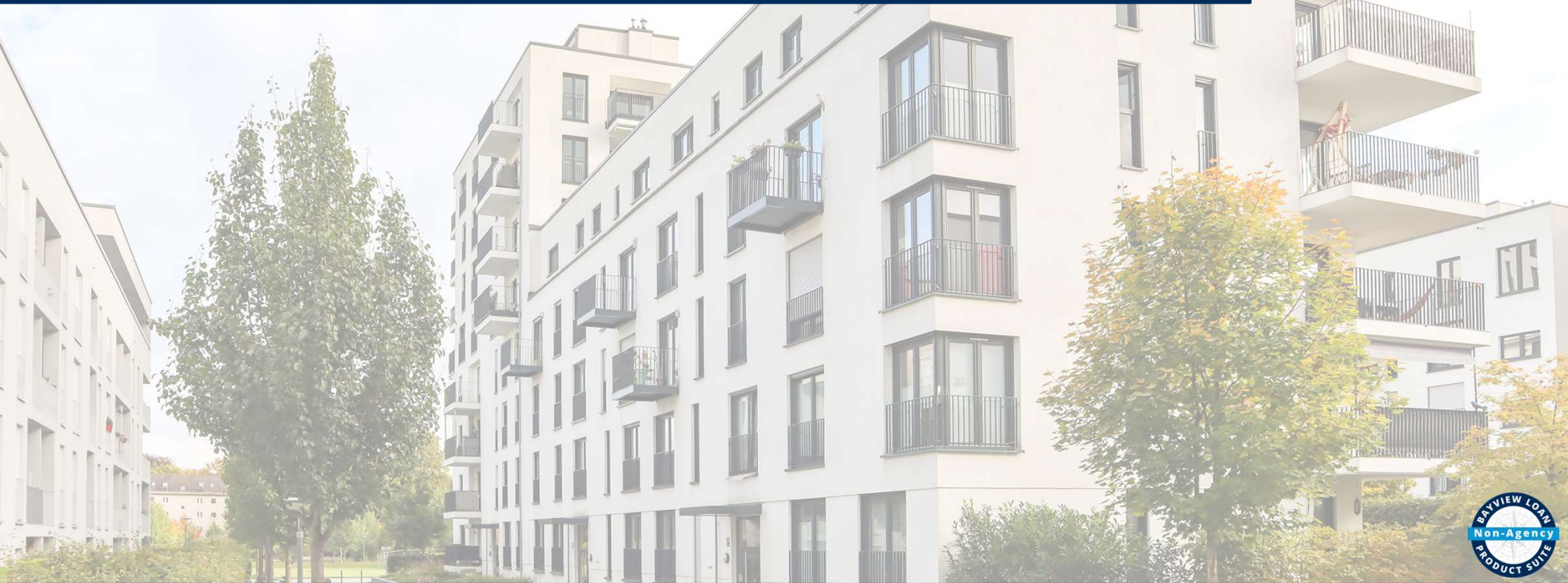


# Bayview DSCR (Debt Service Coverage Ratio)



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Last Updated:

# Agenda

- Introduce investor product offerings and product support
- Define the DSCR Product
- Review program Highlights and Details
- Review documentation requirements
- Navigate through resources
- Q&A



# Investor Products and Product Support



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# Sourcing Investor Borrowers

- Florida, Texas, and California have the largest growth markets for DSCR and Bank Statement products
- A borrower denied with a high DTI may qualify for Bank Statement or DSCR options
- Connect with local CPA's who work closely with borrowers looking for opportunities and understand who has cash flow
- Sell cash flow vs. the interest rate when working with investors
- Business Facebook and LinkedIn Groups
- Attend trade shows and business-oriented conferences
- Connect with Property Managers or HOAs of new construction to determine investment opportunities



# 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** can be utilized to answer your **post-closing, pre-purchase questions** regarding loan status, suspense conditions, escalations and rebuttals.



# Investor Products

- Investor Suite of Products includes:
  - 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 the Bayview DSCR Product



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Last Updated:

# 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)





# Product Benefits

- Underwrite is based on the debt of the property and not individual debt
- Less documentation needed
- 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.



# DSCR Product Details and Highlights



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# Program Details

- Investment properties only
- Best Efforts and Bulk/Mandatory delivery options
- Standard: delegated or non-delegated underwriting
- Blanket: **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)



# Eligible Borrowers

## 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.



# Eligible Borrowers, continued

- First-time homebuyers are not eligible
- Both experienced and inexperienced investors are permitted.
- An **experienced investor** is defined as:
  - 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 for at least twelve (12) months over the past 24 months



# Eligible Borrowers, continued

- 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



# Entity Requirements, continued

- 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





# 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
  - 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

- **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
- Up to **25** properties combined into a single loan
- Minimum of **2** properties
- Maximum loan amount of **\$6,250,000**
- Minimum asset value of **\$100,000** for each property included in blanket
- Maximum asset value of **\$1.5M** per unit for each property included
- 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

- A CU score of **2.5 or lower** would be accepted in lieu of 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



# Calculating the DSCR

- 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)**





# 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 (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



# 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



# 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

## Short-Term Rental

- **Purchase**

- 1007 or 1025 Comparable Rent Schedule survey reflecting long-term or short-term market rents
- AIRDNA Rentalizer and Overview reports

- **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



# Lease Requirements

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



# Residential vs. Commercial Documents

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) <b>Standard DSCR</b> 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	Yes, if natural borrower





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