

Bank Statement



Agenda

- Define Bank Statement
- Discuss Program Highlights
- Eligibility and Documentation
- Review available resources
- Q&A



Define Bank Statement



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Bank Statement

- The Bank Statement product is designed to meet the needs of Strong Credit qualifying self-employed borrowers.
 - Borrowers can use 12- or 24-months worth of bank statements **or**
 - Borrowers can submit 2 years worth of 1099s as their qualifying income



Product Support

- We make subject matter experts available from beginning to end to support a flawless execution.
 - Your credit teams will have access to a dedicated group to assist your credit teams with scenarios, single loan variances, and guideline expertise.
 - Nonagency@silverhillcapital.com can be utilized for all pre-close questions, scenarios and Single Loan Variance (SLV) requests.
 - Nonagencyclientmgt@silverhillcapital.com or Nondelclientmanagersupport@silverhillcapital.com can be utilized to answer your **post-closing, pre-purchase questions** regarding loan status, suspense conditions, escalations and rebuttals.



Program Highlights



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Program Highlights

- Primary residence (1–4 units), Second home (1 unit), and Investment properties (1–4 unit)
- Purchase, Rate and Term, and Cash-out options
- Maximum loan amount **\$3 million** on a primary residence, and **\$2 million** on a second home or investment property
- Fixed rate and Interest Only options available
- Minimum Fico **660**
- Minimum loan amount **\$100,000**
- Non-warrantable condos are permitted
- Manual Underwrite



Product Code and Terms

30 Year Terms

PBF330 – 30 year Fixed

PBF305 – 5 year I/O option

PBF310 – 10 year I/O option

40 Year Terms

PBF400 – 40 year Fixed

PBF410 – 10 year I/O option



Eligibility and Documentation



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Employment Type

Self-Employed

- Any borrower who has **25%** or greater ownership in a business
- Must be self-employed with the same business for at least 2 consecutive years
- A CPA/Accountant/Tax Preparer letter required verifying self-employment
- At least one borrower must have **51%** or more of their qualifying income from self-employment
- Confirmation that the business is currently operating must be provided

Non-Self-Employed

- Stable monthly income – 2 continues years
 - If less than 2 years, a written analysis to justify stable income is required
- High probability of continuing for at least 3 years
- Most recent 2 years worth of W-2 transcripts
- 4506-C for non self-employment must be signed at closing
- Gaps in employment greater than 30 days must be explained



Bank Statement Documentation

- Business or Personal Bank Statements
 - Combination of personal and business bank statements is **NOT** permitted
 - 12 or 24 consecutive months within 90 days of the note date
 - Loan amounts greater than **\$2.5 million** require 24 months of bank statements
 - Percentage of self-employment
 - Personal Bank Statements – minimum **25%**
 - Business Bank Statements – minimum **50%**
- Business Narrative Form – required when using business bank statements
- CPA letter confirming percentage of ownership required
- Tax returns/tax transcripts **must not be included**



Personal Bank Statement Income Calculation

- **Personal Bank Statements**

- Qualifying income is determined by the lower of the monthly net income stated on the initial Uniform Residential Loan Application (URLA) or:
- Total eligible deposits from the 12 or 24 months of personal statements divided by 12 or 24 months

- **Note:**

- If the personal account is jointly owned, and the joint owner is not an owner of the business, additional care must be taken to ensure that only eligible transfers from the business accounts or business deposits are utilized for qualifying purposes
- Borrower must provide 2-months business bank statements Business bank statement requirements must be followed for income calculation if 2-months business statements are not provided



Business Bank Statement Income Calculation

- **Business Bank Statements**

- Qualifying income is determined by the lower of the monthly net income stated on the initial Uniform Residential Loan Application (**URLA**) or one of the following methods:

1. Fixed Expense

- Gross eligible deposits will be multiplied by a fixed 50% expense factor to determine a net deposit number and divide by 12 or 24 months

2. CPA/Accountant Preparer Statement

3. Profit and Loss Statement covering the same period as bank statements

An underwriting bank statement calculation form must be utilized and made part of the loan file.



Ineligible Deposits

Unacceptable Deposits include, but are not limited to the following:

- Cash advances from credit cards
- Income sources already taken into account
- Non business related account transfers
- Tax refunds
- Product returns/credits
- Gift funds
- Credit line deposits/business financing
- Paycheck Protection Program (PPP) Loans



1099 Income Options

- 1099 Income is permitted for individual(s) earning **100% commission** or for independent contractors
 - 1 or 2 years of 1099s or 1099 transcripts permitted using **10%** expense factor
- Qualifying income is the 12 or 24 monthly average from the total number of 1099s minus the **10%** expense factor
- YTD documentation required to support the continued receipt of income from the same source



Non-Sufficient Funds (NSFs)

- No more than 3 NSFs are permitted within the last 12 months
- Overdraft Protection is permitted:
 - An overdraft is any occurrence whereby the account balance is overdrawn but is linked to another depository account or line of credit with the same financial institution
 - Such occurrences are not considered in the 3 occurrence limit, as long as the account does not reflect a negative balance
- A satisfactory LOE is also required for NSFs and Overdrafts



Credit Requirements

Attribute	Requirements
Housing History	<ul style="list-style-type: none">• 1X30X12 – mortgage rating can be obtained from a credit report or VOM• 0X30X12 – VOR or 12-month rental history required for FTHB
Credit Events	<ul style="list-style-type: none">• 4 years• Waiting periods down to 36 months permitted with 5% reduction to the LTV/CLTV and additional 6 months of reserves
Multiple Credit Events	<ul style="list-style-type: none">• Not Allowed
Required # of Credit Scores	<ul style="list-style-type: none">• All borrowers must have a minimum of two credit scores
Tradelines Requirements	<ul style="list-style-type: none">• 2 tradelines open for 24 months and active within the most recent 12 months or• 3 tradelines must be rated for 12 months



Asset Requirements

- Large deposits inconsistent or atypical with the demonstrated bank statement activity must be verified
- Asset verification by a Fannie Mae approved asset validation provider is allowed in lieu of 2 months statements provided by the borrower
- Asset verification must provide **60 days** of account activity and include all items normally indicated on bank statements
- Eligible assets must be held in a U.S. account
- Gift funds
 - May be used once the borrower has contributed **5%** of their own funds
 - May not be used to meet reserve requirements



Reserve Requirements

Loan Amount	# of months
≤ \$1,000,000	6
≤ \$1,000,000 – \$2,000,000	9
> \$2,000,000	12

- Additional 1–4 unit financed REO – follow Fannie Mae selling guide for additional reserve requirements
- Borrowed funds, gift funds, and cash-out funds are not permitted to meet reserve requirements



Property Eligibility

- Primary residence and investment properties – 1-4 units
- Second homes – 1 unit
- Maximum **20 acres**
 - Properties between **10 and 20** acres
 - Max land value of **35%**
 - Must be residential in nature – no income producing attributes
- Warrantable and Non-Warrantable Condos – review the guidelines for more details
- Cooperatives (Co-Ops)
 - Follow Fannie Mae requirements
 - No geographic restrictions
 - Not allowed for investment properties



Appraisal Requirements

- Appraisal Review
 - A Collateral Underwriter (CU) score of 2.5 or less or if not available:
 - A Collateral Desktop Analysis (CDA) from Clear Capital or
 - A Consolidated Collateral Analysis (CCA XP) from Consolidated Analytics
- Two appraisals required for the following transactions:
 - Purchase transaction with a loan amount > **\$2,000,000**
 - Refinance transaction with a loan amount > **\$1,500,000**
 - Property Flip
- Appraisals must be completed by two independent companies



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Questions?

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- Eligibility Features
- Income/Asset/Collateral Features
- Q&A

