

## Non-QM Underwriting Guideline Improvements

Release Date: February 20, 2024

Luxury Mortgage is delighted to announce recent improvements to our Non-QM program underwriting. Please be advised that while this summary provides an overview, it is imperative to review the comprehensive guidelines for complete context. These updates are effective immediately.

### Improvements:

- Non-occupant co-applicants with blended income can qualify for up to 90% LTV. Lower of Occupying or Non-Occupying Applicant middle score used for guidelines purposes. All Applicants must meet the credit requirements.
- Departing Residence requirements have been revised removing the minimum equity requirement-not allowed on ITIN.
- Bank statement borrowers with 1-2 years of self-employment may qualify, provided they have been continuously employed in the same line of work as the self-employed business for at least 2 years before self-employment. They must also demonstrate an extra 6 months of reserves and maintain a positive income trend.
- Added a 5<sup>th</sup> method to qualify for a bank statement loan; borrowers can qualify with 1-year profit and loss statement and 2 months business bank statements documentation. Borrowers can submit a 12-month P&L prepared by a CPA, Enrolled Agent (EA), or a California Tax Education Council-registered tax preparer (CTEC). For specific credit scores and LTV limitations, refer to the relevant Matrix.
- Investor Cash Flow (DSCR) loans no longer require landlord history if the LTV is  $\leq 70\%$  and the DSCR is 1.0 or higher. Business purpose must be able to be established.
- Asset Qualifier loans now allow gift funds for funds to close on a purchase.
- Liquidation Requirements for Stock accounts have been updated: proof of liquidation is not required if the account balance exceeds 120% of the assets required for closing.
- The Housing History requirement for first-time homebuyers (FTHB) has been updated, removing previous limitations.
- The maximum charge-off/collection remaining open requirement has been updated to individual amounts less than \$5,000.
- Subject property reserve requirements for Standard Full Doc, Bank Statements, and 1099 Only programs have been revised:
  - 3 months reserves required for loan amounts up to \$1.5MM
  - 6 months for amounts up to \$2MM
  - 12 months for loans up to \$3MM
  - Additional requirements based on other factors detailed in guidelines
- Refinancing applicants with short-term rental income must now provide a 12-month income average preceding the application. A 25% vacancy factor is applied. Gross rents cannot decrease more than 5% in the current 6 months compared to the prior 6 months.
- Determination of Value-Refinance
  - For Technical Refinance/Delayed Financing, apply the lesser of purchase price plus documented improvements or appraised value.
  - If the property was acquired more than 6 months ago and less than 12 months before the mortgage application, use the lesser of the purchase price or current appraised value unless justified by the appraiser. Underwriters should comment on form 1008 when using current value.
  - For Rate and Term Refinances, utilize the appraised value regardless of ownership duration.