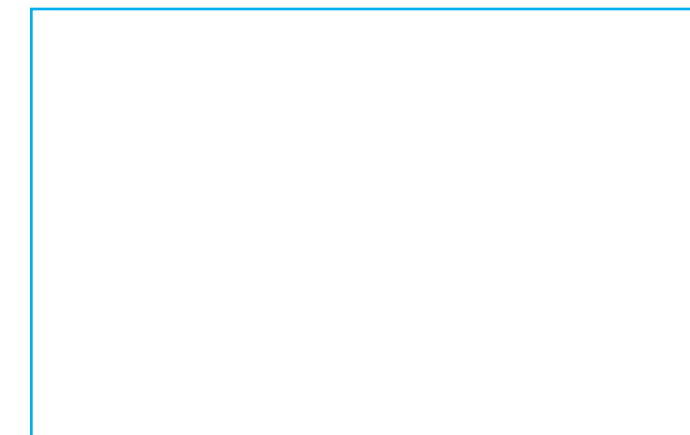




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reporting on their credit report. Instead, the qualification to get a DSCR loan is based on how the subject property cash flows combined with the borrowers' credit score. These products require the least amount of documentation of any residential mortgage loan type currently available in the markets.

Finally, I have made a professional move to a new company that I am starting with a business partner. We are creating a new mortgage brokerage called ***Straight Deal Mortgage***. This new company is based on my principals and the way I have been doing business over the past 25+ years. ***Straight Deal Mortgage*** is the ***Home of Real Mortgage Advice***®. We work the transaction from the underwriting first to make sure the rates we are quoting are for products the borrower can qualify for and to ensure that the loans we submit to our lenders will close with the terms we sell to the borrower. We will still have access to most lenders in the wholesale, broker channel, which will allow me to continue offering all the niche products not available through the institutional, retail lending channels. Since we are working as mortgage brokers, we are still fiduciary for our clients and our transactions remain transparent with the borrower knowing how much income we are making on every deal we close. Our process is very

different from institutional, retail banks because they work an assembly line process where they sell rate first, regardless of whether the borrower can qualify for their products that offer their best rates. The loan agent is basically an order taker whose job is to get the application in and then send it to the back office and underwriting who determine whether the borrower can qualify for the loan. Additionally, lenders who work in the banking channel are not fiduciary and do not have to disclosure how much income they are earning on each transaction. *C2 Financial* was a great business partner and I spent 12 years with them, the longest time I have spent with any mortgage broker in my career. After 25 years in the industry, it was time for me to create my own company, which follows my vision and style. I am hoping this will be the last move I make in my career before it is finally time to hang it up.

*As always, your mortgage guy,
Viral (Vic) Joshi
Home of Real Mortgage Advice*

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Vic's Mortgage Report

"Home of REAL Mortgage Advice"



My mission is to help buyers qualify for the best loan available for their circumstance. I spend a generous amount of time with each client to educate them about how the mortgage industry works, through free "Mortgage 101" consultations, so they can make good decisions and get the best loan possible. I've revamped my website to give clients the best resources to supplement my consultations.

When I'm not doing loans, I'm an avid scuba diver and certified Rescue Diver. Eventually I'd like to become a dive instructor, so I can share the joys of this ocean sport with others.

I give back to the Monterey Bay Aquarium, Divers Alert Network (DAN), and the National Outdoor Leadership School (NOLS).



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Change is Good

Hi Friends,

Mortgage interest rates are at the highest levels I have seen since 2007. They have more than doubled since December of 2021 and the effects of this rapid rise in rates are finally being felt in the real estate markets. Housing inventory is sitting on the markets for a longer period than we have been used to seeing in over the past five years. Higher rates mean less buyers in the market, which is reducing the amount of offers for each home listed on the MLS. In the last nine months the market has shifted from a seller's market to a buyer's market with sellers finally willing to negotiate downward on price. When rates are up and home prices are down, the overall housing payments may still be affordable to many buyers. Eventually mortgage interest rates will fall again and there will be another refinance boom. Getting in now despite the higher rate environment, while home prices are softening and dropping, makes sense since mortgage rates will likely fall in 2023 when refinancing will become attractive.

The drop in home prices has spurred more investor activity. There are some newer mortgage products in the markets that have been introduced over the last few years, and are designed to help investors purchase residential real estate without traditional qualification requirements. These products are similar to commercial mortgage products



where the income for the property determines whether or not the lender will fund the loan. We refer to these products as DSCR loans, which stands for Debt Service Coverage Ratio. The gross income on the subject rental property needs to cover the subject property's monthly liabilities for the lender to fund the loan. The monthly liabilities on the subject property includes the new mortgage Principal & Interest as well as the monthly Property Taxes and Home Owner's Insurance. Usually, to get to the desired DSCR, the down payment will need to come in at a minimum of 20% down. Most lenders will have an absolute minimum of 15% down payment regardless of the DSCR calculation. The larger the down payment, the lower the interest rate. Mortgage rates on these products are potentially equal to conventional mortgage rates for investment property purchases. The key to these DSCR loans is that the borrower doesn't have to qualify using their personal income. Traditional mortgage products require a DTI, Debt-To-Income, calculation where the borrowers' income is compared to their total monthly liabilities for all properties owned and all liabilities

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