



# Understanding Investment Property Loans

*Your Key to Helping Buyers and Sellers Navigate Financing for Rental Properties*

- **DSCR Loans (Debt Service Coverage Ratio)**
  - **Loan Requirements:** DSCR loans are based on the property's rental income rather than the borrower's personal income. Typically, the property's rental income must cover at least 1x the loan payment but we do have lenders available that will go lower than 1x.
  - **Interest Rates:** Competitive, with rates depending on property type and borrower's credit score and down payment amount.
  - **Ideal for Your Clients:** Experienced and first time investors who want to use the income from their rental properties to qualify for financing.
  - **Why It Matters:** DSCR loans provide a straightforward path for clients to finance multiple rental properties without relying heavily on personal income, making it ideal for real estate investors who already have established rental portfolios.
- **Conventional Loans for Investment Properties**
  - **Loan Requirements:** Typically requires a 15-25% down payment.
  - **Interest Rates:** Higher than for primary residences, but still competitive.
  - **Ideal for Your Clients:** Buyers with good credit looking to purchase 1-4 unit properties as long-term rentals.
  - **Why It Matters:** Conventional loans offer flexibility with fixed or adjustable rates and terms. Great for those looking to secure standard financing for properties that don't require special programs.
- **FHA & VA Loans for Multi-Unit Properties**
  - **Loan Requirements:** The FHA allows a lower down payment (as low as 3.5%) and VA 0% down payment on properties with up to 4 units—if the buyer lives in one of the units.
  - **Interest Rates:** FHA usually lower than conventional loans and VA best rates available.
  - **Ideal for Your Clients:** New investors who are looking to live in one unit and rent out the others, making rental income help cover their mortgage.
  - **Why It Matters:** FHA & VA loans make it easier for first-time investors to enter the market. As a realtor, understanding FHA & VA requirements can help you guide clients to properties that are eligible for this financing.
- **Bank Statement Loans**
  - **Loan Requirements:** Bank statement loans use deposits in the borrower's bank account (usually over the last 12-24 months) to demonstrate income, bypassing traditional documentation like tax returns.
  - **Interest Rates:** Generally higher than traditional loans but more accessible for clients with fluctuating income or self-employed borrowers.
  - **Ideal for Your Clients:** Self-employed investors or those with irregular income who may not have traditional proof of income like W-2s or tax returns.
  - **Why It Matters:** Bank statement loans can help you assist clients who would otherwise struggle to qualify for traditional loans, expanding your pool of potential investors
- **Hard Money Loans for Fast, Short-Term Funding**
  - **Loan Requirements:** Hard money loans are asset-based, secured by the property itself, and often require 20-30% down.
  - **Interest Rates:** Higher with short repayment periods (usually 12-24 months, depending on project).
  - **Ideal for Your Clients:** Investors who need quick funding for property purchases and renovations.
  - **Why It Matters:** Hard money loans are ideal for clients who need fast financing, such as real estate flippers. Being aware of this option can help you provide immediate solutions for time-sensitive transactions.

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