

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-see Housing Payment History guideline below • 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 Condotels on Approved Flag List allowed with a pricing adjustment-see Underwriting Guidelines for permissible NW features (max 70 LTV) • 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 • 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 cash out. <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 • A refinance of a loan which was a cash out in the preceding 12 months will be considered a cash out refinance • Six months title seasoning required for cash out refinances. • Technical refinances/delayed financing allowed-see Underwriting Guidelines

	<ul style="list-style-type: none"> • No limit on max cash out up to 50 LTV, max \$1MM cash out up to 70 LTV, \$500K above 70 LTV. • Value to be utilized must be supported-see <u>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 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) 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. Payment shock generally may not exceed 350% when DTI exceeds 43, however the limit may be exceeded with 3 months additional reserves or an LTV <=70</p> <p>Applicants who cannot document a 12 month rent payment history as described above and in guidelines are allowed on primary residence transactions with at a maximum 80 LTV. The payment shock guideline does not apply. Gifted funds are allowed up to 70 LTV and when gifted funds are used the Applicant must contribute 10% of the purchase price from own funds. Any rent payments that the Applicant was responsible for in the preceding 12 months must still be documented in accordance with the Underwriting Guidelines.</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 75 LTV, max \$1.5MM loan size • >4 years removed: Standard Guidelines <p>Foreclosure:</p> <ul style="list-style-type: none"> • 0-3 years removed: Not allowed • 3-4 years removed: Max 70 LTV, max \$1.5MM loan size • >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 \$2,500 or in aggregate less than \$10,000. Any that are greater which may affect title must be paid off prior to or at closing. Medical collections are excluded from this requirement regardless of amount.
Income and Assets	
DTI	Maximum DTI: 50.000
Residual Income	The minimum residual income for each loan is \$3,000. Do not impute income taxes in the calculation.
Applicant Eligibility	Applicants generally must have been self-employed for at least two years with the same business. A CPA, EA, or licensed tax preparer letter or equivalent document verifying self-employment must be

	<p>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>
<p>Documentation Requirements & Calculation Methods</p>	<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. 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 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. 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>All Methods: Comingled accounts will be treated as business accounts for purposes of determining income.</p> <p>NSFs: NSF's 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</p> <p>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 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, document liquidation and end balance • 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 50% 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 70 LTV • Eligible cryptocurrency may be used but requires liquidation of proceeds for reserves or funds to close. See <u>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 and 10% contribution is required on second homes and investment properties. No applicant contribution is required for primary residences with LTVs <=80, except as otherwise specified. • 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. A second home requires a 10% 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>Purchases and Refinances:</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"> • <u>Purchase</u>: lesser of purchase price or appraised value

	<ul style="list-style-type: none"> • <u>Refinance (all types)</u>: For all transactions where the property is owned less than 12 months as of the application date, use the lesser of purchase price plus documented improvements or market value. If more than 12 months, use market value.
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 maximum 80 LTV, unless already limited by other guidelines
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 \$3MM: 12 months PITIA • Other real estate owned: 2 months of each property's PITIA • First Time Home Buyer Payment Shock >350% and LTV >70: additional 3 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	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.
Mortgage Insurance	Not required
Min/Max Loan Amounts	Minimum: \$150,000 Maximum: \$3MM (Purchase/Rate and Term Refinance), \$2.5MM (Cash Out Refinance)

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%	\$ 2,500,000	50	720	75%	75%	\$ 2,500,000	50
	85%	85%	\$ 1,500,000	50		680	70%	70%	\$ 2,500,000		50	680	70%	70%
700	75%	75%	\$ 3,000,000	50	660		80%	80%	\$ 2,000,000	50	660		80%	80%
	90%	90%	\$ 1,000,000	50		660	70%	70%	\$ 2,000,000	50		660	70%	70%
680	75%	75%	\$ 2,500,000	50	640		75%	75%	\$ 1,000,000	50	640		75%	75%
	80%	80%	\$ 2,000,000	50		640	60%	60%	\$ 1,500,000	50		640	60%	60%
660	80%	80%	\$ 1,500,000	50	640		65%	65%	\$ 1,000,000	50	640		65%	65%
640	70%	70%	\$ 2,000,000	50										
620	65%	65%	\$ 1,500,000	50										
	75%	75%	\$ 1,000,000	50										

*Rate and Term Refi: Max 80 LTV

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

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	70%	70%	\$ 2,500,000	50	720	75%	75%	\$ 2,000,000	50	720	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	660		70%	70%	\$ 2,000,000	50	660		70%	70%	\$ 2,000,000	50
	70%	70%	\$ 2,000,000	50		660	75%	75%	\$ 1,000,000	50		660	75%	75%	\$ 1,000,000	50
	75%	75%	\$ 1,000,000	50			640	65%	65%	\$ 2,000,000			50	640	65%	65%
660	65%	65%	\$ 2,000,000	50	640	70%		70%	\$ 1,000,000	50	640	70%	70%		\$ 1,000,000	50
	70%	70%	\$ 1,000,000	50												
620	60%	60%	\$ 1,500,000	50												
	65%	65%	\$ 1,000,000	50												

Max CO Proceeds: No limit up to 50 LTV, \$1MM above 50 LTV, \$500k above 70 LTV