opportunities are still in front of you.

If you want me to break down:

- ▶ How to actually qualify
- ▶ What your DSCR would be
- ▶ Or how investors are using this loan to buy multiple properties a year

Just say the word.



About Mark Neely



Investing in real estate is stressful enough. You need the assurance that you're being treated fairly by someone with integrity, and that you are going to close on time without surprises.

Mark has spent the past 20+ years helping clients and their families achieve the dream of building wealth through real estate. He has consistently been in the top 1% of mortgage bankers nationally.



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