FIRST MORTGAGE | DISCLOSED, PERMITTED SUBORDINATE DEBT

Prepare a DSCR first loan with subordinate financing

Jaken reviews eligible DSCR **first mortgages allowing junior financing at 85%-90% combined LTV**. Eligible 1-4 unit rental, 5+ unit multifamily and commercial scenarios have asset-specific terms. First-lien limits, coverage and junior-debt eligibility require approval.

- ☐ **Property, transaction and supported rent**
  Identify the property type, units, occupancy, purchase or refinance purpose, price/value and entity. Supply leases, current rent roll and collections or other rent support required for the asset. The lender determines acceptable rent and valuation.

- ☐ **First-mortgage request**
  Disclose the proposed first balance, payment, interest rate, amortization, maturity and prepayment terms. For a refinance, identify current first payoff, costs, cash requested and whether the second will stay or be paid off.

- ☐ **Complete junior-debt disclosure**
  Identify the creditor and debt type. Provide the note or proposed terms: balance, rate, required payment, amortization, maturity, balloon, security and future advances. Seller carrybacks require explicit lender approval; they are not universally accepted.

- ☐ **Documented borrower cash and sources**
  Reconcile contribution, closing costs, prepaids, repairs and required reserves with verified sources. Separate cash to close from liquidity after closing. Borrowed funds are debt and do not automatically satisfy required borrower cash injection.

- ☐ **Combined leverage and commitment exposure**
  For closed-end loans, model first plus junior balances against the lender's accepted value. Disclose every lien. For a line of credit, provide both drawn balance and full credit limit; the lender decides how commitment exposure is counted.

> **Illustrative leverage:** $400,000 first + $50,000 second on $500,000 accepted value = **80% first LTV and 90% CLTV**. This is arithmetic, not an offered first-lien limit, approval or zero-cash closing. The junior terms and borrower contribution still need approval.

Review and calculate the complete file

DSCR review - jakenfinancegroup.com/dscr-subordinate-financing-review/

Calculator - jakenfinancegroup.com/dscr-subordinate-financing-calculator/

Brokers - brokers.jakenfinancegroup.com

COVERAGE + CASH FLOW | CHECK BOTH OBLIGATIONS

Test the payments and the ownership budget

CLTV measures debt against value. Qualifying DSCR measures coverage under the selected lender's method. Actual cash flow must also reflect the property's operating costs and reserves. A calculator result is not program eligibility.

Residential rent method: a common combined ratio is accepted gross rent / (first principal and interest + required junior payments + taxes + insurance + HOA). First-only coverage omits the junior payment. Count property charges **once**, including amounts already collected through escrow.

Illustrative monthly residential budget	Amount or result
Accepted rent; first P&I; second payment	$5,000; $3,000; $500
Taxes + insurance + HOA, counted once	$750
First-only coverage: $5,000 / $3,750	**1.33x**
Combined coverage: $5,000 / $4,250	**1.18x**
Vacancy $250 + maintenance/management $750	$1,000 allowance
Cash after modeled costs and both debts	**-$250 per month**

Commercial/multifamily net-income method: use lender-defined NOI or NCF / total debt service for the same period. Expenses included in NOI/NCF must not be subtracted again. Income adjustments, qualifying payments, reserves and required coverage depend on the asset and program.

- ☐ **Consent, approved terms and title**
  Review first-loan restrictions on debt and liens. Obtain required approval and priority documents before relying on the junior funds. Disclose changes to note amount, payment, creditor or maturity; obtain appropriate title and legal review.

- ☐ **Vacancy, expenses and appraisal stress**
  Use supported collections and test vacancy, repairs, management, capital reserves and higher property charges. Recalculate leverage at lower value. Separate investment cash flow from the qualifying ratio and from cash reserved for emergencies.

- ☐ **Balloon and future refinance plan**
  Map both maturities and payment resets. An interest-only second may leave its full principal due. For a later first refinance, compare second payoff with approved retention and re-subordination. Future value or refinance proceeds are not assured.

Keep products separate: commercial/multifamily second-loan requests of $500,000+ are another offering. The existing 1-4 rental/warrantable-condo DSCR cash-out second remains $125,000-$1,000,000, max 80% CLTV and combined rent/PITIA DSCR greater than 1.0. Those terms do not set this first-loan offering's terms.

Keep the analysis: First-and-second underwriting workbook. Public checklist: no email required. Illustrations exclude income taxes and unmodeled capital costs.

References: Acra correspondent guide (residential subordinate payments); Fannie Mae CLTV/HCLTV (agency commitment mechanics only); OCC CRE handbook (commercial coverage). These sources do not establish this offering's eligibility.