

The Bank Statement program is for self-employed Borrowers. Borrowers may provide either 12 or 24 consecutive months of Business or Personal bank statements in lieu of tax returns to support their income.

Primary Residence				
Transaction Type ⁵	# of Units ⁶	Minimum FICO ⁸	Maximum Loan Amount ¹	Max LTV ^{3,4}
Purchase & Rate/Term	1-4 Units	680	\$1,500,000	80%
Cash-Out Refinance ^{2, 6}	1-4 Units	680	\$1,500,000	70%
		700	\$1,500,000	75%
Second Homes				
Transaction Type ⁵	# of Units	Minimum FICO ⁸	Maximum Loan Amount ¹	Max LTV ^{3,4}
Purchase & Rate/Term	1 Unit	680	\$1,500,000	80%
Cash-Out Refinance ²	1 Unit	680	\$1,500,000	70%
		720	\$1,500,000	75%

¹ Minimum Loan Amount \$150,000
² Maximum cash-out = \$750,000
³ Subordinate financing is not permitted.
⁴ 5% LTV reduction for properties located in a declining market.
⁵ Non-Arm's Length Transactions are not permitted.
⁶ 2-4 Unit properties limited to a maximum 75% LTV
⁷ Texas Cash-out refinances are ineligible.
⁸ Minimum 700 Credit Score on Interest Only Loans

Eligible Products	• 30 Yr. Fixed Rate; (30 Yr Fixed Non-Qm (BS)) • 30 Yr Fixed IO (10 Yr Interest Only); (30 Yr Fixed IO Non-Qm (BS)) • 40 Yr Fixed IO (10 Yr Interest Only); (40 Yr Fixed IO Non-Qm (BS))						
Interest Only	• Minimum 700 credit score • 30 Year I/O, qualifying using original principal balance and note rate fully amortized over the remaining 240 months. • 40 Year I/O, qualifying using original principal balance and note rate fully amortized over the remaining 360 months.						
Age of Documents	• Credit Documentation not to exceed 90 days on the date the Note is signed.						
AUS	• No AUS. Manual underwrite only. • Underwriter to notate on the 1008 Transmittal that "Loan does not meet GSE Agency Guidelines".						
Ratio's	• Maximum DTI 50% • Loans scenarios with DTI > 43% or Higher Priced Mortgage Loans (HPML) must meet the residual income test. • Residual Income is "Gross Monthly Income minus total monthly debt". <table> <tr> <th>Number In Household</th><th>Minimum Residual Income *</th></tr> <tr> <td>1</td><td>\$1,500</td></tr> <tr> <td>2</td><td>\$2,500</td></tr> </table> • An additional \$150 per each household member beyond the first two household members. Household members include anyone living in the subject property, including children and other non-borrowers	Number In Household	Minimum Residual Income *	1	\$1,500	2	\$2,500
Number In Household	Minimum Residual Income *						
1	\$1,500						
2	\$2,500						
Eligible Borrowers	• US Citizen • Permanent Resident Aliens ▶ I-151 Permanent Resident Card (Green Card) that does not have an expiration date on the back. ▶ I-551 Permanent Resident Card (Green Card) that is issued for 10 years that has not expired						

Eligible Borrowers	- Non-Permanent Resident Aliens. (Cash-out is not permitted). - Must reside and be employed in the US for at least two years - All borrowers must have a valid Social Security Number and established US credit history. - The following VISA types are acceptable: E-1, E-2, E-3, EB-5, G-1 thru G-5, H-1B, L-1, NATO, O-1, R-1, TN(NAFTA)R-1 - Copies of the Borrower’s passport and unexpired visa must be obtained. Acceptable alternative documentation to verify visa classification is an I-797 form (Notice of Action) with valid extension dates and an I-94 form (Arrival / Departure Record). - A valid employment authorization document (EAD) must be obtained if the visa is not sponsored by the Borrower’s current employer. If the visa will expire within six (6) months of note date, it is acceptable to obtain a letter from the employer documenting the Borrower’s continued employment and continued visa renewal sponsorship (employer on the loan application must be the same as on the unexpired visa).
Ineligible Borrowers	- Borrowers with any ownership in a business that is federally illegal, regardless if income is not being considered for qualifying. - LLCs, Corporations or Partnerships - Life Estates - Trusts - Non-Arm's length transactions - Non-Occupant Co-Borrower(s) - Any individual with diplomatic immunity, and persons on a government or agency exclusionary list.
First-Time Homebuyer	A “First-Time Homebuyer” is defined as a borrower who had no ownership interest in a residential property in the United States during the three years preceding closing. A First-Time Homebuyer is permitted with the following restrictions: - Primary Residence Only - Maximum DTI 45% - Single Unit only. - Must have 0X30X12 rental payment history. Borrowers who lived rent free or cannot document a 12 month rental history are not eligible. - Maximum payment shock is 250%. - Interest Only not eligible.
Borrower Eligibility & Business Narrative	Borrowers paid 1099 from a single company are not eligible for Bank Statement qualification and must qualify through Standard/Full documentation.
	Borrowers who are using more than three (3) businesses to qualify must use Personal Bank Statement option.
	- Borrowers must have been self-employed for at least two years in the same business verified via a CPA/Tax Preparer, regulatory agency, applicable licensing bureau or equivalent. - The Borrower’s business ownership percentage must be at least 25% for the personal bank statement program and at least 50% ownership for business bank statement program. - The ownership percentage must be verified via a CPA/Tax Preparer, Operating Agreement or equivalent. - Borrowers must provide a comprehensive business narrative that includes all of the following: - A detailed description/profile of the business (size/scope and operating profile, locations, percentage of business owned etc....) - The outlook for the future of the business - Information about the products or services - Materials/Trucks/Equipment - An outline of how the business and management team is organized - The number of full-time employees and/or contractors
	The bank statement program is designed for active, productive businesses. Borrowers with passive income such as rental properties, or borrowers whose business is asset speculation, e.g. fix and flix investors, day traders, etc. are ineligible.

Non-Qm Bank Statement Matrix

Business Verification	• Verification that the business is active and operating no more than 10 business days prior to the Note Date is required with one of the following: ▶ Evidence of current work (executed contracts or signed invoices) ▶ Evidence of current business receipts ▶ Internet search of the business. ▶ Business website demonstrating activity supporting current business operations.
Credit	• Minimum 2 credit scores for each Borrower • Credit re-scores are not permitted. • No credit bureaus may be frozen. Borrowers must unfreeze all bureaus, and a new tri-merge credit report obtained reflecting information from all three bureaus. • Minimum Tradelines: ▶ Borrower must have a minimum of three (3) tradelines that have been open for at least 24 months and at least one (1) active within the most recent 6 months; - OR - ▶ Minimum two (2) tradelines opened at least 24 months and 1 is a satisfactory mortgage with at least 12 months rated and one open for twenty-four (24) months and active for most recent 6 months. ▶ Non-traditional credit is not permitted. • Tradelines that may not be considered: ▶ Self-reported tradelines ▶ Accounts in deferment ▶ Authorized user accounts
	Mortgage/Rental History: • The housing payment history for all REOs and rental payments evidencing payment activity must be validated for the most recent 24 months. (0x30x12 and 0x60x24) ▶ Mortgages reporting on the credit report may be used as evidence of pay history • Mortgages not reporting on credit report require all of the following: ▶ Copy of the Note with terms of the loan: (Notes with a balloon feature with an expired maturity date exceeding 30 days require an extension to avoid being counted as delinquent.) ▶ VOM completed by the creditor for 24 month mortgage history & evidence of monthly payments made by the borrower for the most recent 24 months (cancelled checks (front and back)) or bank statements must be obtained). ▶ If subject transaction is a refinance, mortgage payoff statement is required from the creditor: Payoff statement that reflects late fees, deferred balance, or delinquent interest are subject to housing history and/or credit event criteria.
	• Rental verification: (24 month rental history is required when the borrower is renting their current residence. ▶ A standard VOR completed by a professional management company; OR 24 months bank statements or canceled checks and a lease agreement to document the term and payment are required.
	Derogatory Credit: • No mortgage lates in the past 24 months. • Bankruptcy 7, 11, 13: 4 Years since discharge / dismissal date • Foreclosure and Short Sale: 4 Years since completion date • Judgments and Tax Liens must be paid off. • Charge-offs and Collections greater than \$250.00 per trade line and the cumulative amount is greater than \$2,000 must be paid off. ▶ Medical Collections with a maximum aggregate balance of \$15,000 are exempt • All delinquent credit that will impact title must be paid off prior to or at closing. • Borrower must not have entered into a forbearance plan within the preceding 12 month period.
	Written Explanations: • Required for all inquiries within past 90 days. • Required for all significant derogatory credit.

Non-Qm Bank Statement Matrix

Liabilities	• Open End 30 Day Accounts: ▶ Balance owed must be subtracted from liquid assets
	• Student Loans: Whether deferred, in forbearance, or in repayment, a monthly payment must be included in the borrower's qualifying ratios ▶ If a monthly payment is provided on the credit report, the amount indicated for the monthly payment may be used to qualify ▶ If the credit report does not provide a monthly payment or if it shows \$0 as the monthly payment, the monthly payment may be calculated as follows: If the borrower is on an income-driven payment plan, student loan documentation may be obtained to verify the monthly payment. if a payment is not identified, 1% of the current balance should be used. ▶ Deferred loans or loans in forbearance: - 1% of the outstanding loan balance (even if this amount is lower than the actual fully amortizing payment), or - A fully amortizing payment using documented loan repayment terms.
IPC	• Interested Party Contributions (IPC's) allowed up to 6%.
Multiple Financed Properties	• Maximum number of 10 financed properties or more than \$7.5 million in outstanding UPB with the Investor.
Assets	• Sufficient assets for down payment, closing costs and reserves must be seasoned for a minimum 60 days of closing. Documentation must be verified with the most recent 2 months bank statements. • Assets derived from the production or sale of marijuana are ineligible. • Large deposits (exceeding 50% of monthly income) inconsistent with monthly income or deposits must be verified. Verification is required that large deposits did not result in any new undisclosed debt. • 70% of the vested balance after reduction of any outstanding loans on retirement accts. may be used towards reserves. Retirement accounts must be 100% vested. • Business funds may be used if borrower has at least 50% ownership. ▶ Ownership percentage must be documented via CPA letter, Operating Agreement, or equivalent. ▶ All other owners of the business must sign a 100% access letter allowing borrower to use those funds. ▶ Requires formal documentation from the bank substantiating that the applicant is an authorized signor and has access to the business funds. ▶ The balance of business assets must be multiplied by the percentage of ownership to determine the borrower's portion of the business assets. ▶ A signed letter from a CPA or Underwriter Cash Flow Analysis must also be obtained verifying that the withdrawal of funds for the transaction will not have a negative impact on the business • Crypto currency that has been converted to USD is an acceptable source of funds provided the crypto can be acceptably documented: ▶ It has been exchanged into U.S. dollars and is held in a U.S. or state regulated financial institution. ▶ There must be sufficient documentation to verify that the funds originated from the borrower's cryptocurrency/virtual currency account. Acceptable documentation to use those funds includes the following: > Documentation from Cryptocurrency exchange account verifying the borrower as the Legal Owner and not the nickname of the account, AND > Previous borrower bank statement showing funds going into the same Cryptocurrency exchange account that the large deposit came from, OR > 1099 -B/MISC from the same Cryptocurrency exchange account that the large deposit came from, plus the borrower's Tax Returns reflecting the 1099 gain/loss

Assets	• Gift funds permitted: ▶ Borrower must contribute 5% of own funds ▶ Purchase transactions only ▶ Gift funds may not be used for reserves.
Reserves	• 6 months PITIA for Loan Amounts $\leq$ \$1,000,000 • 9 months PITIA for Loan Amounts $>$ \$1,000,000 • 2 month PITIA for each additional financed property based on PITIA of the greater of the subject property or other financed property. • PITIA = Principal, Interest, Taxes, Insurance and association fee's if applicable. • Reserves must include payments for subordinate financing on the respective property, if any. • Cash-out proceeds may be used to satisfy 50% of the reserve requirement.
General Bank Statement Analysis	
Calculator	• All bank statement loans require a bank statement calculator to reflect how the qualifying income was derived.
Ending Balances	• The bank statements should show a trend of ending balances that are stable or increasing over the 12 month (or 24 month) period.
Non-Sufficient Funds	• With a satisfactory written letter of explanation, a maximum of three NSF instances are allowed with 12 months of statements and six are allowed with 24 months of statements. • Overdraft Protection is permitted as long it does not reflect a negative balance and no more than 3 have occurred.
Income Trends	• In all cases, income must be deemed stable to be eligible. • Decreasing income trends must be explained; additional documentation (inclusive of additional bank statements) may be required. ▶ 12 Months Bank Statements: decline in deposits six months over six months up to 10% allowed. An additional 12 months of statements are required if the decline is $>10\%$. ▶ 24 Months Bank Statements: decline in deposits year over year $> 10\%$ are ineligible. ▶ If a borrower has declining income and is qualifying with 24 months of bank statements, the last 12 months of income will be used to qualify if the income has stabilized.
Large Deposits	• Any deposit exceeding 50% of the average monthly deposits require a LOE and must be consistent with the business profile. If the LOE is sufficient, no sourcing is required. ▶ The LOE should address the specific deposit and be supported by relevant documentation.
Additional Sources of Income	Lender may add Borrowers' income from self-employment to Borrowers' income from sources other than Borrowers' self-employment to determine the Borrowers' overall income. Such sources include spouse employment (provided spouse is a Borrower), and income from social security, pensions, rent, royalties, alimony, child support, dividend, interest, other investments, and trusts. Income from other sources should be verified as follows: • Spouse employment income or Borrower additional job employment income: ▶ Paystubs covering 30 days and showing year-to-date earnings, and previous 2 year W2; gaps in employment over the previous two years must be satisfactorily explained as required per Fannie Mae. • Social Security: ▶ Award letter and bank statements showing six months of deposits • Pensions: ▶ Award letter and bank statement showing three months of deposits • Alimony and Child Support: ▶ Divorce or separation agreement or court order plus bank statements showing six months receipts

Non-Qm Bank Statement Matrix

Additional Sources of Income	• Dividend and Interest: ▶ Statements from brokerages and banks showing dividend and interest income earned year-to-date and for the previous calendar year. • Rent: ▶ Lease and bank statements showing three months of rent receipts (or bank statement showing receipt of security deposit and first month's rent if newly rented. Lenders must use 75% of the lease amount less the PITIA on the investment property to calculate the income
Personal Bank Statements	
General Requirements	• Minimum of 12 or 24 consecutive monthly personal bank statements (most recent months available). • Bank statements provided must be the most recent available months and must include every page (transaction history printouts are not acceptable) • Bank statements are considered consecutive if an account was closed and a new account was opened immediately thereafter; the bank statements must reflect continuity (no gaps) • Two (2) months of business bank statements must be provided to validate Borrower utilizes separate banking accounts. The statements should evidence activity to support business operations and reflect transfers to the personal account. • Co-mingling of personal and business accounts is not permitted in personal bank statement program. Evidence of comingling will require the loan to be submitted / qualified as a business bank statement loan. • 4506-C transcripts are not required or permitted. • All Borrowers must also provide evidence that the business has been in existence for at least two (2) years via CPA/Tax preparer letter, confirmation from regulatory or state agency, or applicable licensing bureau; and
Documentation Review Process	• Deposits deemed to derive from a source other than the business including but not limited to wage income, fixed income, rental income, tax refunds and transfers between personal accounts must be excluded from the total eligible deposits.
	• Transfers between personal accounts must be excluded, as well as any deposits that are not consistent with a self-employed income as per the following: ▶ Cash advances from credit cards ▶ Income sources already taken into account ▶ Non-business related account transfers ▶ Tax refunds ▶ Gift funds ▶ Credit line deposits/business financing • Transfers from business accounts can be included.
Tax Transcripts	• W-2 transcripts are required for wage earners.
	• Loans submitted with Tax returns must follow full documentation guidelines.
	• DO NOT ORDER FULL TRANSCRIPTS. If full IRS transcripts are provided in the file, the loan is not eligible for the bank statement program.
Monthly Qualifying Income	• The lower of the stated income on the 1003 or the qualifying income should be used. • Monthly qualifying income using Personal Bank Statements is the lower of gross acceptable deposits (total deposits – disallowed deposits) divided by 12 or 24 months depending on analysis term selected and the income indicated on the initial signed 1003.
Business Bank Statements	
General Requirements	• Minimum of 12 or 24 consecutive monthly business bank statements (most recent months available). • Minimum ≥ 50% business ownership required. • A maximum of two business accounts per business can be used for qualifying; • Transfers from personal accounts must be excluded, as well as any deposits that are not consistent with a self-employed income (credit card refunds, IRS refunds, etc.); • Expense line items that can be added back to the business net income include depreciation, depletion, amortization, casualty losses, and other losses or expenses that are not consistent and recurring. • 4506-C transcripts are not required or permitted. • Verification that the business has been in existence for at least two (2) years via CPA/Tax preparer letter, confirmation from regulatory or state agency, or applicable licensing bureau;

Documentation Review Process	Transfers from other business accounts will require evidence the source of the transfer is business related.	
Monthly Qualifying Income	The lower of the stated income on the 1003 or the qualifying income should be used. - The percentage of ownership must be used in the income calculation to reduce the bank statement income by the appropriate ownership % factor. Expense Factor to determine the Qualifying income is one of the following approaches: - Fixed Expense Ratio; or - CPA Expense Ratio	
	1) Fixed Expense Ratio: The Borrower’s fixed business expense ratio is based on Business Type and number of employees.	
	Business Type	# of Employees
	Service Business (Offers Services)	0-5 >5
	Examples of Services Business: Consulting, Accounting, Legal, Therapy, Counseling, Financial Planning, Insurance and Information Technology.	30% Expense Factor 50% Expense Factor
	Product Business (Sells Good)	0-5 >5
	Examples of Product Business: Retail, Food Services, Restaurant, Manufacturing, Factor Contracting, Construction	50% Expense Factor 85% Expense Factor
	Multiply eligible deposits from the business bank statements by a 30/50/85% expense ratio. Multiply the result by borrower’s ownership percentage. Divide by 12 or 24 accordingly.	
	Qualifying Income = $\frac{(\text{Total Allowable Deposits}) \times (\text{Ownership \%}) \times (**\% \text{ expense ratio})}{12 \text{ or } 24 \text{ depending on analysis term selected}}$ <i>(Total Allowable Deposits based on ownership percentage X Expense Factor% divided by 12 or 24 months.)</i>	
	Note: Compare to monthly income stated on the 1003 and use the lower of)	
	2) CPA (Third Party) Expense Ratio: - The Borrower’s business expense ratio is determined by a Third Party CPA providing an expense statement indicating business expenses as a percentage of the gross annual sales/revenue signed by both the CPA and borrower. - Letter must be signed and dated by CPA and borrower. - CPA must attest that they are not an employee or relative of the borrower. - CPA must attest that they have filed the borrower's most recent two (2) years business tax returns - CPA must attest that they have audited the business financials or reviewed the working papers provided by the borrower and based on the review the expense ratio represents an accurate summary of the expenses of the business. - The Third Party CPA license must be verified. - Self-employed Borrowers who have filed their own business tax returns are ineligible. - The minimum expense factor allowed is 15%.	
	Qualifying Income = $\frac{(\text{Total Allowable Deposits}) \times (\text{Ownership \%}) \times (\text{CPA}\% \text{ expense ratio})}{12 \text{ or } 24 \text{ depending on analysis term selected}}$ <i>(Total Allowable Deposits based on ownership percentage X CPA% divided by 12 or 24 mos.)</i>	
	Note: Compare to monthly income stated on the 1003 and use the lower of)	

Refinances	Continuity of Obligation: - At least one borrower is obligated on the new loan who was also a borrower obligated on the existing loan being refinanced - The borrower has recently been legally awarded the property (divorce, separation or dissolution of a domestic partnership). - Properties that are owned free and clear meet the continuity of obligation requirements.
	Rate and Term Refinances: - Properties listed for sale within six (6) months of the Note date are ineligible. - For properties purchased more than six months prior to the closing date the current appraised value may be used to calculate LTV/CLTV - For properties purchased within six months of closing date the LTV/CLTV will be based upon the lesser of the original sales price (Closing Disclosure from subject property acquisition required) plus improvements (proof of improvements required) or the current appraised value. - Minimum of twelve (12) months seasoning from the note date of the new transaction required if previous refinance was cash-out, including the payoff of a non-seasoned subordinate lien - Mortgage Proceeds may be used to pay-off the following: - Existing first lien - Closed end subordinate lien used to purchase the property. - Purchase money HELOC fully used subordinate lien used to purchase the property. - Non-purchase second lien seasoned a minimum of 12 months from date of application. The seasoned HELOC may not exceed \$5,000 in total draws in the most recent twelve (12) month period to be documented with a transaction history. - Maximum cash back is the lesser of 2% of the loan amount or \$5,000.
	Cash-Out Refinance: - Borrower must have taken title to the property more than 180 days from the Note date. - Minimum borrower seasoning requirement of six (6) months is measured from note date to note date. - Properties listed for sale less than or equal to 12 months months from the date of the application are ineligible. - Property Value Determination: - The value for properties owned 12 months or longer is based on the appraised value. - For properties owned greater than 6 months and less than 12 months the LTV is based on the lower of the current appraised value or the properties purchase plus fully documented improvements. - Texas 50(a)(6) loans are ineligible. - Cash-out proceeds may be used to satisfy 50% of the reserve requirement.
	1-4 Unit Single Family Residences attached and detached PUD's. - Minimum 750 sq. ft. for 1 unit properties - Minimum 500 sq. ft. per unit on 2-4 family properties.
Eligible Properties	2-4 Unit properties limited to 75% LTV. Borrower owners may not own more than two units in any 2-4 units project.
	Agency approved/warrantable condominium's. (Established only) - Maximum 75% LTV - Limited review is not eligible. Full review required. (CPM) - Minimum 500 sq. ft. for condominiums. - PERS approval is not permitted.
	Condo Documentation: - Warranty Certification Form and copy of Fannie Mae Condo Project (CPM) project status. - Condo Project Questionnaire - Project current annual budget. - Current balance sheet, dated within 60 days the note date - All projects must meet Fannie Mae property insurance requirements.

Eligible Properties	Florida Condo Projects: • Condo projects subject to Florida’s SB-4D requirements are ineligible. • Florida condos that are three (3) or more stories high and thirty (30) years or older (25 years or older if the building is within 3 miles of the coastline): ▶ Evidence is required that the building has completed the required inspections outlined in FL SB-4D. <i>(The property is ineligible If the required inspections have not been completed.)</i> ▶ If the inspection revealed substantial structural deterioration or any unsafe or dangerous conditions, evidence that the required repairs have been completed is required. If the required repairs have not been completed, the property is ineligible. ▶ Evidence is required that the Association has completed the required structural integrity reserve study and the budget contains adequate reserves. - The monthly HOA fee should be consistent with the budget ▶ Within Forty-eight (48) hours of closing, the most current SIRS must be reviewed to confirm the project’s approved status. • Rural Properties: ▶ Cash-out refinance not permitted ▶ Primary Residence - Maximum 75% LTV ▶ Second Home - Maximum 70% LTV
Ineligible Properties	• Manufactured Homes • Co-ops • Leasehold • Commercial properties • Acreage > 10 acres • Non-warrantable Condo's • Mobile Homes • Mixed-Use • 5+ Units • Agricultural, commercial or industrial Zoned properties • Working Farms or Ranches
Appraisal Requirements	• Transferred or assigned appraisals are not permitted. • Property inspection waivers are not permitted. • Appraisal Condition rating of C5/C6 or Quality rating of Q6: Not permitted • 5% LTV reduction for properties located in a declining market.
Appraisal Review Requirements	A Collateral Desktop Analysis (CDA) with accompanying MLS sheets ordered from Clear Capital is required to support the value of the appraisal on all loans. (See separate instructions on how to order a Clear Capital CDA. • An Appraisal review is not required when the Collateral Underwriter (CU Score) or a Freddie Mac Loan Collateral Advisor (LCA) score is ≤ 2.5. ▶ A copy of the Submission Summary Report (SSR) must be included in the file. ▶ If both are run, they must be run at the same time; Only one needs to have a passing score. • If two (2) full appraisals are provided, a CDA is not required. • If the CDA is ≤ 10% of the appraised value the LTV would be based on the original appraised value. • If the tolerance is greater than 10% (negative variance) between the first appraisal and the Desk Review, then a second full appraisal is required. ▶ (Note: The >10% variance rule applies when the CDA variance is reflecting a lower value than the property appraisal. If the CDA variance is reflecting a higher value than the property appraisal, the property appraisal is fully supported, and a second appraisal is not required.) • If required, a Second Full Appraisal (appraisals must be completed by different, independent appraisers and the lower of the two appraised values used to determine value)