



Arc Access Bank Statement Income

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Bank Statement Income

- 90% LTV available with 660 FICO
- Loan amount to \$3MM
- DTI up to 50%
- Available for Primary Residence, Second Home, and Investment
- First Time Home Buyers allowed with 660 FICO
- Interest Only option



Arc Access Bank Statement Income



- Alternative documentation for self-employed borrowers
- Qualify with bank statement deposits
 - Personal OR business bank statements allowed
 - Two expense factor options available for business bank statements





Bank Statements – Borrower Eligibility

- US Citizen
- Permanent Resident Alien
 - Front/back copy of Alien Registration Receipt Card I-551 (“Green Card”)
- Non-Permanent Resident Alien
 - Eligibility restrictions apply – refer to program matrix for eligibility
 - Valid SSN, passport, and acceptable Visa classification required
- First Time Home Buyer
 - Refer to program matrix for eligibility



Who are your borrowers?

Contractors



Business Owners



Doctors



Gig Economy



Retail Store Owners





Bank Statements – Credit



Credit History Requirements

- 0x30x12 mortgage/rental history
- Credit events (Bankruptcy, Foreclosure, Short Sale) seasoned > 48 months



Tradelines Requirements – Three Qualifying Options

1. Minimum of **three (3)** active and current trades reporting on credit report for at least **12 months**
 - Accounts may be open or closed with activity reflected in last 12 months
2. **Two (2)** tradelines showing at least **24 months** activity
 - May include closed accounts with activity reporting in last 24 months
3. Minimum of **eight (8)** tradelines reporting, one must be mortgage or rental history
 - At least one trade must be open and reporting for a minimum of 12 months
 - Credit report must reflect borrower has an established credit history for at least ten (10) years



Bank Statements – Assets & Reserves

Asset Requirements

- Must be seasoned and documented for at least **sixty (60) days**
 - Most recent two months bank statements or most recent quarterly statement required
- **Gift Funds** allowed for Primary Residence, Second Home, and Investment Property transactions
 - May not be used for reserves
 - Minimum borrower contribution not required for LTV $\leq 80\%$
 - 5% borrower contribution required if LTV $> 80\%$ for:
 - 2-4 Unit Primary Residence
 - Second Home
- **Business Funds** allowed for down payment, closing costs and reserves
 - Not permitted for Sole Proprietor/Schedule C

Reserve Requirements

- Refer to program matrix
- Additional Financed Properties – reserves required for each financed property owned
 - Primary Residence or Second Home transactions require **one (1) additional month** reserves of subject PITIA/ITIA
 - Investment Property transactions require **two (2) additional months** reserves of subject PITIA/ITIA
- Cash-Out Proceeds
 - Borrower(s) must have at least 3 (three) months PITIA/ITIA reserves documented through traditional asset sources; remaining reserve requirements may be satisfied with cash-out refinance proceeds



Bank Statements – Overview

- Average of **12 or 24** months of bank statement deposits; personal and business options available
 - Complete/consecutive statements from same account; may not mix/match different accounts
 - W-2 wages may not be included in bank statement average; full doc only
- **Two years** self-employment required; business must exist for at least **two (2) years**
 - Business existence must be verified
 - Ownership % must be documented
 - For business bank statements, minimum 25% controlling interest required
- Borrowers must provide a comprehensive **Business Narrative**
- Allow up to **6*** Non-Sufficient Funds (NSFs) charges or Overdraft incidents per **every 12-month** consecutive look-back period
 - Multiple NSF's and/or Overdrafts that occur on the same day considered a single occurrence
 - * Protected Overdrafts and Reversed NSF's are NOT included in the count



Bank Statements – Overview (continued)

- All parties listed on each bank account must be included as borrowers on the loan **OR** non-borrowing account holder must provide a signed letter indicating borrower has access to 100% of the account
- Statements must support stable and generally predictable deposits
 - Unusual deposits must be sourced/documentated
 - Unacceptable deposits may not be included in the bank statement income calculation
- Rental income may be qualified using Bank Statement Income:
 - Rents may be sole source of qualifying income, or in addition to self-employment
 - REO schedule of 1003 must be fully completed
 - Net rental income within bank statements = bank statement deposits for rental income – 20% expense/vacancy factor – PITIA for rental properties



Bank Statements – COVID-19 Impact & Declining Income

- Arc Home UW must make a reasonable determination that the qualifying income is stable and likely to continue.
- A borrower-prepared P&L statement will be required in ALL cases where the qualifying income calculation indicates the income has declined by > 20% since the onset of COVID-19.
- If the bank statement review suggests a decline in the qualifying income since the onset of COVID-19, the UW must determine whether the income has stabilized at its current level.
 - If yes, current level of stable income may be used to qualify. **Example:** 24-month bank statement average is \$10,000/month, but post-COVID months have stabilized at \$7,000/month; stabilized income of \$7,000/month may be considered for qualifying.



Personal Bank Statements

- Borrower eligibility:
 - Sole proprietor; or
 - 100% owner of the business (if not tax filing as sole proprietor); or
 - An independent contractor dedicated to one occupation and receiving 1099 income
- Only deposits may be used; transfers from a business account into a personal account are acceptable with proof, other transfers are not acceptable.
- Multiple personal accounts may be used if multiple businesses are owned; combination of business/personal not acceptable
- **100% of allowable deposits** used for income and averaged over 12 or 24 months; no expense ratio

Borrower's Monthly Qualifying Income:

- Lesser of bank statement average or income reflected on initial signed 1003

Example:

- * Average Allowable Monthly Deposits = \$10,000
- * 1003 Income = \$12,000

Qualifying Income in this example = \$10,000

- Lower of Average Allowable monthly deposits and 1003 income



Business Bank Statements

- Business bank statements include the following:
 - Business bank accounts
 - Personal accounts addressed to a DBA
 - Personal accounts with evidence of business expenses (co-mingled)
- Transfers from other business accounts may be acceptable, but must be documented
- Transfers from personal accounts are not acceptable
- Multiple business accounts may be used if multiple businesses are owned
- Business expense documentation must be provided (Business Narrative); business expenses must be reasonable for the type of business
- Two qualifying options: Fixed Expense Ratio and Third Party Prepared Expense Statement



Business Bank Statements – Fixed Expense Ratio

Fixed Expense Ratio			
Number of FTE/Contractors	<u>0</u>	<u>1-10</u>	<u>10+</u>
Service Business	20%	40%	60%
Product Business	30%	50%	70%

Service Business Examples:

Consulting, Accounting, Legal, Therapy, Counseling, Financial Planning, Insurance, IT

Product Business Examples:

Retail, Manufacturing, Food Services/Restaurants, Contracting/Construction

Borrower's Monthly Qualifying Income:

- Lesser of average allowable monthly deposits and 1003 income X expense ratio for type of business and number of employees X borrower's % of business owned

Example:

- * Average Allowable Monthly Deposits = \$10,000
- * 1003 Income = \$12,000
- * Borrower has 9 employees and is in a Service Business
- * Borrower owns 80% of the business

Qualifying Income in this example = \$4,800

- \$10,000 (lower of Average Allowable monthly deposits and 1003 income) * (100% - 40% = expense ratio for a service business with 9 employees) * 80% (percent of business owned).

Business Bank Statements – Third-Party Prepared Expense Statement

- Expense factor provided by the borrower/company CPA is used to determine the qualifying income
- Documentation required:
 - Expense statement prepared and signed by a third-party (CPA or licensed tax preparer) indicating business expenses as a percentage of the gross annual sales/revenue.
 - CPA or licensed tax preparer must be verified.

Borrower's Monthly Qualifying Income:

- Lesser of average allowable monthly deposits and 1003 income X expense ratio provided by CPA X borrower's % of business owned

Example:

- * Average Allowable Monthly Deposits = \$20,000
- * 1003 Income = \$25,000
- * CPA provides expense factor of 50%
- * Borrower owns 100% of the business

Qualifying Income in this example = \$10,000

- \$20,000 (lower of Average Allowable monthly deposits and 1003 income) * 50% (expense ratio provided by CPA) * 100% (percent of business owned).

Bank Statement Eligibility in SPARC



Quick Pricer

Create Loan

Horizon of borrower interest: 60 months [\(explain\)](#)

Property & Loan Info | **PML Options**

Property Information

Zip Code: 75028 State: TX
County: Denton
City: Flower Mound

In Rural Area? Yes [explain](#)

Property Use: Primary Residence

Has Non-Occupant Co-Borrower? Yes

Property Type: SFR

Structure Type: Detached

New Construction? Yes

Additional Monthly Housing Expenses: \$0.00 [calculate](#)

Owner's Title Insurance: Use estimated title cost. Use cost quoted by borrower/realtor.

Loan Information

Loan Purpose: Purchase Refinance

First Time Home Buyer? [explain](#)

Impound? Yes

Doc Type: **Full Document**

- 12 Mo. Personal Bank Statements
- 24 Mo. Personal Bank Statements
- 12 Mo. Business Bank Statements
- 24 Mo. Business Bank Statements
- Other Bank Statements
- 1 Yr. Tax Returns
- VOE
- Asset Utilization
- Debt Service Coverage (DSCR)
- No Ratio

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Other Information

Loan Originator is Paid By: Lender Borrower

0.000% of Loan Amount + \$0.00

Lender Fee Buyout Requested? No

Expected AUS Response: None/Not Submitted

Estimated Credit Score: 768 Total Monthly Income: \$100,000.00

Number of Financed Properties: 1 [explain](#)

Total Liquid Assets: \$5,000,000.00 [explain](#)

Prior Sales Date: mm/dd/yyyy [explain](#)

Conv Loan PMI Type: No MI

Is UFMIP/FF Financed? Yes

Override Auto-Calculated UFMIP/FF? Yes

FHA UFMIP: 1.750% VA Funding Fee: 1.400%

USDA Rural Guarantee Fee: 1.000%

USDA UW Type: Automated UW

DSCR: 0.00

Prepayment Penalty Term: ANY

Supplemental Asset Utilization: NO

ITIN: NO

Delivery Type: BEST EFFORTS

Self-Employed (Jumbo Only)? NO

1099 Income: No 1099

Run Price My Loan



Bank Statements in Non-QM Quick Pricer



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Non-QM Quick Pricer

Income Doc	<input type="text" value="Full Doc"/>	FICO	<input type="text" value="768"/>
Purpose	<input type="text" value="Full Doc"/>	Bankruptcy	<input type="text" value="None"/>
Occupancy	<input type="text" value="Full Doc: 12 Mo. (Limited)"/> <input type="text" value="1099: 24 Mo."/> <input type="text" value="1099: 12 Mo."/> <input type="text" value="Bank Stmts: 12 Mo. Personal"/> <input type="text" value="Bank Stmts: 12 Mo. Business"/> <input type="text" value="Bank Stmts: 24 Mo. Personal"/> <input type="text" value="Bank Stmts: 24 Mo. Business"/>	Credit Events	<input type="text" value="None"/>
Property Type	<input type="text" value="DSCR"/> <input type="text" value="Asset Depletion / Utilization"/> <input type="text" value="No Ratio"/>	Mortgage Lates	<input type="text" value="0X30X12"/>
State	<input type="text" value=""/>	DTI/DSCR	<input type="text" value="35"/> %
Loan Amount	<input type="text" value="\$ 450,000"/>	Citizenship	<input type="text" value="US Citizen"/>
LTV	<input type="text" value="80"/> %	ITIN	<input type="text" value="No"/>

[See Results](#)

Bank Statement Calculators



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Kelly, you and your team are the BEST.
Thank you so much!

P.H., Licensed Mortgage Loan Originator

- Wholesale Resources
- Delegated Correspondent Resources
- Non-Delegated Correspondent Resources
- Calculators**

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Self-Employed Bank Statement Calculator

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Personal
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Arc Access Bank Statement Review



1) Prior to Registration – AE or Client emails the Deal Desk; the email MUST include:

- A. **Income Analysis Request** form (fully completed)
- B. **Bank Statements** (complete 12 or 24 consecutive/recent months with ALL pages)
- C. **Business Narrative**

2) After Registration – Alt Income NQM loan registered and submitted in SPARC:

- Loan Opening validates the **submission form, bank statements, and Business Narrative are included in file.**
 - If Deal Desk income completed prior to submission, the Opening team will attach the calculator to the loan and move the loan through the normal submission process
 - If Deal Desk Bank Statement Calculation not completed prior to submission, the Opening team moves the loan to Deal Desk for calculation, then the loan moves through the normal submission process.

NOTE: As a best practice, the broker should attach the calculator provided by the Deal Desk

Visit business.archomellc.com to
submit bank statement income today!



Arc Home – Deal Desk



Visit business.archomellc.com to submit a guideline scenario today!



Arc Access Exception Process



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- 1. Review Non-QM Exception Restrictions** (page 2 of Exception Request) PRIOR to submitting request
- 2. Complete Exception Request** form in its entirety
 - Compensating Factors vital to support request; MUST align with data at top
 - If the loan is not yet registered, enter N/A in the SPARC loan number field
- 3. Email** completed **Exception Request** form to scenarioexception@archomeloans.com
- 4. Upload** Exception Request form AND Deal Desk response to loan submission

Non-QM Resources – Wholesale



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Wholesale > Forms and Guidelines > Non-QM Forms and Guidelines

- **Arc Access Matrices** – Alternative Income, DSCR, Clean Slate, Agency Plus, Foreign National
- **Arc Access Business Narrative** – required for ALL bank statement loan submissions

Wholesale > Forms and Guidelines > Wholesale Forms

- **Non-QM Initial Submission Form** – required for ALL Non-QM loan submissions
- **SSA-89**
- **4506-C**

Wholesale > Forms and Guidelines > Wholesale Resources

- **Wholesale Important Information** – details fees, mortgagee clause info, servicing contact details
- **NQM Broker Flow** – map of Non-QM file flow through Arc Home
- **Pricing and Lock Policies**
- **Transferred Appraisal Policies**
- **Appraisal Reconsideration Form**

Wholesale > Wholesale Training

- **SPARC Broker User Guide** – detailed instructions for using SPARC
- **SPARC Job Aids** – Add New Users, Appraisal Ordering, Initial Upload, Client Condition Upload, Re-Issue Credit

Non-QM Resources – Non-Delegated



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Correspondent > Non-Delegated Forms and Guidelines > Non-QM Forms and Guidelines

- **Arc Access Matrices** – Alternative Income, DSCR, Clean Slate, Agency Plus, Foreign National
- **Arc Access Business Narrative** – required for ALL bank statement loan submissions
- **Business Purpose and Occupancy Affidavit** – required for all DSCR loans

Correspondent > Non-Delegated Forms and Guidelines > Correspondent Forms

- **SSA-89**
- **4506-C**

Correspondent > Non-Delegated Forms and Guidelines > Non-Delegated Correspondent Resources

- **Non-Delegated Correspondent Initial Submission Form** – required for ALL loan submissions
- **Correspondent Client Reference Guide** – details fees, mortgagee clause info, servicing contact details
- **Correspondent Seller's Guide**
- **Transferred Appraisal Policies**

Correspondent > Correspondent Training

- **SPARC User Guide** – detailed instructions for using SPARC
- **SPARC Job Aids** – Add New Users, Client Condition Upload
- **Fast Track Training Videos** – quick hit videos demonstrating SPARC functionality



QUESTIONS & ANSWERS



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