



LENZ

The DSCR Mastery Playbook: Non-QM Edition

How to confidently sell DSCR loans to
real estate investors

www.lendzfinancial.com

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Who this playbook is for

Investor financing today is driven by cash flow, leverage discipline, and asset performance. DSCR has become a core financing structure for investors who want qualification based on property economics rather than personal income.

For mortgage brokers working with active and scaling investors, understanding DSCR is no longer optional. It is foundational.



DSCR works best when you structure the deal right from the start.

This playbook is built for brokers who want a practical, repeatable framework for structuring DSCR deals correctly from the first conversation. It is designed to provide clarity before quoting, reduce surprises in underwriting, and strengthen investor conversations.

This playbook will help you:



Structure deals that close clean, not just get approved



Expand investor buying power without relying on income docs



Eliminate surprises before they reach underwriting

Whether you are reviewing numbers live, preparing a quote, or finalizing a file before submission, this guide is meant to function as a working reference. It helps you think through structure, anticipate underwriting outcomes, and move DSCR transactions forward with greater precision, fewer delays and better results using Lenz.

What DSCR is and why it exists

Debt Service Coverage Ratio loans are a form of non-QM financing designed specifically for real estate investors.

Unlike conventional loans, which qualify borrowers based on personal income and debt-to-income ratios, DSCR loans evaluate whether the property itself generates enough rental income to support its mortgage payment.

Instead of reviewing tax returns or W-2s, the lender analyzes rental income relative to total debt obligations. If the asset performs, the loan can qualify.

This makes DSCR especially useful for:

Self-employed investors: DSCR allows self-employed investors to qualify based on property cash flow rather than tax returns that may not reflect their true financial strength.

Borrowers with multiple financed properties: DSCR evaluates each property independently, allowing investors to continue acquiring without being limited by personal debt-to-income caps.

Investors whose tax returns minimize reported income: Because DSCR focuses on rental income instead of adjusted gross income, it aligns with investors who strategically reduce taxable income through depreciation and write-offs.

Portfolio builders seeking scalable financing: DSCR provides a repeatable structure where each new acquisition qualifies on its own performance, supporting long-term portfolio growth.

DSCR QUALIFIES THE PROPERTY - NOT THE PERSON!

DSCR is not just another product option - it is a structural solution to one of the biggest constraints in conventional lending: income qualification.

If you work with investors and do not understand DSCR, you are eventually going to lose deals when conventional DTI becomes the bottleneck.

More importantly, brokers who understand DSCR structure become strategic advisors instead of rate quoters.

How to position DSCR to real estate investors

DSCR should never be positioned as a workaround or second-best option. It should be positioned as a financing strategy built for investors.

START WITH CLARITY

“This loan is approved based on what the property earns, not what you earn.”
That single sentence eliminates most confusion.

WHAT INVESTORS CARE ABOUT

- Cash flow stability
- Ability to scale
- Predictable execution
- Fewer income-related roadblocks

Avoid leading with guidelines or ratios. Investors want to understand the outcome first. Once they understand the value, the mechanics make sense.

WINNING FRAMING

“This program is designed for flexibility and scalability. It allows you to qualify based on the property and keep capital moving.”

Investor Type	Primary Goal	What They Fear	How to Position DSCR
First-Time Investor	Secure positive cash flow	Making a bad deal	Emphasize predictable payment and rent-based qualification
Scaling Investor	Acquire multiple properties	Income caps slowing growth	Emphasize property-based qualification and portfolio scalability
Cash Buyer	Preserve liquidity	Overpaying in interest	Emphasize leverage, capital efficiency, and ROI expansion
Portfolio Refi Investor	Pull equity strategically	Overcomplicated underwriting	Emphasize speed, simplicity, and rent-based evaluation
Short-Term Rental Operator	Maximize revenue	Rental volatility	Emphasize market-supported rent and flexible structuring

REFRAME THE RATE CONVERSATION

The rate objection usually signals one of three things:

1. The investor does not yet understand the leverage strategy
2. They are comparing it to a conventional structure
3. They are calculating return without context

Your goal is not to lower the rate, but to expand the framework.

Reframing examples:

INSTEAD OF:

"The rate is higher because it's non-QM."

SAY:

"The rate reflects flexibility. You're qualifying on asset performance, not personal income limitations."

INSTEAD OF:

"This is what DSCR pricing looks like."

SAY:

"This structure keeps your personal borrowing capacity intact so you can keep acquiring."

INSTEAD OF:

"DSCR rates are just higher than conventional."

SAY:

"Conventional pricing comes with income limits. DSCR pricing comes with flexibility and scalability. It's structured for investors who plan to keep acquiring."

INSTEAD OF:

"If the rate were lower, the deal would look better."

SAY:

"If the property performs and covers its payment, the structure works. The goal is sustainable cash flow and growth, not just a lower headline rate."

When DSCR is framed as an investor tool instead of an alternative loan, pricing becomes contextual and predictable.

How to calculate DSCR

The formula is straightforward:

$$\text{Debt Service Coverage Ratio (DSCR)} = \frac{\text{Gross Rental Income}}{\text{Annual Debt Obligations}}$$

Where:

- Verified rent (lease or appraisal-supported)
- Annualized - not optimistic projections

RUN THE NUMBERS



Total Annual Debt Service:

All annual debt obligations on the property, includes principal, interest, property taxes, insurance, and HOA dues ("PITIA").

EXAMPLE

Suppose a property brings in \$108,000 in rent annually, and its total annual debt payments (mortgage, taxes, insurance, HOA) come out to \$90,000.

Divide the income by the expenses: $\text{DSCR} = 108,000 \div 90,000 = 1.2$

For illustrative purposes only.

A DSCR of 1.0 means the property breaks even, as it generates just enough income to cover the loan. Values above 1.0 indicate surplus income, which helps mitigate risk in the lender's eyes.

The number indicates the amount of breathing room your property has when covering fixed costs. Use that insight to adjust pricing, structure the loan, or compare investment opportunities.

Why This Matters:

This calculation aligns with investor economics:

- It evaluates the property's ability to support itself
- It removes personal income documentation from the qualification picture
- It prioritizes cash flow performance over tax returns or 1040s

That's why DSCR loans are ideal for real estate investors - the asset, not the borrower, determines eligibility.

DSCR Requirements for Different Loan Types:

DSCR requirements vary by program. Some lenders require 1.25 or higher, while others allow ratios closer to 1.0 when the file is strong. Our program offers flexibility, especially when supported by solid reserves, property condition, or credit.

Short-term rental income can also qualify. In many cases, we accept AirDNA reports, allowing investors to use actual performance data rather than relying only on long-term leases.

Think like an underwriter: Structuring winning DSCR deals

Most DSCR friction happens when brokers structure for approval instead of risk alignment. Underwriters assess whether the structure logically supports the asset and long-term viability. When you structure the way underwriting evaluates, approvals become predictable and timelines shorten.

START WITH DEFENSIBILITY

Ensure leverage and DSCR are stable and supported by verifiable inputs, not optimistic assumptions.

VERIFY EVERY INPUT

Confirm rent, insurance, taxes, and HOA before quoting because underestimated expenses create avoidable conditions.

BALANCE THE RISK PROFILE

If one element of the file is aggressive, strengthen another area such as reserves or leverage to offset overall risk.

ALIGN WITH EXIT STRATEGY

Match leverage and prepayment structure to the investor's intended hold period to prevent future friction.

ANTICIPATE CONDITIONS

Review the file as if you were underwriting it and resolve any weak points before submission.

YOUR DSCR DEAL CHECKLIST:

- Rent is verified and supported
- Full PITIA is calculated accurately
- DSCR is stable, not borderline
- Leverage aligns with investor strategy
- Insurance and HOA are confirmed
- Reserves are documented
- Credit supports pricing tier
- Exit strategy aligns with loan terms

Need calculations? We got you.

SELECT CALCULATOR

DSCR Mortgage Break-Even Blended Rate DTI

DSCR (Debt Service Coverage Ratio) Calculator

Calculate DSCR for various loan amounts and interest rates to evaluate investment property financing options.

DSCR Threshold Color Key
 ● DSCR > 1.25 ● DSCR > 1.0 ● DSCR > 0.75 ● DSCR > 0.5

Market Settings
 Min Rate: 6.375% Max Rate: 12.75% Loan Term: 30 years Step Size: \$5,000

LOAN AMOUNT	PAYMENT TYPE	6.375%	6.500%	6.625%	6.750%	6.875%	7.000%
\$450,000 LTV 75.00%	PITI (20yr) Monthly Payment	1.02	1.01	1.00	0.99	0.98	0.97
	Interest Only Monthly Payment	\$3,437	\$3,444	\$3,451	\$3,459	\$3,466	\$3,474
\$445,000 LTV 74.17%	PITI (20yr) Monthly Payment	1.03	1.02	1.01	1.00	0.99	0.98
	Interest Only Monthly Payment	\$2,884	\$2,876	\$2,867	\$2,859	\$2,850	\$2,842
\$440,000 LTV 73.33%	PITI (20yr) Monthly Payment	1.04	1.03	1.02	1.01	1.00	0.99
	Interest Only Monthly Payment	\$3,343	\$3,331	\$3,317	\$3,304	\$3,290	\$3,277
\$435,000 LTV 72.50%	PITI (20yr) Monthly Payment	1.05	1.04	1.03	1.02	1.01	1.00
	Interest Only Monthly Payment	\$2,891	\$2,878	\$2,864	\$2,847	\$2,830	\$2,813
\$430,000 LTV 71.67%	PITI (20yr) Monthly Payment	1.06	1.05	1.04	1.03	1.02	1.01
	Interest Only Monthly Payment	\$2,349	\$2,334	\$2,318	\$2,301	\$2,283	\$2,265

Loan Information
 Loan Amount (\$) \$ 450,000
 Property Value (\$) \$ 600,000
 LTV Ratio 75.00%

Monthly Expenses
 Taxes (\$) \$ 400
 Insurance (\$) \$ 150
 HOA or Other (\$) \$ 50
 Total Monthly Expenses \$900

Monthly Income
 Rental Income (\$) \$ 3,300

Real-world DSCR scenarios

DSCR is not theoretical. It plays out in real decisions, real tradeoffs, and real investor behavior. The difference between a smooth closing and a delayed deal is almost always structure.

Meet Mike: The Scaling Investor

- Mike is capped out conventionally but owns cash-flowing rentals.
- Deal structured at 75% LTV instead of maximum leverage.
- DSCR: 1.16. Clean file.
- Approved quickly. Investor continues acquiring.
- **DSCR preserves scale when conventional stops.**



Meet Sarah: The Tight Ratio

- Initial DSCR: 0.99. Structure was fragile.
- Switched to Interest Only. Insurance verified.
- Final DSCR: 1.08.
- Approved without friction.
- DSCR preserves scale when conventional stops.
- **Small adjustments create clean approvals.**



Meet Anthony: The Rate Objection

- Anthony owns two rentals and compares every deal to the low conventional rate he locked years ago.
- Purchase: \$680,000 | Rent: \$5,200/month | DSCR: 1.12
- He hesitates on pricing.
- Instead of defending the rate, the conversation shifts to preserving borrowing capacity and continuing acquisitions without DTI limits.
- **Rate is secondary to strategy.**



For illustrative purposes only. The examples provided are hypothetical, based on assumed rates, amounts, and terms, and do not represent an actual borrower offer. Actual rates, terms, and borrower results will vary based on eligibility and market conditions. Materials are intended solely for mortgage professionals and are not consumer advertising.

Partnering with Lenz

In DSCR, execution matters as much as structure. Even well-structured deals can lose momentum if the process is inconsistent or unclear. Lenz is built around disciplined execution, with a focus on speed, transparency, and alignment between brokers and underwriting. When files are structured logically and submitted cleanly, the process moves efficiently because expectations on both sides are aligned from the start.

If you're structuring DSCR deals and want cleaner execution, connect with Lenz and run your next scenario through a team built for investor-focused lending.

Get Non-QM loans to the closing table. **Fast.**

Lendz Financial streamlines every step of the mortgage approval process.

We provide a straightforward, transparent, and efficient lending process, ensuring brokers and their clients can secure financing quickly, without unnecessary roadblocks.

TAILORED LENDING SOLUTIONS

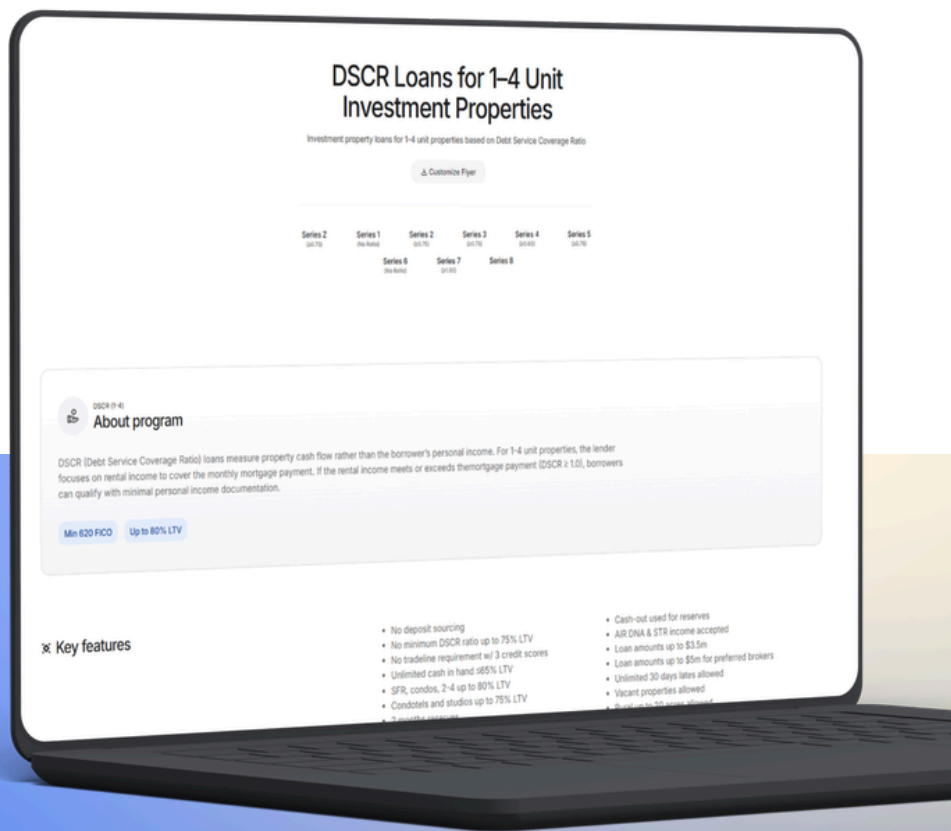
No two deals are the same, and we make sure every loan meets the unique needs of our brokers and their borrowers.

SPEED & EFFICIENCY

With 24-hour underwriting decisions and 15-day closings, we move at the pace today's brokers expect.

EXPERT SUPPORT

Our Account Executives, Underwriters, and Closing teams are dedicated to making the process seamless from start to finish.



PRE-QUAL



For more information about partnering with Lendz Financial and learning more about our Non-QM products, contact us today at www.lendzfinancial.com or speak with one of our Account Executives.