

Simple Access® – Bank Statements

Program Description – Bank Statements as Alternative Income Documentation

Luxury Mortgage Corp. offers loans to Applicants utilizing an analysis of deposits into bank statements rather than through traditional income documentation. Loans in this program must meet ATR as defined in section 1026.43. This program is designed for Applicants who are sound credit risks based on a common sense approach to underwriting.

Highlights include the following:

- Loan amounts up to \$3.5MM
- Interest only available with 30 or 40 year term
- DTI up to 55 allowed
- Credit scores down to 620
- Recent Credit Events Allowed
- Business and personal statements allowed
- All occupancy types allowed
- 7/6 and 10/6 ARM, 15, 30, and 40 FRM (40 year term IO only)
- Multiple financed properties allowed
- Multiple bank statement qualification options

Eligibility Types

Applicants	<ul style="list-style-type: none"> • US Citizen • Permanent Resident Alien • Non-Permanent Resident Alien with the following visas: E, G, H, L, O, P, and TN • First time home buyer-<u>see Housing Payment History guideline below</u> • Non-Occupant Co-Applicants-<u>see Underwriting Guidelines</u>
Eligible Occupancy	Primary, Second Home, and Investment Properties
Property Types	<ul style="list-style-type: none"> • 1-4 unit attached and detached properties • Warrantable Condos • Non-Warrantable Condos allowed with a pricing adjustment-<u>see Underwriting Guidelines</u> (max 65 LTV) • PUDs • Mixed use properties-<u>see Underwriting Guidelines</u>
Eligible Transactions	<p>Purchase, including non-arm's length transactions-<u>see Underwriting Guidelines</u></p> <p>Rate and Term Refinance</p> <ul style="list-style-type: none"> • No title seasoning required • Payoff of first and second, where the second is seasoned >6 months and not drawn on in 6 months preceding application date unless the second was used in full to purchase the property • Recoup of funds expended to improve the subject property. Improvements must have been completed within the last 6 months preceding the application date, funds must have been Applicant's own. Cash out amount not to exceed documented improvement costs • Buyout accompanied by an executed buyout agreement • When the subject property was purchased for cash within the 6 months preceding the application date, funds may be recouped up to the Applicant's documented contribution. Gifted funds are not deemed to be Applicant's own funds <p>Cash-Out Refinance</p> <ul style="list-style-type: none"> • Refinances which do not fit into the rate and term guidelines are deemed to be cash out • 6 months seasoning required measured from deed transfer to application • Max cash out allowed: No limit for LTVs up to 65, \$500k for LTVs above 65 • Value to be utilized must be supported-<u>see Underwriting Guidelines</u>

Credit Requirements	
Trade Lines	Each Applicant must have three trade lines and a credit history covering 24 months. One trade line must have been active within the last 6 months. At least one trade line must be seasoned 24 months. The same trade line may be used to cover both the 24 month history and active requirement. The trade lines do not need to be open. If an Applicant's spouse is the only Co-Applicant listed, only one Applicant is required to meet this guideline. See <u>Underwriting Guidelines</u> for more details and alternatives.
Credit Score	<ul style="list-style-type: none"> • Credit scores allowed down to 620, subject to loan amount and LTV restrictions • Use middle score of the primary income earner for pricing and guideline purposes
Housing Payment History	<p>Housing payment history no greater than 0x30x12 and 0x60x24 for all mortgages/rental verifications.</p> <p>First Time Home Buyer (FTHB) For standard guideline eligibility, Applicants must be able to document a 12 month rental history within the last three years preceding the application showing 0x30 over the 12 month period. Rent free allowed with max 75 LTV, a minimum 10% Applicant contribution, primary residences/second homes only</p>
Significant Credit Events	<p>Applicants with any of the following major credit events (bankruptcy, foreclosure, modification, short sale, short pay, deed in lieu, 120+ day mortgage late, pre-foreclosure including Notice of Default or Lis Pendens) are subject to the below requirements, measured from event completion date or discharge/dismissal to application date:</p> <ul style="list-style-type: none"> • 0-2 years removed: Not Eligible • 2-4 years removed: Max 75 LTV • >4 years removed: Standard Guidelines <p>Additional Requirements</p> <ul style="list-style-type: none"> • Judgment/Tax Lien: Must meet one of the following: <ul style="list-style-type: none"> ○ Paid off prior to or at closing, or ○ Show 6 month satisfactory payment history, include payment in DTI, subordinate if recorded • Collections/Charge-Offs: May be excluded if individually less than \$250 or in aggregate less than \$1,000. If greater, must be paid off prior to or at closing. Medical collections are excluded from this requirement regardless of amount.
Income and Assets	
DTI	<ul style="list-style-type: none"> • Maximum DTI: 50.000 • DTI above 43 must meet residual income requirements-see <u>Underwriting Guidelines</u> • DTI may be increased to 55 with the following: <ul style="list-style-type: none"> ○ Min FICO: 680 ○ Max LTV: 70 ○ Eligible Transactions: Purchase or Rate and Term Refinance ○ Minimum Residual Income: greater of .5% of the loan amount or \$2k. Increased requirement may be waived with an additional 6 months PITIA reserves.
Product Eligibility	Applicants generally must have been self-employed for at least two years. A CPA, EA, or licensed tax preparer letter or equivalent document verifying self-employment must be provided in all cases. Applicants must provide an LOE on the nature of their business and how it was impacted by COVID. <u>At underwriter's discretion</u> , current business existence and operations may be re-verified prior to closing and updated bank statements may be required.
Calculation Methods	<p>Personal Bank Statements Provide the most recent 12 or 24 months of personal bank statements. Evaluate deposits to verify that they are part of Applicant's income stream. Any that are abnormal to Applicants typical deposits must be sourced/documentated to be considered as part of income. Total all eligible deposits and divide by the number of statements provided to determine monthly income. Provide the most recent 3 months of business statements to verify that income is coming from Applicant's business. Transfers from only one account are allowed. Transfers between personal accounts not considered income. An applicant who provides personal statements but does not meet the above outlined criteria will have their statements treated as business statements.</p>

	<p>Business Bank Statements Provide the most recent 12 or 24 months of business bank statements. Multiple accounts may be used, however the same calculation method must be applied across all accounts provided. The Applicant(s) combined must own 50% or more of the business to utilize business bank statements.</p> <p>Method 1 Uniform Expense Ratio Multiply all deposits received by a 50% expense ratio. Multiply result by Applicant's ownership percentage and divide by number of statements provided. So long as this expense ratio is reasonable to Applicant's line of work and Applicant qualifies, no further information is required. Any abnormal deposits will need to be sourced and documented.</p> <p>Method 2 Profit and Loss Statement Provide a CPA, EA, or licensed tax preparer prepared profit and loss statement covering the period of bank statements provided. As long as business statements support eligible deposits of at least 75% of the gross receipts listed on the P&L, use the net income on the P&L for qualifying based on the Applicant's pro-rata share of ownership. Any abnormal deposits will need to be sourced and documented. Income utilized to qualify must be reasonable based on the Applicant's line of work.</p> <p>Method 3 CPA Letter for Expense Ratio Provide a letter from Applicant's CPA, EA, or licensed tax preparer stating the business' expense ratio based on the most recent year's tax return. The letter may not include any exculpatory language. Multiply the expense ratio by the business' total deposits over the period shown on bank statements. Deduct that figure from the total deposits. Multiply net deposits by the Applicant's pro-rata ownership percentage and divide by the number of statements provided. Income utilized to qualify must be reasonable based on the applicant's line of work.</p> <p>All Methods: Comingled accounts will be treated as business accounts for purposes of determining income.</p> <p>NSFs: NSFs are counted on an "instance" basis. A max of 3 instances are allowed if 12 months of statements are provided and a max of 6 instances are allowed if 24 months of statements are provided. <u>See Underwriting Guidelines</u> for additional detail.</p> <p>Income trend: Bank statements should show a stable or increasing trend. If the trend is declining and/or irregular, additional documentation may be required at underwriter's discretion.</p>
<p>Co-Applicant Options</p>	<p>Full documentation from a Co-Applicant who is not self-employed may be used to supplement bank statement. See full documentation guidelines for additional information on acceptable sources. Taxable income is counted on a "gross" amount regardless of the net deposit shown on bank statements.</p>
<p>Other Income Sources</p>	<p>Rental Income Utilize 75% of the current lease income less PITIA on a net basis. Do not include rental deposits as part of the bank statement income stream. Document receipt of rental income. Rental income may not be used to qualify on a vacant unit, except on the subject property on a purchase transaction.</p> <p>Other Income Sources Applicants who have supplemental income sources may utilize them to qualify provided the history of receipt and continuance requirements under the full documentation guidelines are met. The Applicant utilizing bank statement income must still earn the majority of their income from self-employed activity. The acceptable supplemental income sources are limited to: social security, pension, alimony, child support, asset distribution/utilization, and second job income.</p>
<p>Asset Accounts</p>	<ul style="list-style-type: none"> • Use 100% of cash and cash equivalents • Use 80% of face value for non-retirement asset accounts • Use 70% of retirement assets if Applicant is under 59.5, 80% if over • If Applicant is liquidating funds from non-retirement sources, document liquidation and end balance • If Applicant is liquidating from retirement accounts, document the liquidation and end balance • 1031 exchanges eligible for investment properties-see <u>Underwriting Guidelines</u>

	<ul style="list-style-type: none"> Business funds may be used provided the Applicant(s) own(s) a minimum of 51% combined ownership of the business. The amount of funds that may be utilized is based on the Applicant's percentage of ownership. Applicant(s) must provide either: <ul style="list-style-type: none"> A letter from Applicant's CPA, EA, or licensed tax preparer stating that the Applicant(s) may access the business funds and that the withdrawal will have no adverse impact; or A letter from the Applicant(s) stating that they may access the business funds and Cash Flow Analysis to document that the withdrawal will have no adverse impact-see <u>Underwriting Guidelines</u> Cash out proceeds MAY be used to meet the reserve requirement at a maximum 75 LTV
Gifted Funds	<ul style="list-style-type: none"> Gift funds are allowed for funds to close. A 5% contribution from Applicant's own funds is required except for loan sizes >\$3MM in which case no gifted funds are allowed. Gifts must be documented in compliance with FNMA requirements and be from immediately family members-see <u>Underwriting Guidelines</u>. Gifts of equity are allowed, max 75 LTV. No Applicant contribution is required on a primary residence or a second home. A 5% applicant contribution is required for investment properties.
Liabilities	
Alimony/Child Support	Alimony may be deducted from income rather than included as a liability, provided the alimony payments are tax deductible to the payor. Otherwise, include as a liability. Child support must be included as a liability.
Installment Debt	Installment loans must be included in the DTI. Installment debt with less than 10 months' worth of payments remaining may be excluded from DTI, as long as the Applicant has the assets to make the remaining payments. Applicants may pay down the debt such that the remaining balance is less than the sum of 10 months' worth of payments. The assets used must be sourced. Loans secured by financial assets (margin loan, 401(K) loan, etc.) do not need to be included in the DTI provided the asset balance exceeds the loan balance.
Other Highlights	
Appraisal / Valuation	<ul style="list-style-type: none"> Loan amount up to \$2MM, one appraisal required Loan amount over \$2MM, two appraisals required <p>In instances where one appraisal is required, said appraisal must have a CU score less than or equal to 2.5. If the CU score exceeds 2.5 or is unavailable, a CDA with a variance less than 10% is required. Loan amounts >\$1.5MM and up to \$2MM may not utilize a CU score in lieu of a CDA. Additional appraisal due diligence may be required at the discretion of Luxury Mortgage.</p> <ul style="list-style-type: none"> Purchase: lesser of purchase price or appraised value Refinance (all types): For properties owned less than 12 months as of the application date, current value may be used provided the value is supported both by appraisal and a CDA with a variance not greater than 10%. If value not supported, use lesser of purchase price plus documented improvements or market value. If more than 12 months, use market value. Properties located in counties listed on the second bullet in <u>Geographic Eligibility</u> must utilize the lesser of the current value or the purchase price plus documented costs for improvements to price or underwrite on refinances of properties owned less than 12 months as of the application date.
Geographic Restrictions	<p>The following states are eligible: AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, IL (no IO loans), MA, MD, ME, MI, NH, NC, NJ, NM, NV (delegated only), NY (no NY subprime), OH, OR, PA, RI, SC, TN, TX, UT, VA, WA.</p> <p>Restrictions:</p> <ul style="list-style-type: none"> NY, NJ, CT: Max 85 LTV New York (NY), Queens (NY), Kings (NY), Bronx (NY), Richmond (NY), Essex (NJ), San Francisco (CA) Counties: Rate/Term Refinance Max 75 LTV, Cash Out Refinance Max 70 LTV. See <u>Underwriting Guidelines</u> for limitations on appraisal age. TX CO Refinances-see <u>Underwriting Guidelines</u>
Reserve Requirement	<ul style="list-style-type: none"> Loan amount up to \$1MM: 6 months PITIA Loan amount above \$1MM and up to \$2MM: 9 months PITIA Loan amount above \$2MM and up to \$3.5MM: 12 months PITIA LTV >85: additional 6 months PITIA

	<ul style="list-style-type: none"> • DTI >50 and increased residual income requirement not met: additional 6 months PITIA • Other real estate owned: 2 months of each property's PITIA
Title Vesting	<ul style="list-style-type: none"> • Individual names as joint tenants, community property, or tenants in common • Living trusts meeting FNMA's requirements • Blind Trusts-see <u>Underwriting Guidelines</u> • Limited Liability Corporations-see <u>Underwriting Guidelines</u> • Partnerships/Corporations-see <u>Underwriting Guidelines</u>
ARM Terms	<ul style="list-style-type: none"> • Margin = 4.25% • Index = 30 Day Average of SOFR • Caps = 2/1/5 • Floor rate = Note Rate • Adjustment Period = 6 Months
Interest Only	Interest Only features are allowed on ARMs and FRMs. The IO period is 10 years. Standard guidelines apply. 40 year term loan: max 80 LTV.
Qualifying Payment	To determine the P&I component of the Qualifying Payment, utilize the below (except as otherwise specified): <ul style="list-style-type: none"> • Fixed Rate: Utilize the start rate over the amortizing term • Amortizing ARM: Utilize the greater of the start rate or the index plus margin, amortized over full term of the loan • FRM/ARM with IO Feature: Utilize the greater of the start rate or the index plus margin, with a payment calculated based on the amortizing term of the loan after the end of the IO period.
Prepayment Penalty	Prepayment penalties may be placed on investment properties for a period of at least one year in an amount equal to two percent of the original principal balance, to the extent permitted by state and federal law. See Underwriting Guidelines for requirements. Price implications apply for prepayment penalty terms less than three years, including no prepayment penalty.
Mortgage Insurance	Not required
Min/Max Loan Amount	Minimum: <ul style="list-style-type: none"> • Delegated loans: \$100,000 • Non-Delegated loans: \$150,000 Maximum: \$3.5MM (Purchase/Rate and Term Refinance), \$2.5MM (Cash Out Refinance)

LTV and Loan Amount Requirements

PURCHASE/RATE & TERM REFINANCE

Primary Residence					Second Home					Investment Property				
FICO	LTV*	CLV*	Loan Amount	DTI**	FICO	LTV	CLV	Loan Amount	DTI**	FICO	LTV	CLV	Loan Amount	DTI**
720	70%	70%	\$ 3,500,000	50	720	65%	65%	\$ 3,500,000	50	720	65%	65%	\$ 3,500,000	50
	80%	80%	\$ 3,000,000	50		75%	75%	\$ 3,000,000	50		75%	75%	\$ 3,000,000	50
680	75%	75%	\$ 3,000,000	50	680	70%	70%	\$ 3,000,000	50	680	70%	70%	\$ 3,000,000	50
	85%	85%	\$ 2,000,000	50		80%	80%	\$ 2,000,000	50		80%	80%	\$ 2,000,000	50
660	80%	80%	\$ 2,000,000	50	660	70%	70%	\$ 2,000,000	50	660	70%	70%	\$ 2,000,000	50
	90%	90%	\$ 1,000,000	50		75%	75%	\$ 1,000,000	50		75%	75%	\$ 1,000,000	50
620	65%	65%	\$ 2,000,000	50	620	60%	60%	\$ 2,000,000	50	620	60%	60%	\$ 2,000,000	50
	75%	75%	\$ 1,000,000	50		65%	65%	\$ 1,000,000	50		65%	65%	\$ 1,000,000	50

*Rate and Term Refi: Max 85 LTV

**DTI may be increased to 55 with specified compensating factors-see Underwriting Guidelines

See [Geographic Eligibility](#) for states/counties with LTV limitations

CASH-OUT REFINANCE

Primary Residence					Second Home					Investment Property				
FICO	LTV*	CLV*	Loan Amount	DTI	FICO	LTV	CLV	Loan Amount	DTI	FICO	LTV	CLV	Loan Amount	DTI
720	70%	70%	\$ 2,500,000	50	720	70%	70%	\$ 2,500,000	50	720	70%	70%	\$ 2,500,000	50
	75%	75%	\$ 2,000,000	50		75%	75%	\$ 2,000,000	50		75%	75%	\$ 2,000,000	50
680	65%	65%	\$ 2,500,000	50	680	65%	65%	\$ 2,500,000	50	680	65%	65%	\$ 2,500,000	50
	70%	70%	\$ 2,000,000	50		70%	70%	\$ 2,000,000	50		70%	70%	\$ 2,000,000	50
660	65%	65%	\$ 2,000,000	50	660	65%	65%	\$ 2,000,000	50	660	65%	65%	\$ 2,000,000	50
	70%	70%	\$ 1,000,000	50		70%	70%	\$ 1,000,000	50		70%	70%	\$ 1,000,000	50
620	60%	60%	\$ 2,000,000	50	620	60%	60%	\$ 2,000,000	50	620	60%	60%	\$ 2,000,000	50
	65%	65%	\$ 1,000,000	50		65%	65%	\$ 1,000,000	50		65%	65%	\$ 1,000,000	50

Max CO Proceeds: No limit up to 65 LTV, \$500k over 65 LTV

See [Geographic Eligibility](#) for states/counties with LTV limitations