

Learning Objectives

- Understand all major financing options for coliving properties
- Know the pros, cons, and qualification requirements for each
- Match the right financing to your situation and deal
- Explore creative financing strategies to minimize cash out of pocket

The Financing Landscape

Most new investors think there's only one way to buy a property: get a mortgage from a bank. In reality, there are **dozens** of ways to finance coliving properties. Your job is to find the one that fits your situation, credit, and goals.

KEY INSIGHT

The best investors don't just find great deals—they find creative ways to fund them. A good deal with the wrong financing is a bad investment. The right financing can turn a marginal deal into a home run.

Option 1: Conventional Mortgage

The most common route for first-time investors. A traditional mortgage from a bank or credit union.

Pros

- Lowest interest rates (typically 6.5-8%)
- 30-year terms = lowest payments
- Widely available
- Fixed rate stability

Cons

- 20-25% down payment required
- Strict credit requirements (680+)
- Slow closing (30-45 days)
- Max 10 financed properties
- Requires W-2 income verification

BEST FOR

Investors with strong W-2 income, good credit, and cash for a down payment. Ideal for your first 1-4 properties.

Qualification Requirements

- **Credit Score:** 680+ (740+ for best rates)
- **Down Payment:** 20-25% for investment property
- **Debt-to-Income:** Below 45%

- **Reserves:** 6 months of payments in savings
- **Income:** 2 years of W-2 or tax return history

Option 2: DSCR Loans

DSCR (Debt Service Coverage Ratio) loans are a game-changer for investors. They qualify you based on the **property's income**, not your personal income.

WHY DSCR LOANS ARE POPULAR FOR COLIVING

Coliving properties often generate 2-3× the income of traditional rentals. This means they easily meet DSCR requirements, even when your personal DTI might be maxed out.

 **Pros**

- No personal income verification
- Unlimited number of properties
- Close in LLC for asset protection
- Faster than conventional (2-3 weeks)
- Self-employed friendly

 **Cons**

- Higher interest rates (7.5-10%)
- 25-30% down payment
- Origination fees (1-2 points)
- Prepayment penalties sometimes
- Credit score 660+ required

DSCR CALCULATION FOR COLIVING

Lender requires DSCR \geq 1.25

Property NOI: \$24,300/year

Annual Mortgage: \$12,864/year

DSCR = \$24,300 \div \$12,864 = 1.89 \checkmark Easily qualifies!

 **Option 3: Hard Money Loans**

Short-term, asset-based loans from private lenders. Typically used for purchasing and renovating properties before refinancing.

✓ Pros

- Close in 7-14 days
- Based on property value, not income
- Fund renovation costs
- Flexible credit requirements
- Close in LLC/entity

✗ Cons

- HIGH interest (10-14%)
- Short term (6-18 months)
- 2-4 origination points
- Must refinance or sell
- Monthly payments can be high

BRRRR STRATEGY FOR COLIVING

Buy with hard money → **R**enovate → **R**ent rooms → **R**efinance into DSCR loan → **R**epeat. This strategy lets you recycle your capital into multiple properties.

🤝 Option 4: Private Money

Borrow from individuals—friends, family, colleagues, or networking contacts—who want better returns than a savings account.

✓ Pros

- Fully negotiable terms
- No credit requirements
- Fast closing
- Can be interest-only
- Build long-term lending relationships

✗ Cons

- Must find willing lenders
- Relationship risk
- May need legal documentation
- Rates vary widely (6-12%)
- Shorter terms typically

PRIVATE MONEY PITCH

"I'm buying a 5-bedroom house for \$200K and converting it to a coliving property. It'll generate \$3,750/month in rent. I need \$80K for the down payment and renovation. I'll pay you 10% annual interest, secured by a first-position mortgage on the property. That's 5× what your savings account earns."

**Option 5: Seller Financing**

The seller acts as the bank. Instead of getting a mortgage from a lender, you make payments directly to the seller.

 **Pros**

- Negotiate any terms
- Lower or no down payment possible
- No bank qualification needed
- Faster closing
- No origination fees

 **Cons**

- Seller must own property free and clear (usually)
- Not all sellers willing
- Balloon payments common
- Need attorney to draft note/mortgage
- Due-on-sale risk if existing mortgage

FINDING SELLER FINANCE DEALS

Target properties owned by older landlords who want steady income, inherited properties, and long-time owners with no mortgage. These sellers are often more interested in monthly income than a lump sum.

 **Option 6: HELOC / Home Equity**

If you own a primary residence or other property with equity, you can borrow against it to fund your coliving investment.

 **Pros**

- Lower rates than hard money
- Use for down payment
- Flexible draw schedule
- Interest-only payments available
- Quick access to funds

 **Cons**

- Your home is collateral
- Variable interest rates
- Limited by equity available
- Increases personal debt
- Lender may reduce line

 **Option 7: Creative Strategies**

Subject-To (Sub-To)

Take over the seller's existing mortgage payments without formally assuming the loan. The deed transfers to you, but the loan stays in the seller's name.

Lease-Option

Lease the property with an option to buy later. Start operating as coliving during the lease period. A portion of rent may go toward the purchase price.

Partnerships / Joint Ventures

Partner with someone who has capital while you provide sweat equity and management. Typical splits: 50/50, 60/40, or 70/30 depending on who brings what.

Self-Directed IRA / 401(k)

Use retirement funds to invest in real estate through a self-directed account. Complex but powerful for those with significant retirement savings.

IMPORTANT

Creative financing strategies are powerful but carry unique risks. Always consult with a real estate attorney before using subject-to, seller financing, or retirement account strategies.

The Financing Decision Matrix

YOUR SITUATION	BEST OPTION(S)	WHY
Strong W-2, good credit, cash	Conventional	Best rates, lowest cost
Self-employed, strong cash flow	DSCR	No income verification needed
Need to close fast, will renovate	Hard Money → Refinance	BRRRR strategy, speed
Limited cash, good network	Private Money + Partnership	Leverage relationships
Home equity available	HELOC for down payment	Low cost capital access
Motivated seller, flexible	Seller Financing	Best terms, low out-of-pocket

Action Steps

1. **Assess your financial position:** Credit score, income, savings, equity
2. **Talk to 3 lenders:** Get pre-qualified for conventional and DSCR
3. **Complete the Financing Comparison Worksheet** to organize your options

4. **Identify your funding stack:** Which combination of options works for you?
5. **Build your lending team:** Mortgage broker, hard money lender, attorney

Key Takeaways

- **There's always a way to fund a good deal**—the question is which option fits best
- **DSCR loans** are the coliving investor's best friend—they qualify based on property income
- **BRRRR** lets you recycle capital across multiple properties
- **Creative financing** (seller finance, sub-to, partnerships) can eliminate cash barriers
- **Get pre-qualified** before making offers so you know your budget



Your Deliverable

Compare financing options side-by-side to find your best path.