



DSCR Prime & DSCR Prime IO

Lender NMLS 21116 www.nmlsconsumeraccess.org Equity Prime Mortgage, LLC (EPM) is a wholesale residential mortgage lender and an approved lending institution. The company is GNMA issuer, FHLMC, FNMA seller/servicer, FHA Mortgagee, USDA National Lender, and VA Automatic Lender. This information is for Broker use only and is provided to assist business professionals.. This is not an advertisement extend to the consumer, as defined by Section 226.2 of Regulation Z – Equal Housing Lender. Equal Opportunity Employer.
Corporate address: 5 Concourse Parkway, Suite 2250 Atlanta, GA 30328

Please visit our website for program guidelines and requirements: <https://epmwholesale.com>

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Overview



- Investment Properties ONLY. For Experienced Investors.
- Qualify on Credit and Rental Income
 - No Income or Employment Documentation or Verification
- Simplified Documentation, Faster Closings
- Vesting can be in a Business Entity or a Trust
- DSCR ≥ 1.00

DSCR
PROGRAM SPECIFICATIONS

CHANNELS	PARAMETERS
<ul style="list-style-type: none">• Broker	<ul style="list-style-type: none">• FICO<ul style="list-style-type: none">• 660 – max 70% LTV• 680 – max 75% LTV• 700 - max 80% LTV• Interest Only – Min. 700 FICO• UW METHOD<ul style="list-style-type: none">• TOTAL Scorecard• Desktop Underwriter (DU)• AUS RECOMMENDATIONS<ul style="list-style-type: none">• Approve/Eligible



DSCR

PROGRAM SPECIFICATIONS

PARAMETERS	PROPERTY TYPES
<p>ELIGIBLE TERMS</p> <ul style="list-style-type: none"> • 30 year fixed • Interest Only <p>TRANSACTION TYPES</p> <ul style="list-style-type: none"> • Purchase • Rate/Term Refinance • Cash Out • Borrower Paid <p>LTV</p> <ul style="list-style-type: none"> • 80% - 700 min. FICO • 75% - 680 min. FICO Purchase / 700 min. FICO Cash out • 70% - 660 min. FICO Purchase / 680 min. FICO Cash out • Interest Only – Reduce maximum LTV by 5% - 700 min. FICO <p>DTI</p> <ul style="list-style-type: none"> • DSCR <p>AUS RECCOMENDATIONS</p> <ul style="list-style-type: none"> • Approve/Eligible 	<ul style="list-style-type: none"> • 1-4 Units – Attached or Detached • New & Established FNMA warrantable condos • <i>New Condos may not be subject to additional phasing or annexation</i> • <i>All attached condos require Full Review</i> • <i>Must receive Condo Project approval</i> • PUDs



Ineligible Property Types



- Manufactured or Mobile Homes
- Co-Ops
- Factory Built Homes
- Condotels
- Log homes
- Non-Warrantable Condos
- Timeshare Units
- Unique Properties (Geo-Domes, etc.)
- Properties with Deed/Resale Restrictions
- Mixed Use Properties
- Working Farms
- Hobby Farms
- Commercial Properties
- Rural Zoned Properties
- Leasehold
- Properties over 10 acres
- Lot Loans
- Lava Zones 1 or 2 in Hawaii
- Agriculturally Zoned Properties (Agriculture/Residential Eligible)
- Properties that do not conform to zoning ordinance
- Properties < 750 sq. feet, except Condos | Condos < 400 sq. feet
- Properties in Puerto Rico, Guam, American Samoa, Northern Mariana Islands and US Virgin Islands



DSCR Calculation

DSCR (Debt Service Coverage Ratio)

Monthly Rent

Subject PITIA

Example:

Market Rent \$2200

PITIA \$2000

DSCR: \$2200 / \$2000 = 1.10

Rent Amount needs to be the same as the PITIA or greater

Points of Interest



- **Experienced Investors Only:**
 - 12 months ownership and management of a residential or commercial property within the last 24 months. LOE regarding experience is required.
- **No Family Involvement:**
 - Non-Arm's Length transactions are ineligible
 - Gift Funds and Gift of Equity are NOT allowed
- **Business Purpose:**
 - Cannot pay consumer debt off with cash-out proceeds.
 - Acquisition, improvement or maintenance of a rental property.

Program Highlights



- **Refinances:**

- Must have current lease with 2 months receipt of rental payments
- Cash-Out proceeds MAY be used for reserves
- Proceeds may NOT be used for personal use
- Properties listed for sale within 6 months of closing are ineligible on Cash-Out refi, but can be cancelled before closing for R/T refi
- Continuity of Obligation is required. Like old FNMA guidelines.

- **Purchases:**

- Contract for Deed/Land Contracts are ineligible

Program Highlights



- Minimum tradeline requirements for each borrower
- No subordinate financing
- No transferred appraisals
- Any delinquent credit that could impact the lien position, all past due accounts and collections > \$1000 or aggregate of \$2500 must be paid
- Must have a 4 year seasoning from any credit event
- Business funds can be used if the borrower owns 100% of the business and they provide a CPA letter stating no negative impact
- Large deposits exceeding 5% of the loan amount must be sourced
- 10 acre max | No more than 20 residential financed properties
- Min. 750 square feet, except Condos – min. 400 square feet

Program Highlights



- No Escrow Holdbacks under any circumstances
- Housing history is required on Subject, Primary and ALL financed properties that reflect on the credit report
- Rent loss insurance covering 6 months is required
- Credit Rescores are not allowed unless correcting an erroneous or disputed tradeline
- A Statement of Business Purpose and Occupancy Affidavit is required indicating the loan purpose is for the acquisition, improvement or maintenance of a rental property

Matrix



Purchase and Rate/Term Refinance Matrix

Number of Units	Max. Loan Amount	Maximum LTV	Min. Credit Score	Minimum DSCR
1-4	\$3,000,000	80%	700	1.00
		75%	680	1.00
		70%	660	1.20

Cash-Out Refinance Matrix

Number of Units	Max. Loan Amount	Maximum LTV	Min. Credit Score	Minimum DSCR
1-4	\$2,500,000	75%	700	1.00
		70%	680	1.00

** INTEREST ONLY: Minimum Credit Score 700. Reduce maximum LTV by 5%.

Interest Only



- Minimum Credit Score of 700
- Must reduce maximum LTV by 5%
- 10 yr interest-only period followed by 20 yr fully amortized period
- Qualified using the interest-only payment

Example:

Loan Amount: \$400,000 Interest Rate: 7.50%

Fully Amortized P&I Payment: \$2,796.86

Interest-Only Payment: \$2,500.00

**After 10 years, payment will increase to \$3,222.37*

Appraisals



- Transferred Appraisals are not allowed
- Appraisals must not be > 120 days. No Re-certs of value
- CDA is required for FNMA scores > 2.5 or no score
 - Variance > 10% is not allowed
 - If > 10%, can order a Field Review
- 2 appraisals required for loan amounts > \$2 MM

Reserves



- Loan Amount \leq \$1,000,000: 3 months
- Loan Amount $>$ \$1,000,000 & \leq \$2,000,000: 6 months
- Loan Amount $>$ \$2,000,000 & \leq \$3,000,000: 9 months

- Calculated based on PITIA or ITIA of subject property

- Cash-Out proceeds MAY BE used as reserves

Pre-Payment Penalties



- **Six Months Interest**: The PPP charge will be equal to six months of interest on the amount of the prepayment that exceeds 20% of the original principal balance. The PPP is applicable regardless of the reason for the prepayment of principal including prepayments resulting from the sale or refinance of the subject property or curtailments that exceed 20% of the original balance in any 12 month period.
- **Fixed Percentage or Declining Structure**: The minimum percentage in a year must be greater than or equal to the remaining PPP term during that year (see examples below). The PPP charge will be equal to the percentage in effect at the time of the prepayment and applied to any curtailment or the entire outstanding principal balance during the prepay period regardless of the reason for the prepayment of principal.

Pre-Payment Penalties Examples



- Six Months Interest:

- Example 1: Loan Amount is \$200K. Note Rate is 7%. Borrower paid \$50K of the balance down.
- The Prepay charge is equal to six months interest on the amount of the prepayment that exceeds 20% of the original balance
 - 20% of \$200K is \$40K
 - \$50K- \$40K leaves \$10K that will then be multiplied by 3.5% (half of annual 7% rate)
 - $\$10,000 * (.035) = \350 pre-payment penalty
- Example 2: Same loan parameters as above but borrower pays off \$150K.
 - $\$150K - \$40K = \$110K$
 - $\$110K * (.035) = \$3,850$ pre-payment penalty

- Declining Structure:

- Scenario: Loan Amount is \$200K. Note Rate is 7% and loan closed 10/1/2024.
- 3-year Prepay on loan
 - Year one Prepay is 3%
 - Year two Prepay is 2%
 - Year three Prepay is 1%
- Example 1: Borrower pays \$50K down in May 2025
 - This is before 10/1/2025, the payoff is in year one of the Prepay period, penalty is 3%
 - $\$50K * (.030) = \$1,500$ pre-payment penalty
- Example 2: Borrower pays \$150K down on November 1, 2025
 - 11/2025 is 1 year greater than 10/01/2024 but less than 2 years, penalty is 2%
 - $\$150K * (.020) = \$3,000$ pre-payment penalty

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CONNECT WITH EPM

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THANK YOU

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