

# DSCR Product Overview

## Correspondent

Last Updated: October 11, 2023



Let's dive in!

## Agenda

Topics we will cover today:

- Investor Products
- Benefits
- Program Highlights and Details
- Q&A

# Investor Products

- We are pleased to offer a suite of products tailored to meet the needs of the real estate investment community. This comprehensive Bayview suite is home to the following products:
  - Agency Investor
  - Agency Investor Plus
  - DSCR
- The Agency Investor Plus and the DSCR loans are for business purposes only and are certified as such by the Borrowers and/or Guarantors as applicable.
- Our Jumbo and Bank Statement products also offer opportunities for the real estate investment community.
- The Bank Statement product is being offered through our delegated as well as non-delegated platforms.

# Product Support

- We make subject matter experts available from beginning to end to support a flawless execution.
  - Your credit teams will have access to a dedicated group to assist your credit teams with scenarios, single loan variances, and guideline expertise.
  - [Nonagency@Bayview.com](mailto:Nonagency@Bayview.com) can be utilized for all **pre-close questions**, scenarios and Single Loan Variance (SLV) requests.
  - LakeviewCorrespondent.com contains a full can be utilized to answer your **post-closing, pre-purchase questions** regarding loan status, suspense conditions, escalations and rebuttals.

**Bayview DSCR is supported via the Lakeview Correspondent Portal for pricing, locking, and delivering loans.**

**Select either:  
Delegated/Closed Loans or  
Non-Delegated Underwriting Portal**

# Investor Product Comparison

	Agency Investor** (FNMA/FHLMC Conforming and High Balance/Super Conforming)	Agency Investor Plus	DSCR
Max. number of financed properties	10	50	N/A
Multiple properties (Blanket) <b>Delegated only</b>	Not permitted	Not permitted	Maximum 25 properties, minimum 2 properties
Max loan amount	Area limits	\$1.5M	\$2.0M standard   \$6.25M Blanket ( <b>Delegated only</b> )
Min loan Amount	N/A	\$100,000	\$100,000
Benefits	Ease of underwrite	<ul style="list-style-type: none"> <li>Ease of underwrite</li> <li>Interest-only option</li> <li>No MI over 80%</li> <li>\$1.5M Loan amount</li> <li>Vesting in the name of LLC</li> </ul>	<ul style="list-style-type: none"> <li>Underwrite is based on the debt of the property, not individual debt</li> <li>Less documentation needed for underwrite</li> <li>Business entity can be the borrower</li> <li>Interest-only options</li> <li>Maximum loan sizes</li> <li>Blanket mortgage options</li> <li>Fixed and interest-only options</li> <li>Non-warrantable Condominiums are permitted</li> </ul>

# Investor Product Comparison, continued

	Agency Investor** (FNMA/FHLMC Conforming and High Balance/Super Conforming)	Agency Investor Plus	DSCR
Minimum FICO	620	660	660
Maximum LTV (LTC)	85%	80%	80%
Underwrite	DU/LPA	DU/LPA	Manual
Income Calculation	Full Doc/Follow findings	Full Doc/Follow findings	Debt Service Coverage Ratio Gross rent/PITIA
Appraisal Requirements	Follow findings	Additional requirements on Non-conforming loan amounts: <ul style="list-style-type: none"> <li>A Collateral Desktop Analysis (CDA) ordered from Clear Capital is required to support the value of the appraisal, <b>or</b></li> <li>Collateral Underwriter (CU) with a score of 2.5 or less in lieu of a CDA</li> </ul> **See product matrix for full details**	<ul style="list-style-type: none"> <li>Appraisal (including Market Rent schedule) and Collateral Desktop Analysis from an approved provider is required for all loans</li> </ul>

A blue-tinted underwater photograph of a diver swimming towards the surface. The diver is wearing a mask and fins, and their arms are outstretched. The background shows some coral or rock formations.

**Let's dive in!**

## Our DSCR Product

Definition of our DSCR or Debt Service Coverage Ratio product:

- Secured by real estate owned by an individual or a business
- For business purposes only and are attested by the Borrower(s) and/or Guarantor(s) via a Business Affidavit
- Properties cannot be occupied by the Borrower(s) and/or Guarantor(s)

# Benefits

- Underwrite is based on the debt of the property and not individual debt
- Less documentation needed for underwrite
- Business entity can be the Borrower
- Maximum loan sizes
- Blanket mortgage options (delegated underwriting only)
- Fixed rate and interest-only options. The DSCR ratio on an I/O loan can be calculated using the ITIA.



# Program Details

- Investment properties only
- Best Efforts and Bulk/Mandatory delivery options
- Standard (single property): delegated or non-delegated underwriting
- Blanket (cross-collateralized/multi-property): **delegated underwriting only**
- Minimum DSCR is **.75** (1.0 for blanket)
- Minimum Fico is **660**
- Maximum LTV/LTC is **80%**
- 30-year fixed
- 10 year Interest Only option available, calculated using ITIA payment
- Minimum loan amount - **\$100,000**
- Maximum Loan amount - **\$2,000,000** (Standard), **\$2.5 million** (2-4 units), **\$6.25 million** (Blanket)

# Eligibility

## Eligible

- Natural Borrower
- Legal Business Entities Including:
  - LLCs
  - LPs
  - Partnerships
  - Corporations
- Borrower/Guarantor(s) must:
  - Be a US Citizens or Non-US Citizen(s) lawfully present in the United States
  - Have a valid Social Security number.
- All business entity loans require at least one full recourse warm body personal guaranty

## Ineligible

- Life Estates
- Irrevocable Trusts
- Blind Trusts
- Guardianships
- Community Land Trusts
- Land Trusts
- Foreign Nationals
- Non-profit organizations, 501(c)(3) and 501(c)(4)
- Trusts or LLCs whose members include other LLCs, corporations, partnerships, trusts, or where a Power of Attorney is used.
- Borrower/Guarantor with diplomatic immunity status.

# Eligibility, continued

- First-time homebuyers are not eligible
- Both experienced and inexperienced investors are permitted.
- An **experienced investor** is defined as:
  - Borrower/primary guarantor must have a history of owning and managing commercial or non-owner occupied residential real estate for at least 12 consecutive months in the most recent three (3) years, or
  - Borrower/primary guarantor must have had ownership in three or more properties each for at least twelve (12) months over the past 24 months
- An **inexperienced investor** is defined as:
  - Borrowers not meeting the definition of an experienced investor are inexperienced; loans must meet the additional criteria:
    - Minimum DSCR of **1.0**
    - Maximum LTV **75%**
    - Minimum loan amount of **\$150,000** and maximum loan of **\$1 mil.**
    - Blanket mortgages are not permitted

# Entity Requirements

## Business Entity must:

- Be a legal entity domiciled in the United States, including LLCs, LPs, partnerships, and corporations
- Be an entity with natural person members
- Be a U.S.-based entity in Good Standing
- Suggestion or encouragement of the formation of an Entity is prohibited

## Personal Guarantor requirements:

- Must have at least one full recourse warm body, personal guaranty
- Any owner of 25% or more of the borrowing entity must be a personal guarantor. The majority owner of the entity (if no owner represents 25% or more) must be a personal guarantor
- At least 51% of the ownership of the underlying entity must be personal guarantor(s)
- Any managing member or controlling holder who is not a borrower must be a personal guarantor

## Entity Requirements, continued

- Titles currently vested in individual name(s) or in the name of an existing legal entity but which will be closing in a newly formed entity must meet the following requirements:
  - All members listed on title must apply for the loan
  - All individuals listed on title must be listed on the newly formed entity as members
  - All members must guarantee the loan based on the interest of the current vesting.

# Underwriting

- Manual underwrite.
  - Delegated and Non-delegated
- Simultaneous submissions - **do not need to be underwritten simultaneously.**
- Fraud Report and Background check requirements include:
  - Compliance with OFAC and the Exclusionary List policy in our Special Products Seller Guide
  - Third-party background check/fraud detection report for all borrowers/guarantors dated within **90 days** of loan origination
  - Verification that all parties are not citizens of or reside in a country identified by Financial Action Task Force (FATF) as being a high risk jurisdiction
  - Background search dated within **90 days** of loan origination. Lender must address all “high-level” and “red flag” alerts on the report.



# Credit

- Tri-merged credit reports are required on all borrower/guarantor(s) dated within **90 days** of loan origination.
- The representative score for the loan is the **lowest** representative score of the borrower(s) or guarantor(s), as applicable.
- Mortgage history requirements:
  - **1x30x12** between all disclosed mortgages.
  - Provide a 12 month history on the primary residence and the subject property for all borrower/guarantor(s)
- Significant Derogatory Credit:
  - Three years, unless otherwise noted in product matrix.
  - Multiple derogatory events require a seven (7) year wait period.
  - Any loan shown to be in **active** forbearance is considered a significant derogatory credit event
  - If any loan was subject to a prior forbearance granted between 4/1/20 and 4/1/21, if such forbearance has been exited and all subsequent payments must have been made on time since the exit then such event will not be considered a significant derogatory credit event
  - **Any forbearance resulting in subsequent loan modification is considered a significant derogatory credit event and subject to a three (3) year waiting period.**

# Blanket/Multi-property/Cross-collateralized Loans

- Delegated underwrite only
- Inexperienced investors are not permitted
- 10% LTV reduction applicable with certain loan characteristics
- Maximum 60% LTV for blanket loans considered to be short-term rentals (25% or more in blanket are short-term rentals)
- Up to 25 properties combined into a single loan
- Minimum of 2 properties
- Maximum loan amount of \$6,250,000 (subject to Bayview aggregate maximum)
- Minimum asset value of \$100,000 for each property included in blanket
- Maximum asset value of \$1.5M per unit for each property included (i.e. \$1.5M maximum value on 1-unit, \$3.0M maximum value on 2-unit, etc.)
- Minimum 1.0 DSCR
- Partial releases are permitted



# Property Types

## Eligible

- 1-4 unit residential
- Attached or detached
- Planned Unit Developments (PUDs)
- Leaseholds
- Condominiums (both warrantable As defined in product matrix and non-warrantable, follow guidelines in product matrix)
- Legal or Legal non-conforming use
- ADU-rental income is not permitted

## Ineligible

- Assisted living or nursing homes
- Community Land Trusts
- Cooperatives
- Condotels or time-shares
- Lease with option to purchase
- Manufactured/Mobile Homes
- Mixed use
- Model home leasebacks
- Multi-family (5+ units)
- Appraisal notes Rural or environmental issues

# Appraisal Requirements

## Appraisals:

- A Market Rent Comparable Schedule (FNMA 1007 or 1025) must be provided

**Collateral Desktop Analysis (CDA)** is also required to support the value of the appraisal. The Seller is responsible for ordering the CDA

- If the CDA indicates a lower value than the appraised value that exceeds a 10% tolerance, the lower value of the two must be used

## Second Appraisal Requirement:

- Property Flips as defined in the product matrix
  - The increase in value should be documented with commentary from the appraiser as well as show recent comps
- For Loan amounts >\$2M

# Occupancy

- Cannot be occupied by any borrower or guarantor
- All tenants on leases must be natural persons
- Occupied/Leased Property:
  - A property that has at least the following number of occupied/leased units
  - Single-family = one unit
  - Two-family = two units
  - Three-family = two units
  - Four-family = three units

# Debt Service Coverage Ratio

- DSCR is calculated as the gross rents divided by PITIA (**P**rincipal, **I**nterest, **T**axes, **I**nsurance, **A**ssociation)
  - Use the note rate to calculate PITIA
- Interest-only loans may use the ITIA payment for the DSCR calculation
  - DSCR is program minimum as determined by individual loan characteristics plus .10

Minimum DSCR is **.75 Standard (1.0 Blanket)**

# Gross Rent Documentation

## Purchase

- Obtain Appraisal Form 1007/1025 and use **100%** of the gross market rent in DSCR calculation.

## Refinance

- Obtain both a current lease agreement and an Appraisal Form 1007/1025.
  - An expired lease that has verbiage stating lease reverts to a month-to-month lease is acceptable.
- DSCR calculation uses the lesser of the lease agreement or the Appraisal Form 1007/1025.
  - If the lease agreement is greater than the market rent but is  $\leq 10\%$  over the market rent, then the lease can be used
  - The amount used to qualify cannot exceed 10% of the market rent

# Gross Rent Documentation, continued

## Short-Term Rental

- **Purchase**

- 1007 or 1025 Comparable Rent Schedule survey prepared by the appraiser reflecting long-term or short-term market rents
- AIRDNA Rentalizer and Overview reports (see the product matrix for specific requirements)

- **Refinance**

- Most recent 12-month rental history statement from a third party rental management service not to exceed 125% of market rent.
- Most recent 12-month bank statements from the borrower evidencing rental deposits not to exceed 125% of market rent. If no rent received, use zero for that month. Borrower must provide rental records for the subject property to support monthly deposits

# Short-term Rental, continued

## DSCR Calculation

- Monthly gross rent (as determined by transaction type – see below) multiplied by 80% (to account for costs associated with operating a short-term rental property) divided by PITIA (or ITIA for IO loans) = DSCR

## Short-term Rental Requirements

- Maximum 60% LTV for all Standard and Cross Collateralized (Blanket) transactions using short-term rental income to qualify
- Minimum DSCR 1.25
- Interest-only permitted
  - DSCR is program minimum as determined by individual loan characteristics plus .10
  - Qualify on ITIA
  - Inexperienced investors not permitted to qualify via short-term rental



# Lease Requirements

- Must be fully executed by both the borrower/guarantor and an Eligible Tenant which is any party other than any borrower or guarantor
- The following would NOT be an Eligible Tenant:
  - Any affiliate of the borrower/guarantor
  - Any holder of a direct or indirect interest in borrower such affiliate, any office, director , executive employee, or manager of the borrowing entity
  - And any family member (spouse, siblings, ancestors, and lineal descendents)
- Landlord is the borrower/guarantor or their verified property manager.
- Rental rate and terms consistent with other properties in the area.
- Lease agreement is a form that is standard to the property location and complies with all applicable legal requirements.
- Covers **100%** of the unit's square footage.



# DSCR Restrictions

- DSCR less than **1.0** is not permitted for:
  - Inexperienced investors, *or*
  - Blanket mortgages
- DSCR less than **1.0** requires **6** months of reserves
- Short-term rentals require a DSCR  $\geq$  **1.25**
- Interest-only: Minimum DSCR is program minimum as determined by individual loan characteristics plus **.10**
- Minimum DSCR of **1.25** is required on loan amounts less than \$150,000

# Reserve Requirements

- DSCR  $\geq$  1.0: **3** months PITIA for subject property.
- DSCR < 1.0: **6** months PITIA for subject property.
- Gift funds are not permitted to meet reserve requirements
- Funds utilized for down payment and closing costs cannot be included in reserve funds.
- Cash out may be utilized for reserves if **FICO is > 700**
- Interest Only: Reserves permitted to be based on the ITIA payment

# LTV/LTC Restrictions

- Blanket Loan Restrictions:
  - Max **60%** LTV/LTC for all blanket loans where 25% or more of the properties are short-term rentals
  - **10%** LTV/LTC reduction for following:
    - Non-warrantable condos
    - 25% per more properties in the blanket loan have individual DSCRs between .75 and .99
    - Vacant Blanket transactions
- Short-term Rental Standard – Maximum **60%** LTV/LTC
- Reduce LTV by **10%** for non-warrantable condominiums with a maximum of **70%** LTV/LTC.
- Maximum LTV/LTC of **75%** for the inexperienced investor

# LTV/LTC Considerations

## Rate/Term Refinance

- If owned  $\leq$  six months, use the lower of the Cost Basis (defined below) or the appraised value to calculate LTV; owned  $>$  than six months then the appraised value can be used

## Cash-Out Refinance

- If owned  $\leq$  twelve months, use the lower of the Cost Basis (defined below) or the appraised value to calculate LTV; owned  $>$  than twelve months then the appraised value can be used

## Cost Basis:

- Purchase price
- Paid and documented borrower/guarantor rehabilitation/renovation costs expended to date evidenced by an “as is” appraisal and paid work receipts
- Customary borrower/guarantor paid arms-length closing costs/ fees, including real estate broker commissions, title, escrow, other closing costs and the amount of taxes, HOA dues, fees, assessments, assignment fees (assignment fees greater than 10% of purchase price will require approval by Bayview)
- If closing costs are not documented or clearly verifiable at the time of closing, then up to 2% of the purchase price may be added to the purchase price for the assessment of Cost Basis.
- Liens paid by the borrower/guarantor or its affiliates in connection with and at the time of the acquisition
- Mortgage broker fees, origination fees, points, etc. cannot be included in the Cost Basis

# Residential vs. Commercial Documents

Product	Standard Document Type	Interest Only Note (when applicable)	Business Purpose Affidavit	Business Loan Rider	Personal Guaranty Agreement	Additional Riders Possibly Needed	Cash-out Explanation Required (may be combined w/ Business Purpose Affidavit)
DSCR	Residential Paper (FNMA/FHLMC) <b>Standard</b> DSCR only	Yes	Yes	Yes	Yes (if a business entity borrower)	IO, PPP, 1-4 Family Rider, Personal Guaranty	Yes, if natural borrower
DSCR	Commercial Paper	Yes	Yes	No	Yes (if a business entity borrower)	IO, PPP, 1-4 Family Rider	Yes, if natural borrower

# Business Purpose Affidavit vs. Business Loan Rider

## BUSINESS PURPOSE AND NON-OWNER OCCUPANCY AFFIDAVIT

Property:                      Loan Amount:                      Borrower:  
Closing Date:                      Maturity:                      Guarantor:

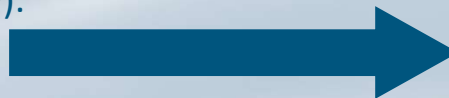
Before me, the undersigned authority duly authorized to take acknowledgements and administer oaths personally appeared \_\_\_\_\_ (Affiant") who, upon being duly sworn, deposes and says as follows:

1. Borrower has applied to lender for a loan (the "Loan") in the amount of the above-referenced Loan Amount, secured by the above referenced Property.
2. Lender has informed the undersigned that Lender will only extend the Loan: (a) if the Property is not to be used as a primary or secondary residence by any Borrower, Guarantor, entity in common control with any Borrower or Guarantor, or any of the members, shareholders, directors, officers, or immediate family of any of the foregoing; and (b) if the Loan proceeds are to be used solely for business or commercial purposes, and not for personal, family, household, or consumer purposes.
3. The undersigned hereby certify, represent and warrant that: (a) the Property is not the primary or secondary residence of any borrower, Guarantor, entity in common control with any Borrower or Guarantor, or any of the members, shareholders, directors, officers, or immediate family members of any of the foregoing and none of the above will use the Property as a primary or secondary residence until the Loan is repaid in full and the Security Instrument is released.

**Business Purpose and Non-Owner Occupancy Affidavit** is used with **all DSCR loans** (residential paper or commercial paper).



**Business Loan Rider** is used **in addition** to the Business Purpose Affidavit if using residential paper (FNMA/FHLMC documents, standard DSCR only).



## BUSINESS LOAN RIDER

THIS BUSINESS LOAN RIDER is made this \_\_\_\_\_ day of \_\_\_\_\_, 2022, and is incorporated into and shall be deemed to amend and supplement the Mortgage, Deed of Trust, or Security Deed (the "Security Instrument") of the same date given by the undersigned (the "Borrower") and any personal guarantor(s), as applicable and referred herein as (the "Guarantor") to secure the debt obligation, whether joint and severally liable, of Borrower's Note (the "Note") to

\_\_\_\_\_, (the "Lender") covering the subject property described in the Security Instrument and located at:

\_\_\_\_\_  
[Subject Property Address]

To the extent that the provisions of this Rider are inconsistent with the provisions of the Note and/or the Security Instrument, the provisions of this Rider shall prevail over and will supersede any such inconsistent provisions of the Note and/or the Security Instrument.

In addition to the covenants and agreements made in the Security Instrument, Borrower further covenants and agrees as follows:

Bayview


**NON-AGENCY**  
Loan Products

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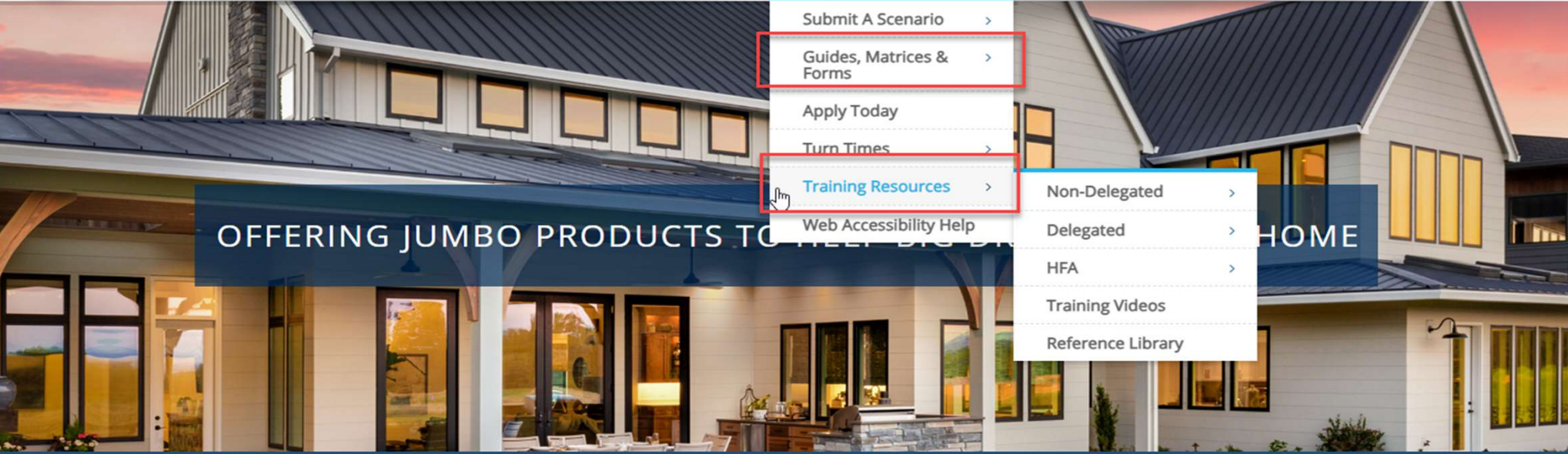
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Delegated >

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OFFERING JUMBO PRODUCTS TO HELP BIG B...

HOME

Welcome to Lakeview

https://www.lakeviewcorrespondent.com/#

A background image of a sunset over a body of water. The sun is a bright, glowing orb in the upper right, casting a shimmering reflection down the center of the water. The sky is a soft gradient of orange, yellow, and blue. The water in the foreground shows gentle ripples.

# Any Questions?