

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 \$3MM
- Interest only available with 30 or 40 year term
- DTI up to 50 allowed
- Credit scores down to 620
- Business and Personal Statements allowed
- All occupancy types allowed
- 5/6, 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 • Non-Occupant Co-Applicants-see Underwriting Guidelines
Eligible Occupancy	Primary, Second Home, and Investment Properties
Ineligible Applicants	<ul style="list-style-type: none"> • Irrevocable Trust • Diplomatic immunity • Applicants with any ownership in a business that is Federally illegal, regardless of if the income is not being used for qualifying may be considered on exception basis
Property Types	<ul style="list-style-type: none"> • 1-4 unit attached and detached properties • Warrantable Condos • Non-Warrantable Condos and Condotel on Approved Flag List or in nationally recognized high end hotel brands allowed with a pricing adjustment-see Underwriting Guidelines for permissible NW features (max 80 LTV for Non-Warrantable Purchase/Rate and Term, max 75% LTV for Cash out and max 75% for Condotel Purchase/Rate and Term, max 70% Cash Out) • PUDs
Ineligible Property Types	<ul style="list-style-type: none"> • Mixed use properties • Properties with more than 20 acres • See Underwriting Guidelines for full list of unacceptable property types
Eligible Transactions	<p>Purchase, including non-arm's length transactions-see Underwriting Guidelines</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 >\$5,000 in the 12 months preceding application date unless the second was used in full to purchase the property • Buyout accompanied by an executed buyout agreement • Technical refinances/delayed financing allowed-see Underwriting Guidelines • If loan being paid off was closed in the 12 months preceding the application date and was a cash out transaction, the loan will be treated as a Rate and Term if it was the only refinance within the preceding 12 month period. <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

	<ul style="list-style-type: none"> • A refinance of a loan which was a cash out in the preceding 12 months will be considered a cash out refinance if there was more than one refinance in the preceding 12 month period. • Six months title seasoning required for cash out refinances. • No limit on max cash out up to 65 LTV, max \$1MM cash out above 65 LTV. • Value to be utilized must be supported-see Underwriting Guidelines
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. 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 (lowest middle score when borrowers are 50/50 owners) for pricing and guideline purposes • Use lower of Occupying or Non-Occupying Co-Applicant middle score for guideline purposes
Housing Payment History	<p>Housing payment history no greater than 1x30x12 for all mortgages/rental verifications. Note that 1 30 day late may be subject to a price adjustment and will limit the maximum CLTV to 80.</p> <p>First Time Home Buyer (FTHB) A First Time Home Buyer is defined as an individual who has not had individual ownership interest in a residential property within the last five years. First Time Home Buyers are eligible for financing under the Simple Access programs under the standard criteria with minimum 6 months PITIA reserves for primary residence and second homes only. No rent or mortgage history is required, however if one is provided it must meet the requirements of the Housing Payment History section of this guide.</p>
Significant Credit Events	<p>Applicants with any of the following major credit events (bankruptcy, foreclosure, modification, short sale, short pay, deed in lieu, and 120 day or greater mortgage late) are subject to the below requirements, measured from event completion or discharge/dismissal date to note date:</p> <p>Credit Event other than a Foreclosure</p> <ul style="list-style-type: none"> • 0-2 years removed: Not eligible • 2-4 years removed: Max 80 LTV, max \$1.5MM loan size • >4 years removed: Standard Guidelines <p>Foreclosure:</p> <ul style="list-style-type: none"> • 0-2 years removed: Not allowed • 2-4 years removed: Max 70 LTV, max \$1.5MM loan size, minimum 10% borrower own funds and max DTI 43% • >4 years removed: Standard Guidelines <p>Additional Requirements</p> <ul style="list-style-type: none"> • Active NOD or Lis Pendens not allowed. An historic NOD or Lis Pendens is not against guidelines, however the underlying event will be evaluated against the Significant Credit Event and Housing Payment History requirements guidelines. • 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 \$5,000 or in aggregate less than \$15,000. Any that are greater or which may affect title must be paid off prior to or at closing.
Income and Assets	
DTI	Maximum DTI: 50.000,
Residual Income	The minimum residual income for each loan is \$2,500. Do not impute income taxes in the calculation.

Applicant Eligibility	<p>Applicants must have been self-employed for at least two years with the same business. Applicants self-employed 1-2 years can be eligible provided they were in the same line of work as the self-employed business for 2 years prior to commencing self-employment and with an additional 6 months of reserves required as well as a positive income trend. A CPA, EA, or licensed tax preparer letter or equivalent document verifying self-employment must be provided in all cases. The most recent bank statement in file must be no more than 120 days old at note date. At underwriter's discretion, current business existence and operations may be re-verified prior to closing, and updated bank statements may be required.</p>
Documentation Requirements & 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 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. Multiple accounts may be provided for income calculation. Transfers between personal accounts not considered income. If an applicant does not document a separate business account or the borrower has additional income being deposited into the personal account along with business accounts, the underwriter must be able to clearly demonstrate that the deposits utilized to qualify originate from the Applicant's business. 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 25% 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 or specify the business expenses as a percent of the gross annual sales/revenue and confirm they prepared the tax returns for the past 2 years. 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. The minimum expense factor is 10%.</p> <p>Method 4 Deposits less Withdrawals Review the business' deposits less withdrawals to determine an Applicant's income. Sum the net income over the 12 month period provided, multiply by Applicant's pro-rata ownership percentage, and divide by 12. Transfers to an Applicant's personal account do not need to be considered a deduction for calculation purposes. The resulting income should be reasonable to the Applicant's line of work.</p>

Method 5 | 1 Year Profit and Loss Statement

Self-employed borrowers are eligible for 1-Year Profit and Loss Statement Documentation. Borrowers may provide a 12-month P&L prepared by a CPA, Enrolled Agent (EA), or California Tax Education Council-registered tax preparer (CTEC). See the applicable Matrix for credit score and LTV restrictions.

REQUIREMENTS

The following requirements apply to utilize a 1-Year Profit and Loss Statement for income:

- Borrower must be self-employed for at least 2 years.
- Business must be in existence for at least 2 years.
- Self-Employed Business Narrative Form (or equivalent) is required.
- Borrower must meet a minimum 25% business ownership percentage.
- Satisfactory internet search of the business is required to support existence of the business.
- Borrowers who self-prepare their own taxes are not permitted.

DOCUMENTATION

The following documentation is required to utilize a 1-Year Profit and Loss Statement for income:

Profit and Loss Statement must be prepared by a licensed, independent CPA, Enrolled Agent (EA), or California Tax Education Council-registered tax preparer (CTEC). Tax preparer preparing the P&L must attest to the following:

- Tax preparer has filed the borrower's most recent business and personal tax returns.
- Tax preparer has analyzed the borrower's business financial statements during the preparation of the P&L.
- Tax preparer is not related to the borrower or otherwise associated with the borrower's business.
- Profit and Loss Statement must be signed by both the tax preparer and borrower and must be dated within 90 days of closing.
- Profit and Loss Statement must be prepared on tax preparer's company letterhead and must not contain any exculpatory language that may compromise the integrity of the information provided.
- Reverse verification and validation of the tax preparer must be completed
- Validation of self-employment and business existence for a minimum of 2 years.
- A minimum of 2 months business bank statements covering the most recent 2-month period.

CALCULATING QUALIFYING INCOME

The average monthly gross revenue from the P&L must be supported by the business bank statements provided. Total monthly average deposits per bank statements (minus any disallowed deposits) must be

within 20% of average monthly gross revenue reflected on P&L.

Note: The total eligible deposits calculated with business bank statements is used solely to validate self-

employed earnings reported on the P&L.

If validated within 20%, the monthly net income average from the P&L may be used for qualifying income. Standard expense line items limited to depreciation, depletion, amortization, and casualty loss may be added back to the net figure.

Net Income = Net Income from P&L times Borrower Ownership Percentage Divided by 12 Months

Overlays-minimum Fico 700, 0 x 30 for 24 on housing, max L/A \$1.5MM Primary max 80% LTV and Second Home/NOO max 75% LTV

All Methods:

Comingled accounts will be treated as business accounts for purposes of determining income.

NSFs: NSFs are counted on an "instance" basis. A max of 12 instances are allowed if 12 months of statements are provided and a max of 24 instances are allowed if 24 months of statements are provided. LOE required if over 3 NSFs in either a 12 or 24 month period. See Underwriting Guidelines for additional detail.

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.

Co-Applicant Options	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.
Other Income Sources	<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>
Asset Accounts	<ul style="list-style-type: none"> • Use 100% of cash and cash equivalents • Use 100% of face value for non-retirement asset accounts for reserve calculation. Proof of liquidation not required if asset balance is at least 120% of funds needed to close. • Use 100% of retirement assets for reserve calculation-must obtain terms and conditions verifying borrower ability to withdraw. • If Applicant is liquidating funds from retirement account, document liquidation and end balance • 529 accounts at 60% of face value with copy of plan confirming savings plan and not pre-paid tuition plan. • 1031 exchanges eligible for investment properties-see <u>Underwriting Guidelines</u> • Business funds may be used provided the Applicant(s) own(s) a minimum of 25% combined ownership of the business with letter from all other owners stating borrower has full access to funds for stated purpose. 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- <u>see Underwriting Guidelines</u> • Cash out proceeds MAY be used to meet the reserve requirement regardless of LTV • Eligible cryptocurrency may be used but requires liquidation of proceeds for funds to close. <u>See Underwriting Guidelines</u> for allowable types of cryptocurrency and requirements.
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 on primary residences, second homes and investment properties. No applicant contribution is required for primary residences with LTVs ≤ 80, except as otherwise specified and the minimum contribution can be waived for all second homes with a 10% LTV reduction. See Significant Derogatory Credit Events for minimum contributions as applicable. • 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 80 LTV. No Applicant contribution is required on a primary residence. A second home requires a 5% own fund contribution. Not allowed on 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	<p><u>Purchases and Refinances:</u></p> <ul style="list-style-type: none"> • Loan amount up to \$2MM, one appraisal required • Loan amount over \$2MM, two appraisals required <p>All appraisals are subject to underwriting review and acceptance. Loan amounts >\$1.5MM and up to \$2MM may not utilize a CU score in lieu of a CDA. CDA is required if LTV>80 regardless of CU score. Additional appraisal due diligence may be required at the discretion of underwriting.</p> <ul style="list-style-type: none"> • Purchase: lesser of purchase price or appraised value. • Refinance (all types): For Rate and Term transactions utilize the appraised value regardless of seasoning. For Technical Refinance/Delayed Financing use lessor of purchase price plus documented improvements or appraised value. However, on properties owned more than 6 months and less than 12 months prior to the mortgage loan application date, use the lesser of the purchase price at time of acquisition or the current appraised value unless the appraiser can justify the increase in value over the period of ownership. If utilizing the current value, the underwriter should comment on the 1008. •
Geographic Eligibility	<p>The following states are eligible: AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, IL (no IO loans), LA, MA, MD, ME, MI, MN, NC, NH, NJ, NM, NY (no NY subprime), OH, OR, PA, RI, SC, TN, TX, UT, VA, WA, WI, WY.</p> <p>Restrictions:</p> <ul style="list-style-type: none"> • Texas CO Refinances-see Underwriting Guidelines • Properties which are identified by the appraiser to be in a declining market will be subject to a 5% LTV reduction from maximum LTV for loan amounts up to \$2.5MM and a 10% reduction from maximum LTV for loan amounts above \$2.5MM
Reserve Requirement	<ul style="list-style-type: none"> • Loan amount up to \$1.5 MM: 3 months PITIA • Loan amount above \$1.5 MM and up to \$2MM: 6 months PITIA • Loan amount above \$2MM and up to \$3MM: 12 months PITIA • Other real estate owned: 1 month of each property's PITIA • 1-2 years self-employed: Additional 6 months PITIA • First Time Home Buyer: minimum 6 months 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-<u>see Underwriting Guidelines</u> • Limited Liability Corporations-<u>see Underwriting Guidelines</u> • Partnerships/Corporations-<u>see Underwriting Guidelines</u>
ARM Terms	<ul style="list-style-type: none"> • Margin = 5.000% • Index = 30 Day Average of SOFR • Caps <ul style="list-style-type: none"> ○ 5/6 ARM: 2/1/5 ○ 7/6 ARM and 10/6 ARM: 5/1/5 • Floor Rate = Note Rate • Adjustment Period = 6 Months
Interest Only	Interest Only features are allowed on ARMs and FRMs. 10 year IO feature. Maximum LTV of 80 and min FICO of 680 for a loan with an IO feature. 40 year term loan is not eligible on 5/6 ARM

Qualifying Payment	<p>To determine the P&I component of the Qualifying Payment, utilize the below (except as otherwise specified):</p> <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	<p>Prepayment penalties may be placed on investment properties where allowed by state and federal law. Prepayment penalty terms are available for terms of 1 to 5 years, with pricing implications applying based on length of prepayment penalty selected. The penalty will equal six months' advance interest on the amount(s) prepaid that exceed 20% of the original principal balance in any 12 month period, to the extent permitted by state and federal law. See Underwriting Guidelines for requirements.</p>
Mortgage Insurance	Not required
Min/Max Loan Amounts	<p>Minimum: \$150,000 Maximum: \$3MM (Purchase/Rate and Term Refinance and Cash Out Refinance)</p>

LTV AND LOAN AMOUNTS REQUIREMENTS														
PURCHASE/RATE & TERM REFINANCE														
Primary Residence					Second Home					Investment Property				
FICO	LTV*	CLTV*	Loan Amount	DTI**	FICO	LTV*	CLTV*	Loan Amount	DTI**	FICO	LTV*	CLTV*	Loan Amount	DTI**
720	80%	80%	\$ 3,000,000	50	720	75%	75%	\$ 3,000,000	50	720	75%	75%	\$ 3,000,000	50
	85%	85%	\$ 2,500,000	50		80%	80%	\$ 2,500,000	50		80%	80%	\$ 2,500,000	50
	90%	90%	\$ 1,000,000	50		85%	85%	\$ 1,500,000	50		85%	85%	\$ 1,500,000	50
700	75%	75%	\$ 3,000,000	50	700	70%	70%	\$ 3,000,000	50	700	70%	70%	\$ 3,000,000	50
	85%	85%	\$ 2,000,000	50		80%	80%	\$ 2,500,000	50		80%	80%	\$ 2,500,000	50
	90%	90%	\$ 1,000,000	50		85%	85%	\$ 1,500,000	50		85%	85%	\$ 1,500,000	50
680	75%	75%	\$ 3,000,000	50	680	70%	70%	\$ 3,000,000	50	680	70%	70%	\$ 3,000,000	50
	80%	80%	\$ 2,000,000	50		75%	75%	\$ 2,500,000	50		75%	75%	\$ 2,500,000	50
	85%	85%	\$ 1,500,000	50		80%	80%	\$ 2,000,000	50		80%	80%	\$ 2,000,000	50
660	70%	70%	\$ 2,500,000	50	660	70%	70%	\$ 2,000,000	50	660	70%	70%	\$ 2,000,000	50
	75%	75%	\$ 2,000,000	50		80%	80%	\$ 1,500,000	50		80%	80%	\$ 1,500,000	50
		85%	85%	\$ 1,500,000	50	640	75%	75%	\$ 1,500,000	50	640	75%	75%	\$ 1,500,000
640	70%	70%	\$ 2,000,000	50	620	70%	70%	\$ 1,500,000	50	620	70%	70%	\$ 1,500,000	50
	75%	75%	\$ 1,500,000	50										
620	70%	70%	\$ 1,500,000	50										
	75%	75%	\$ 1,000,000	50										

*Max 85 LTV on 2-4 Unit Properties Purchase and R/T

*Max 80 LTV on Non-Warrantable Condos and Max 75 LTV on Condotel

*P&L Qualifying Method 5: Min 700 FICO, 0x30 for 24 Housing History, Max L/A \$1.5MM Primary, Max 80 LTV and Second Home/NOO Max 75 LTV

CASH-OUT REFINANCE														
Primary Residence					Second Home					Investment Property				
FICO	LTV*	CLTV*	Loan Amount	DTI**	FICO	LTV*	CLTV*	Loan Amount	DTI**	FICO	LTV*	CLTV*	Loan Amount	DTI**
720	75%	75%	\$ 3,000,000	50	720	65%	65%	\$ 3,000,000	50	720	65%	65%	\$ 3,000,000	50
	80%	80%	\$ 2,500,000	50		75%	75%	\$ 2,500,000	50		75%	75%	\$ 2,500,000	50
700	65%	65%	\$ 3,000,000	50	700	80%	80%	\$ 1,500,000	50	700	65%	65%	\$ 3,000,000	50
	70%	70%	\$ 2,500,000	50		65%	65%	\$ 3,000,000	50		70%	70%	\$ 2,500,000	50
	80%	80%	\$ 2,000,000	50		70%	70%	\$ 2,500,000	50		65%	65%	\$ 3,000,000	50
680	65%	65%	\$ 3,000,000	50	680	80%	80%	\$ 1,500,000	50	680	70%	70%	\$ 2,000,000	50
	70%	70%	\$ 2,500,000	50		65%	65%	\$ 3,000,000	50		65%	65%	\$ 2,000,000	50
	80%	80%	\$ 2,000,000	50		70%	70%	\$ 2,000,000	50		75%	75%	\$ 1,500,000	50
660	65%	65%	\$ 2,500,000	50	660	80%	80%	\$ 1,500,000	50	620	65%	65%	\$ 1,500,000	50
	75%	75%	\$ 1,500,000	50		65%	65%	\$ 2,000,000	50					
620	65%	65%	\$ 1,500,000	50	620	75%	75%	\$ 1,500,000	50					
					620	65%	65%	\$ 1,500,000	50					

*Max 75 LTV on 2-4 Unit Properties Cash Out

*Max 75 LTV on Non-Warrantable Condo Cash Out and 70 LTV on Condotel Cash Out

Max CO Proceeds: No limit up to 65 LTV and up to \$1M for LTV above 65

*P&L Qualifying Method 5: Min 700 FICO, 0x30 for 24 Housing History, Max L/A \$1.5MM Primary, Max 80 LTV and Second Home/NOO Max 75 LTV