DSCR Loans: Buy Rental Property Without Tax Returns

What a DSCR loan is, how to calculate the debt service coverage ratio, and how investors qualify using the property's rent — no tax returns, no W-2s.

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You found a good rental property. The numbers work. But when you talk to a bank, they ask for two years of tax returns, calculate your personal debt-to-income ratio, and count every property you already own against you. For many investors — especially self-employed ones — the answer comes back *no*, even when the deal is great.

The **DSCR loan** flips the question. Instead of asking *"how much do YOU earn?"*, it asks *"how much does the PROPERTY earn?"* If the rent covers the payment, the deal can qualify on its own.

What Is a DSCR Loan?

DSCR stands for **Debt Service Coverage Ratio** — the relationship between a property's rental income and its total monthly payment. A DSCR loan is a 30-year investment-property mortgage underwritten on that ratio: no tax returns, no W-2s, no personal income calculation, and no personal debt-to-income limit. It exists precisely for investors whose tax returns understate their real cash flow.

The DSCR Formula

The math is simple enough to do on a napkin:

> **DSCR = Monthly Rent ÷ Monthly PITIA**
> PITIA = Principal + Interest + Taxes + Insurance + Association (HOA) dues.

A ratio of **1.0** means the rent exactly covers the payment. Above 1.0, the property cash-flows; below 1.0, it doesn't cover itself — and the loan gets harder (though not always impossible).

Calculating Your DSCR, Step by Step

1. **Find the monthly rent.** For a leased property, the lease governs; for a purchase, the appraiser's market-rent report (Form 1007) sets the number. Short-term rental income is accepted by some lenders

using 12-month history or market data.

2. **Add up the full payment (PITIA):** the new loan's principal and interest, plus property taxes, insurance, and any HOA dues — all monthly.
3. **Divide rent by PITIA.** That's your DSCR.

A duplex in Florida rents for $2,400/month total. The proposed loan payment is $1,550, taxes are $290, insurance is $140, and there's no HOA. PITIA = $1,980. DSCR = $2,400 ÷ $1,980 = **1.21** — comfortably above most lenders' minimum, so the deal qualifies on the property's income alone.

What Lenders Typically Look For

Item	Typical DSCR Loan Terms
Minimum DSCR	1.0–1.25 for best pricing; below 1.0 possible with larger down payment
Down payment	Usually 20–25%
Credit	Roughly 660–680+; better scores price better
Property	1–4 units, condos, some short-term rentals — investment only, never your own residence
Ownership	Closing in an LLC is usually allowed — a favorite feature for investors
Fine print	Many carry prepayment penalties for 3–5 years — know yours before signing

Why Investors Love It

- **Tax-return freedom** — write-offs on your Schedule E don't hurt you here
- **Your other properties don't count against you** — each deal stands on its own numbers, so portfolios can keep growing
- **LLC ownership** — hold title the way your accountant and attorney prefer
- **Speed** — less documentation means faster files

The trade-off: rates run higher than owner-occupied conventional loans, reflecting the investor market. For a cash-flowing property, that spread is simply a cost of doing business — and refinancing later is always on the table.

Why Do It with a Broker

DSCR is a wholesale product, and the differences between lenders are big: minimum ratios, how short-term rental income counts, prepayment penalty structures, and LLC rules all vary. We shop your deal across our lender network, run the DSCR math with you before you write an offer, and serve you in English, Portuguese, and Spanish.

Let's Talk About Your Mortgage

Our team serves you in English, Portuguese, and Spanish — no cost, no obligation.

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