

DSCR

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Agenda

- Correspondent Lending Structure
- Define DSCR
- Review program Highlights and Details
- Review documentation requirements
- Navigate through resources
- Q&A



Correspondent Lending Structure



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Correspondent Lending



AGENCY PRODUCTS

-  FNMA/FHLMC
-  FHA
-  HFA/Affordable Lending
-  USDA
-  VA



NON-AGENCY PRODUCTS

-  Agency Investor Plus
-  Bank Statement
-  DSCR
-  Jumbo AUS
-  Jumbo ARMs
-  Conforming (2nd Home/NOO)
-  Medical Professionals (MedPro)



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Correspondent Lending

 Key Contacts		 Silver Hill Capital
Client Services	clientservices@lakeview.com	clientservices@silverhillcap.com
Scenario Help Desk	underwritingquestions@lakeview.com	nonagency@silverhillcap.com
Loan Servicing	LoanCare, LLC originationsserviceroversightteam@lakeview.com	Rushmore Servicing bvcmservicing@silverhillcap.com
Client Manager Contacts	Regional Assignments See the Quick Reference Guide	nonagencyclientmgt@silverhillcap.com



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@silverhillcap.com

Utilized for all pre-close questions and scenarios

nonagencyclientmgt@silverhillcap.com

Utilized to answer your post-closing, pre-purchase questions regarding loan status, suspense conditions, escalations and rebuttals.



Investor Products



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Investor Products



Agency Investor



**Agency Investor Plus
(AIP)**



DSCR



AIP and DSCR are business purpose only loans



Our Jumbo and Bank Statement products also offer investor occupancy options

Defining DSCR



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Investor Products

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)



Product Benefits



Underwrite based on the debt of the property and not individual debt



Less documentation needed



Business entity can be the borrower



Maximum loan sizes



Cross-collateralized mortgage options



Fixed rate and interest-only options



The DSCR ratio on an I/O loan can be calculated using the ITIA



Product Details and Highlights



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Program Details



Investment properties only



Best Efforts & Bulk/Mandatory delivery options



Standard underwriting



Cross-collateralized



Minimum DSCR is **.75** (1.0 for Cross-collateralized)



Maximum Loan amount – **\$2,000,000** (Standard) – **\$2.5 million** (2-4 units), – **\$6.25 million** (Cross-collateralized)



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**



Borrower Eligibility



Eligible

- Natural Borrower
- Legal Business Entities Including:
 - LLCs
 - LPs
 - Partnerships
 - Corporations
- All business entity loans require at least one full recourse warm body personal guaranty
- 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



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.



Borrower Eligibility, continued



Experienced Investor

- Having 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
 - Three or more properties each over the past 24 months



Inexperienced Investor

- Inexperienced borrowers must meet the additional criteria:
 - Currently owns a primary residence for at least one year
 - Minimum DSCR of 1.0
 - Maximum LTV 75%
 - Minimum loan amount of \$150,000 and maximum loan amount of \$1 million



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

Entity Requirements



Personal Guarantor requirements:

- Any owner of 25% or more of the borrowing entity must be a personal guarantor
- At least 51% of the ownership of the underlying entity must be personal guarantor(s)
- If no owner represents 25% or more ownership interest, the majority owner of the underlying entity must be a personal guarantor
- Any “managing member” or “controlling holder” of the business entity must be a Personal Guarantor for the loan

Underwriting Criteria



- Manual underwrite



- Simultaneous submissions – do not need to be underwritten simultaneously



- Fraud Report and Background check requirements include:
 - Compliance with OFAC and the Exclusionary List policy
 - Third-party background check/fraud detection report for all borrowers/guarantors dated within 90 days of loan origination
 - Background search dated within 90 days of loan origination. Lender must address all “high-level” and “red flag” alerts on the report.
 - 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
 - Must include a liens and judgement search

Borrower Eligibility, continued



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
- Condotel 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

(**Note:** For a full list of ineligible properties please refer to the DSCR guidelines)



Appraisal Requirements

- **Appraisals:**



- A full interior appraisal including appraisal reports completed under UAD version 3.6 and the redesigned Uniform Residential Appraisal Report (URAR)

- **Valuation Requirement:**



- **Collateral Desktop Analysis (CDA)**
from Clear Capital, or



- **Consolidated Collateral Analysis (CCA XP)**
from Consolidated Analytics, or



- **RicherValues Oversight Report**
or



- **Collateral Underwriter (CU)**
with a score of 2.5 or less in lieu of a CDA, CCA XP, or RicherValues Oversight

- **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 borrowers or guarantor or their immediate family



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

= 1/1



Two-Family

= 2/2



Three-Family

= 2/3



Four-Family

= 3/4



Reserve Requirements



DSCR $\geq$ 1.0: 6 months PITIA for subject property



DSCR $<$ 1.0: 9 months PITIA for subject property



Inexperienced Investor: Minimum 12 months PITIA for subject property



Simultaneous Closings: Total reserve requirements are cumulative and are the sum of the minimum reserve requirements for each closed loan



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



Standard Loan Restrictions

- 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



Cross-collateralized Loan Restrictions:

- Max 60% LTV/LTC for all Cross-collateralized 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 Cross-collateralized loan have individual DSCRs between .75 and .99
 - Vacant Cross-collateralized transactions



Calculating the DSCR



- **DSCR is calculated as the gross rents divided by PITIA** (Principal, Interest, Taxes, Insurance, Association)
 - 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 Cross-collateralized)

Short Term Rentals Calculations



- **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 (Cross-collateralized) transactions using short-term rental income to qualify
- Minimum DSCR 1.25
- Interest-only permitted
 - DSCR program minimum as determined by individual loan characteristics plus .10
 - Qualify on ITIA
 - Inexperienced investors not permitted to qualify via short-term rental

Documentation Requirements



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Documentation



Complete Application and Credit Package (See Delivery Checklist)



1-4 Family Rider



Business Purpose Affidavit



Interest-only Rider (if applicable)



Interest-only Note (if applicable)



Pre-payment Penalty Rider (if applicable)



A clear OFAC check for all individuals with 25% or more ownership of the entity as confirmed by a current listing of ownership interests (if closing in LLC)



Gross Rent Documentation



STANDARD PURCHASE

- A full interior appraisal including appraisal reports completed under UAD version 3.6 and the redesigned Uniform Residential Appraisal Report (URAR)



STANDARD LEASE

- Must be fully executed by both the borrower/guarantor and an Eligible Tenant
- 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.
- 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



INELIGIBLE TENANTS

- Any affiliate of the borrower In/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 descendants)



Gross Rent Documentation



SHORT-TERM RENTAL – PURCHASE

- A full interior appraisal including appraisal reports completed under UAD version 3.6 and the redesigned Uniform Residential Appraisal Report (URAR)
- AIRDNA Rentalizer and Overview reports



SHORT-TERM RENTAL – 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



Gross Rent Documentation

 Product	 Standard Document Type	 Interest Only Note (when applicable)	 Business Purpose Affidavit	 Personal Guaranty Agreement	 Additional Riders Possibly Needed	 Cash-out Explanation Required (may be combined w/ Business Purpose Affidavit)
DSCR	Residential Paper (FNMA/FHLMC) Standard DSCR only	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	Yes (if a business entity borrower)	IO, PPP, 1-4 Family Rider, Personal Guaranty	Yes, if natural borrower



Resources and Training



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Questions?



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