

Mortgage Report

for 4525 N 66th St UNIT 48, Scottsdale, AZ 85251 - September 1, 2025

This memo outlines the most viable financing options for your prospective acquisition of the subject property, based on your profile as an experienced, self-employed real estate investor with a strong credit profile and significant liquid assets. The analysis is tailored to the property's unique characteristics, particularly its potential as a Short-Term Rental (STR).

1. Executive Summary

Based on your investor profile and the property's specific financial landscape—notably the high HOA fee which makes a traditional rental unviable—the two most suitable loan categories for this acquisition are a **Non-QM / DSCR Loan** and a **Conforming Investment Loan**.

My primary recommendation is the **DSCR (Debt Service Coverage Ratio) Loan**. This product is the ideal strategic fit for two key reasons:

1. **Qualifies on Property Income:** It uses the property's projected Short-Term Rental (STR) income to qualify, not your personal tax returns. This is a significant advantage for self-employed investors.
2. **Aligns with Strategy:** The only viable investment strategy for this property is as an STR, and DSCR loans are specifically designed to accommodate this, using data from sources like AirDNA for underwriting.

While a Conforming Loan offers a lower interest rate, the underwriting process based on your personal debt-to-income (DTI) ratio from tax returns could prove challenging and may not be the most efficient path forward.

2. Loan Options Comparison Table

The table below provides a high-level comparison of the most relevant loan categories

available in the current market, with rates estimated as of today's date.

Feature	Conforming Loan (Fannie/Freddie)	Non-QM / DSCR Loan	Hard Money / Bridge Loan
Max LTV / Down Pymt	80% / 20%	75% / 25%	70% / 30%
Estimated Interest Rate	~8.00% (30-yr Fixed)	~9.25% (30-yr Fixed/ARM)	~12.0% (Interest-Only)
Underwriting Basis	Personal DTI & Income	Property Cash Flow (DSCR)	Property Value / ARV
Best For	W-2 investors, strong credit	STRs, self-employed, scaling	Fix & flips, speed, rehab
Key Pro	Lowest rates & fees	No personal income check	Fast closing, funds rehab
Key Con	Strict DTI limits, tax returns	Higher rates & down payment	High cost, short term

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3. Detailed Loan Product Analysis

A. Conforming Investment Property Loan

This is the traditional loan product offered by banks and lenders that adheres to the guidelines set by Fannie Mae and Freddie Mac. To qualify, lenders will require a full review of your last two years of tax returns, bank statements, and a detailed credit report. The primary

metric is your personal **Debt-to-Income (DTI) ratio**, which must typically remain below 43-45%. For self-employed investors, this can be a hurdle, as taxable income after business write-offs may not be sufficient to meet the strict DTI requirements. While these loans offer the most competitive interest rates and fees, they are best suited for investors with straightforward W-2 income.

B. Non-QM Loan (DSCR - Debt Service Coverage Ratio)

This is the workhorse loan for modern real estate investors. A DSCR loan **qualifies the property, not the borrower**. The lender's primary concern is that the property's gross rental income is sufficient to cover the mortgage payment (PITI - Principal, Interest, Taxes, and Insurance). The ratio is simple: $\text{GrossRentalIncome}/\text{PITI}=\text{DSCR}$. Most lenders require a ratio of 1.0x or greater.

Crucially for this property, lenders in this space are highly sophisticated and will use **projected Short-Term Rental income data** to underwrite the loan. This makes the DSCR loan the perfect tool to finance a vacation rental, as it directly leverages the asset's highest and best use. For you as a self-employed investor, its greatest advantage is that **no personal tax returns or income verification are required**.

C. Hard Money / Bridge Loan

This is a short-term (typically 12-24 months), high-interest, asset-based loan. Qualification is based almost entirely on the value of the property, specifically its After Repair Value (ARV). These loans are ideal for **fix-and-flip projects** because they close quickly and can often finance 100% of the renovation costs. However, given that this Scottsdale property is already remodeled and turnkey, a hard money loan is **not a suitable or cost-effective tool** for a long-term hold strategy like an STR. The high interest rates and fees would needlessly erode your cash flow.

4. Final Recommendation & Next Steps

My definitive recommendation is to finance this acquisition with a **Non-QM / DSCR Loan**. This product is strategically tailored to your profile as a self-employed investor and the property's

unique requirement to be operated as a Short-Term Rental to be profitable. It removes the underwriting friction of personal income verification and aligns perfectly with the investment thesis.

Here are the immediate, actionable next steps we should take:

1. **Verify STR Permissibility:** The absolute first step is to obtain the HOA documents for "SCOTTSDALE ENTRADA" and confirm, in writing, that short-term rentals are permitted without restrictive clauses (e.g., a 30-day minimum stay). This is the single biggest non-financial risk.
2. **Secure an STR Income Report:** We will order a third-party report (from a source like AirDNA) to generate a credible income projection. This will be a core component of our loan submission package.
3. **Gather Pre-Approval Documents:** Please begin to assemble digital copies of your last two months' bank statements (to source the down payment) and a schedule of your current real estate owned.
4. **Initiate Application:** With these items, I will prepare a DSCR loan application and leverage our network to secure the most competitive terms from lenders who specialize in financing Scottsdale vacation rentals.

Let's proceed with securing this asset the smart way. I will await your signal to begin with Step 1.