

DSCR & fix-and-flip loans, explained like you're busy.

How investor financing actually works, which loan fits which deal,
the numbers lenders care about, and the mistakes that cost real
money — no jargon, no fluff.

The bank isn't rejecting you. It's using the wrong ruler.

Conventional mortgages were built for homeowners: they measure your W-2, your tax returns, your debt-to-income ratio. Investors get punished by that ruler — you write off expenses (so your taxable income looks small), you own multiple mortgaged properties (so your DTI looks scary), and you move fast (banks don't).

Investor lending flips the question. Instead of "can this person afford a home?", it asks **"does this deal work?"** The property's income and value carry the loan. That single shift unlocks the two workhorses of real-estate investing:

DSCR loans

Long-term (30-yr) financing for rentals. Qualifies on the property's rent vs. its payment. Buy-and-hold, cash-out refis, portfolios, Airbnbs.

Fix-and-flip loans

Short-term (6–24 mo) financing to buy + renovate. Qualifies on purchase price, rehab budget, and the after-repair value (ARV). Flips and BRRRR projects.

Most successful investors use both — fix-and-flip money to acquire and improve, DSCR money to hold or to exit. This guide covers each, then shows how they chain together.

One ratio decides the deal.

$$\text{DSCR} = \text{monthly rent} \div \text{monthly payment (PITIA)}$$

PITIA = principal + interest + taxes + insurance + association dues. Rent is the market rent an appraiser certifies — or, for short-term rentals, documented STR income.

DSCR	What it means	What to expect
1.25+	Strong cash flow	Best pricing and maximum leverage
1.0 – 1.25	Property covers itself	Solid approval range, standard pricing
Under 1.0	Rent doesn't cover payment	Still possible — lower leverage or rate buydown

What DSCR lenders look at (and what they don't)

CHECKED ✓

- The DSCR ratio
- Credit score (660+ workable, 720+ best pricing)
- Loan-to-value — typically up to 80% purchase, 75% cash-out
- Reserves — usually 3–6 months of payments
- Entity docs if closing in an LLC (most investors do)

NEVER ASKED FOR ✗

- Tax returns
- W-2s or pay stubs
- Employment verification
- Personal debt-to-income math
- Explanations for your write-offs

Where DSCR loans shine

- **Buy-and-hold purchases** — 30-year fixed terms on the properties that pay you.
- **Cash-out refinancing** — pull equity out of a property you own to fund the next one (or retire expensive debt).
- **Short-term rentals** — Airbnb/VRBO income counts, where conventional lenders say no.
- **Portfolios** — finance multiple doors without your personal DTI capping you out.
- **Self-employed investors** — aggressive tax strategy stops being a lending problem.

Buy it, fix it, get paid on the way out.

Fix-and-flip (bridge/rehab) loans are short-term money sized to the deal's **after-repair value**, not its current condition — which is exactly why banks won't touch these properties and flippers profit from them. The loan funds most of the purchase *and* the renovation, in draws as work completes.

6–24 mo

typical term — interest-only
payments while you renovate

to ~90%

of purchase + up to 100% of rehab
budget, capped by ARV

~70–75%

of ARV — the ceiling the whole loan
must fit under

The numbers that make or break a flip

The 70% rule (a starting filter, not gospel)

Maximum offer $\approx (\text{ARV} \times 70\%) - \text{rehab budget}$. Example: ARV \$400K $\times 0.70 = \$280\text{K} - \$60\text{K rehab} = \text{\$220K max purchase}$. Deals that clear this filter usually survive the surprises; deals that need 80% to pencil usually don't.

- **ARV** — support it with real comps: same neighborhood, similar size, sold in the last 6 months, *renovated* condition. Optimistic ARVs are the #1 flip killer.
- **Rehab budget** — line-item it, then add a 15–20% contingency. Lenders fund draws against this budget; a vague budget means slow draws.
- **Holding costs** — interest, taxes, insurance, utilities for every month you own it. A flip that takes 9 months instead of 5 quietly eats its own margin.
- **Exit** — know it before you buy: sell (flip) or refinance into a DSCR loan and rent it (BRRRR). Underwrite both so a slow market can't strand you.

What fix-and-flip lenders actually evaluate

The deal first: purchase price vs. ARV, the rehab plan, and the market. Then you: credit (usually 660+), liquidity to cover the down payment + first months of interest, and experience — first-timers pay slightly more and get slightly less leverage, but completed projects quickly earn better terms. Tax returns? Not here either.

The two loans are one strategy.

Buy, Rehab, Rent, Refinance, Repeat. The fix-and-flip loan gets you in and funds the work; the DSCR refinance gets you out — on the **new appraised value** — pays off the bridge, and returns your capital for the next deal. Done right, you recycle the same down payment across deal after deal while stacking cash-flowing rentals.

1

Buy

Bridge loan funds purchase + rehab

2

Rehab

Draws released as work completes

3

Rent

Lease at the new market rent

4

Refinance

DSCR loan on new value pays off the bridge

5

Repeat

Capital back out, next deal

The detail that matters: seasoning. Many lenders make you wait 6–12 months of ownership before a cash-out refi on the new value. Vested Nest has **no seasoning requirement** — finish the rehab, rent it, refinance on the new appraisal. Months of bridge interest saved on every cycle.

The five expensive mistakes

1. **Underwriting the exit last.** Run the DSCR math on the refi before you buy — if it won't cash-flow as a rental, you have one exit, not two.
2. **Optimistic ARV.** Use sold renovated comps, not list prices. Your margin lives or dies here.
3. **No contingency.** Every rehab finds something. 15–20% on top of the budget, always.
4. **Sitting on the bridge loan.** Every extra month at hard-money rates is pure margin burn. Line the refi up before the paint dries.
5. **Buying in your personal name when you meant to close in an LLC.** Decide the entity before you sign the contract — changing it mid-deal costs time and sometimes the rate lock.

Run your deal in 60 seconds.

You now know more about investor financing than most people writing offers. The last step isn't reading — it's pricing a real deal. Drop any property address at **vestednest.ai** and get a real term sheet — rate, leverage, payment, cash to close — in about a minute. Prefer to talk it through? Call **1-800-VESTED9** and a DSCR loan officer will run your deal with you on the spot.

Recently funded

\$1,365,000

East Hampton, NY · DSCR 1.22
· closed in 14 days

\$1,200,000

Bronx, NY · DSCR 1.37 · closed
in 14 days

\$948,000

Folly Beach, SC · DSCR 1.07 ·
closed in 16 days

vestednest.ai · 1-800-VESTED9

Address in → term sheet in 60 seconds. Or call and we'll run it together.

