# Four Doors. One Hidden Coverage Problem.

How high fixed expenses changed the financing picture for an off-market four-condo package.

**$345,000**
Package price

**3 of 4**
Units occupied
One 3-bed vacant

**$3,400**
Current monthly rent
$4,850 stabilized

**$1,400**
Monthly HOA dues
29% of stabilized rent

## THE QUESTION

Does the property support ordinary DSCR financing once HOA dues, taxes, insurance and vacancy are included — or does the gross rent create a misleading first impression?

## THE DEAL AT A GLANCE

Four individually deeded condos in the same complex. Three occupied; a vacant three-bedroom offered potential income upside.

| Unit | Status | Monthly Rent | Monthly HOA |
|---|---|---|---|
| 1 bed / 1 bath | Occupied | $1,000 | $300 |
| 2 bed / 2 bath | Occupied | $1,100 | $350 |
| 2 bed / 2 bath | Occupied | $1,300 | $350 |
| 3 bed / 2 bath | Vacant | Market estimate: $1,450 | $400 |
| **Total** | **3 of 4 occupied** | **$3,400 current / $4,850 stabilized** | **$1,400** |

## THE FIXED-EXPENSE BURDEN

Before making a mortgage payment, the package carries approximately $2,100 per month in HOA dues and property taxes. That equals about 43% of projected stabilized rent — before insurance, vacancy, maintenance or management.

**29%**
HOA as a share of stabilized rent

**$25,200**
Annual HOA plus property taxes

**$15,600**
Current annual rent left after HOA and taxes

## HEADLINE FINDINGS

**0.81**
**Current DSCR**
Monthly shortfall of $809 versus PITIA + HOA.

**1.15**
**Stabilized DSCR**
Still below a 1.20 target after leasing the vacant unit at $1,450.

**$1,651**
**Vacant-unit rent to hit 1.20**
About $200 above the preliminary market estimate.

**1.09**
**NOI-based DSCR**
Before management. Professional mgmt would push it below 1.00.

**KEY LESSON**
Door count is not cash flow. Fixed expenses can overwhelm the apparent benefit of owning multiple units.

## ILLUSTRATIVE DSCR UNDERWRITING

Many residential DSCR programs compare qualifying monthly rent with PITIA: principal, interest, property taxes, insurance and applicable HOA dues. This illustration uses a 1.20 target DSCR.

| | | | | |
|---|---|---|---|---|
| PURCHASE PRICE<br>**$345,000** | DOWN PAYMENT<br>**25%** | ILLUSTRATIVE LOAN<br>**$258,750** | AMORTIZATION<br>**30 years** | ILLUSTRATIVE RATE<br>**7.50%** |
| PRINCIPAL & INTEREST<br>**$1,809 / mo** | PROPERTY TAXES<br>**$700 / mo** | ESTIMATED INSURANCE<br>**$300 / mo** | COMBINED HOA<br>**$1,400 / mo** | TOTAL PITIA + HOA<br>**$4,209 / mo** |

| Scenario | Monthly Rent | Est. DSCR | Surplus / (Shortfall) |
|---|---|---|---|
| Current occupancy | $3,400 | 0.81 | ($809) |
| Stabilized at $1,450 vacant-unit rent | $4,850 | 1.15 | $641 |
| Rent required for 1.20 DSCR | $5,051 | 1.20 | $842 |
| Rent required for 1.25 DSCR | $5,261 | 1.25 | $1,052 |

- At current occupancy, rent falls about $809 short of the illustrated monthly housing expense.
- Leasing the vacant unit at $1,450 improves coverage to approximately 1.15 — still below a 1.20 target.
- To reach 1.20 under these assumptions, the vacant unit would need to produce about $1,651 per month.
- The result is highly sensitive to the actual rate, insurance requirement and lender treatment of HOA dues.

## LEVERAGE AND UNDERWRITING STRUCTURE

### Coverage by down payment

| Down Pmt | Loan Amount | Stab. DSCR | Read |
|---|---|---|---|
| 20% | $276,000 | 1.12 | Below |
| 25% | $258,750 | 1.15 | Below |
| 30% | $241,500 | 1.19 | Near |

### Traditional NOI view

| Item | Amount |
|---|---|
| Stabilized gross rent | $58,200 |
| Less HOA dues | ($16,800) |
| Less property taxes | ($8,400) |
| Less estimated insurance | ($3,600) |
| Less 5% vacancy | ($2,910) |
| Less 5% maintenance | ($2,910) |
| **Est. NOI before management** | **$23,580** |
| Annual principal & interest | $21,708 |
| **Illustrative NOI-based DSCR** | **1.09** |

Increasing the down payment improves coverage, but the package remains close to the line. Adding professional management would push the NOI-based ratio below 1.00. The lender's calculation method and financing structure are decisive.

## DECISION FRAMEWORK

### What could make the transaction work

- A larger down payment that lowers monthly debt service.
- A lower verified interest rate or interest-only structure.
- Documented market rent above the preliminary $1,450 estimate.
- A low separate insurance premium if the HOA master policy is adequate.
- A lender program allowing DSCR below 1.20 with reserves and pricing.

### Items to verify before financing

- Unit numbers, current leases, payment history and a complete rent roll.
- Appraisal-supported market rent for the vacant unit.
- HOA budget, reserves, delinquency, litigation and pending assessments.
- Master insurance coverage and the required borrower policy premium.
- Four individual condos vs. one blanket portfolio loan; condo eligibility and concentration rules.

### BOTTOM LINE

This was not necessarily a bad acquisition, but it was not the straightforward cash-flow opportunity suggested by the gross-rent figure. At the offered price, ordinary DSCR financing appeared weak at current occupancy and marginal after stabilization. The investor's result depended on leverage, verified market rent, insurance, HOA review and the lender's calculation method.



Illustrative case study only. This is not a commitment to lend or a guarantee of financing. Rates, terms, leverage and eligibility are subject to credit approval, appraisal, property review, lender guidelines and final underwriting. Property figures supplied for the case study; preliminary market-rent estimate based on a same-complex listing reviewed in September 2026. DSCR methodology varies by lender.