



# HomeMac

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## **Investor No Ratio Guidelines**

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# IMPORTANT

This guideline is owned by Home Mortgage Alliance Corporation (HMAC), which is headquartered in Santa Ana, CA. For the purposes of these Guideline, the terms “**Company**” refer to Home Mortgage Alliance Corporation (HMAC).

Program rates and parameters are subject to change without notice.

Click Link Below to View Matrix at [Homemac.com](http://Homemac.com)

- [Investor No Ratio Matrix](#)

# INVESTOR NO RATIO GUIDELINES

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## DEBT SERVICE COVERAGE (INVESTMENT PROPERTY)

Debt Service Coverage Ratio transactions are available to experienced investors purchasing or refinancing investment properties for business purposes. The typical borrower is expected to have a history of managing income-producing rental properties or has a significant equity down payment in a purchase transaction. The borrower is required to execute a Borrower Certification of Business Purpose and an Occupancy Certification. For examples of these forms, see the following links: [Borrower Certification of Business Purpose](#) / [Occupancy Certification](#).

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## 1 BORROWER/GUARANTOR EXPERIENCE

### 1.1 EXPERIENCED INVESTOR (2/26/2024)

- An experienced residential investor is a borrower/guarantor having a history of owning and managing non-owner occupied residential real estate for at least one (1) year in the last three (3) years. Ownership of commercial income producing property may also be used as evidence of investor experience.
  - For files with more than one borrower/guarantor, only one borrower/guarantor must meet the definition.
- Ownership history can be documented for other REO with one of the following:
  - Mortgage history on credit report
  - Property profile report
  - Other 3rd party documentation (e.g., Fraud Report, Settlement Statement, Closing Disclosure)

### 1.2 FIRST TIME INVESTOR (2/26/2024)

First Time Investor is a borrower/guarantor not meeting the Experienced Investor definition. Borrower/guarantor must currently own a primary residence for at least one (1) year.

- Ownership history can be documented with one of the following:
  - Mortgage history on credit report
  - Property profile report
  - Other 3rd party documentation (e.g., Fraud Report, Settlement Statement, Closing Disclosure)

First Time Investors are eligible subject to the following restrictions:

- Minimum credit score: 680.
- If reported, no mortgage late payments during the past thirty-six (36) months.
- Minimum of 36-months seasoning from any credit event.
- Cash-out transactions not eligible.
- First time homebuyers are not eligible.

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## 2 1-4 FAMILY RESIDENTIAL PROPERTY

### 2.1 PROPERTY INCOME ANALYSIS (12/12/2022)

Gross monthly rents are used to determine the DSCR. A 1007 or 1025 Comparable Rent Schedule survey prepared by the appraiser is required on all DSCR transactions. See the appropriate Long Term or Short Term requirements below for rental income documentation and DSCR calculation.

#### 2.1.1 LONG TERM RENTAL DOCUMENTATION AND DSCR CALCULATION (2/26/2024)

- Purchase Transactions
  - Monthly Gross Rents are the monthly rents established on FNMA Form 1007 or 1025 reflecting long term market rents.
  - If the subject property is currently tenant occupied, the 1007 or 1025 must reflect the current monthly rent.
  - A vacant or unleased property is allowed without LTV restriction.
- Refinance Transactions
  - Required documentation:
    - FNMA Form 1007 or 1025 reflecting long term market rents, and lease agreement.
    - If the lease has converted to month-to-month, then provide the most recent two (2) months proof of receipt to evidence continuance of lease.
    - If unable to provide evidence of receipt, the unit will be treated as vacant and subject to the following:
      - Max LTV: Purchase 75%, Refinance 70%
  - Monthly Gross Rents are determined by using the actual lease amount or estimated market rent from 1007/1025 as follows:
    - If using the lower of the actual lease amount or estimated market rent, nothing further is required.
    - If using a higher actual lease amount, evidence of 2-months of receipt is required, and the lease amount must be within 120% of the estimated market rent from the 1007 or 1025. If the actual rent exceeds the estimated market rent by more than 120%, the rents are capped at 120%.
    - If using a higher estimated market rent from 1007/1025, it must be within 120% of the lease amount. If the estimated market rent exceeds the lease amount by more than 120%, the estimated market rent is capped at 120%.
  - A vacant or unleased property is allowed subject to the following:
    - Max LTV: Purchase 75%, Refinance 70%
- DSCR Calculation
  - Debt Service Coverage Ratio is the Monthly Gross Rents divided by the PITIA of the subject property. See the Verus Eligibility Matrix for required Debt Service Coverage Ratios.
  - Gross rents divided by PITIA = DSCR

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## 2.1.2 SHORT TERM RENTAL (E.G., AIRBNB, VRBO, FLIPKEY) DOCUMENTATION AND DSCR CALCULATION (2/26/2024)

Short term rentals are properties which are leased on a nightly, weekly, monthly, or seasonal basis.

- Short Term Rental Income – Purchase and Refinance Transactions
  - LTV/CLTV limits:
    - Purchase: Lesser of 75%, or the LTV/CLTV based upon the DSCR/FICO/Loan balance matrix.
    - Refinance: Lesser of 70%, or the LTV/CLTV based upon the DSCR/FICO/Loan balance matrix.
    - See matrix for Condo Hotel LTV/CLTV limits.
  - DSCR calculation:
    - Monthly gross rents based upon a 12-month average to account for seasonality required.
    - Gross rents reduced by 20% to reflect extraordinary costs (i.e., advertising, furnishings, cleaning) associated with operating short-term rental property compared to non-short-term property. If the rental documentation referenced below includes expenses, actual expenses should be compared to the 20% expense factor. If actual expenses are less than 20%, a minimum 20% expense factor is required to be utilized. If actual expense exceeds 20%, the actual expense factor should be used.
    - $(\text{Gross Rents} * .80) \text{ divided by PITIA} = \text{DSCR}$ .
- When short-term rental income is documented using multiple sources, the lowest source of monthly income is to be utilized for calculating DSCR.
- Any of the following methods may be used to determine gross monthly rental income:
  - A 1007 or 1025 Comparable Rent Schedule survey prepared by the appraiser reflecting long-term or short-term market rents.
    - If long-term rent is utilized, 20% expense factor is not to be applied.
  - The most recent 12-month rental history statement from the 3rd party rental/management service.
    - The statement must identify the subject property/unit, rents collected for the previous 12-months, and all vendor management fees. The qualifying rental income must be net of all vendor or management fees.
  - The most recent 12-month bank statements from the borrower evidencing short term rental deposits. Borrower must provide rental records for the subject property to support monthly deposits.
  - AIRDNA ([www.Airdna.co](http://www.Airdna.co)) Rentalizer and Overview reports, accessed using the Explore Short-Term Rental Data, must meet the following requirements:
    - Rentalizer (Property Earning Potential)
      - Only allowed for purchase transaction.
      - Gross Rents equal the revenue projection from the Rentalizer Report.
        - The gross rents are subject to the application of the 20% extraordinary expense factor.
        - Revenue projection equals the average daily rental rate times the occupancy rate.
      - Forecast Period must cover 12-months from the Note date.
      - The occupancy rate must be > 60%.
      - Must have five (5) comparable properties, all within the same ZIP code.
      - Must be similar in size, room count, amenities, availability, and occupancy.
      - Maximum occupancy limited to 2 individuals per bedroom.

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- Overview report (Evaluate a Market):
  - Market score or Sub-Market score by zip code.
  - Market score or Sub-Market must be 60 or greater.

## 2.2 DEBT SERVICE COVERAGE RATIO (DSCR) (08/29/2022)

Debt Service Coverage Ratio is the Monthly Gross Income divided by the PITIA (or ITIA for interest-only loans) of the subject property. See the Verus Eligibility matrix for required Debt Service Coverage Ratios. See Section 2.1.3- Qualifying Payment for further guidance regarding Qualifying Payments.

*Example: Sample Debt Service Coverage Ratio Calculation*

Single Family Purchase Money Transaction

Monthly PITIA = \$650

Estimated Monthly Market Rent (FNMA Form 1007) = \$850

Existing Lease Monthly Rent = Not Available

Use Market Rent of \$850 (Estimated Monthly Market Rent when a lease is not available for a purchase transaction).

Gross Rents (**\$850**) ÷ PITIA (**\$650**) = **DSCR (1.30)**

## 2.3 HOUSING HISTORY – DSCR (2/26/2024)

Housing history for the DSCR Doc type is limited to verifying the borrower's primary residence and the subject property if a refinance transaction. The documentation requirements under Section 2.5.5 – Housing History should be followed for verification.

Housing History

- Any mortgage reported on the credit report for any property owned by the borrower needs to be included in the housing history eligibility.
- For any non-subject property, non-primary mortgages not reporting to the credit bureau, additional housing history is not required.
- For refinance transactions of the subject property, when the existing financing is a Paid In Kind (PIK) loan, a copy of the note must be provided in the credit file to determine required payments. Notes allowing interest to accumulate during the term of the loan are eligible, however, all refinance transactions are treated as cashout.

## 2.4 RESTRICTIONS (2/26/2024)

- See the Verus Matrices for the maximum LTV/CLTV.
- If the loan amount is < \$150,000 the minimum DSCR is 1.25.
- Minimum credit score of 620.
- No rural properties maximum 2-acres.
- Gift funds permitted after a minimum 10% borrower contribution, documented per 2.6.2 – Asset Documentation.
- Neither the Borrower(s) nor the borrower's immediate family shall at any time occupy the property.
- Cash-out on an investment property where loan proceeds are used for consumer purposes.



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- When the subject property is encumbered by a blank/cross collateralized loan, the transaction is considered cashout. Copy of the note will be required to verify the payoff/release terms.

## **2.5 BORROWER APPLICATION (04/25/2022)**

- The borrower information section of the loan application (i.e., FNMA Form 1003) should be completed.
- The borrower's contact information must be provided on the loan application (i.e., FNMA Form 1003).
- No proof of borrower income is required.