

Non-QM High Level Alt-Doc Review

<p>Business Bank Statement Documentation (12/24 months)</p> <p>Eligible Occupancy Types: Primary Second Home Investment</p>	<p>Borrower must be self-employed for at least 2 years in same business and must have at least 50% ownership in the business.</p> <ul style="list-style-type: none"> - (PRO TIP) Power Series Allows down to 25% ownership • 12/24 months of business bank statements. • Clout Business Narrative form completed & wet signed by the borrower’s accountant & dually wet signed by the borrower. • Corporate entity formation documents. Ex: Filing Receipt, Operating Agreement, IRS issued SS4 form. (EIN # assignment page) • LOE for any NSF’s that are reflected in the bank statements. • 30 days of all assets being attributed to the transaction. <ul style="list-style-type: none"> - Note – The Business Narrative form is customized to Clout and replaces any requirements that reference a borrower provided business narrative AND any CPA/accountant attestations. - Note - If the borrower recently became incorporated but was previously 1099, an accountant’s letter stating it was for tax purposes may be eligible or in some cases may require an exception. - Note – If there are multiple borrower’s typically the borrower’s Fico with the higher qualifying monthly income is used to qualify. - Note – if the borrower’s accountant is unwilling to complete the business narrative, it was be completed by the borrower and a default expense factor (varies by program) can be applied to the bank statement calculation. - Note – NSF’s are typically allowed given an acceptable LOE and they are covered shortly after they occurred.
<p>Profit & Loss (P&L) Documentation (12/24 Months)</p> <p>Eligible Occupancy Types: Primary Second Home Investment</p>	<p>Borrower must be self-employed for at least 2 years in same business and must have at least 50% ownership in the business.</p> <ul style="list-style-type: none"> - (PRO TIP) Power Series Allows down to 25% Ownership. • 12/24 calendar month P&L prepared & signed by the borrower’s accountant & signed by the borrower. • Clout Business Narrative form completed & wet signed by the borrower’s accountant & dually wet signed by the borrower. • 30 days of all assets being attributed to the transaction. • Corporate entity formation documents. Ex: Filing Receipt, Operating Agreement, IRS issued SS4 form. (EIN # assignment page) - (PRO TIP) If borrower is not incorporated and is self employed under his/her personal name, the borrower is still eligible for this doc type. (limited to Power Series, A+ & Expansion Program) <ul style="list-style-type: none"> - Note – The Business Narrative form is proprietary to Clout and replaces any requirements that reference a borrower provided business narrative AND any CPA/accountant attestations. - Note – If there are multiple borrower’s typically the borrower’s Fico with the higher qualifying monthly income is used to qualify. - Note – To calculate income, verify the P&L is for the most recent 12 calendar months. Take the bottom-line NET income and divide by 12.

ADDITIONAL NOTES APPLICABLE TO BANK STATEMENT AND P&L LOANS

- All accountants completing a business narrative will have their IRS designation verified. A CPA or EA (enrolled agent) is always acceptable.
 - (PRO TIP) Power Series & Expansion Program will accept any PTIN professional designation.
- Confirm in LoanNex for minimum credit score. (middle score is the qualifying score)
- Typically, 2-3 tradelines are required with 12 months of activity.
 - (PRO TIP) CVM Program does not have a minimum tradeline requirement with 3 scores)
- Only mortgage lates in the past 12 months need to be considered in qualification.
- For Refinances: Mortgages with private lenders may require proof of 12 months of on-time payments. (cancelled checks or evidence in bank statements)
- Additional reserves based on the subject PITIA will be needed for additionally owned properties.
- Typically, no bankruptcy, foreclosure, or housing events in the last 2. (Confirm in LoanNex)
- Modifications are typically considered housing events.
 - (PRO TIP) Power Prime Plus allows for housing events with an additional LLPA.
- Any judgments and liens that affect/recorded on title must be paid off.
- Collections under \$1,000 - \$2,000 typically do not need to be paid off. (this requirement varies between programs)
- Open disputed accounts with unpaid balances will need to be explain OR paid.
- No frozen credit reports are allowed. Report will need to be unfrozen and re-ran.

ADDITIONAL DOCUMENTATION

The below listed documents will be needed & are preferred to expedite the review and approval.

- Payoff Statements, if applicable.
- Mortgage Statements for any mortgages reporting on credit.
- Hazard Insurance Policy for subject property.
- Bank Statements or Asset documents for down payments and reserves, if applicable.
- Gift Letters, copies of personal checks & evidence of cleared deposits, if applicable.
- Letter of Explanations for large deposits, if applicable. (additional requirements may apply)
- Evidence of any liabilities being excluded from the DTI (personal liabilities being paid by business).
- Documentation for current housing expense.
 - If not a home owner, an institutional VOR or 12 months canceled rent checks are required. Private party VORs are not acceptable.
- Letter of Explanation (LOE) from borrower for any charge offs or collections on credit. (additional requirements may apply)
- Letter of explanation from borrower for Non-Sufficient Funds (NSF) or Overdraft in Bank Accounts, if applicable.

PRIOR TO CTC:

- Proof of Tax Payment, Hazard Insurance Payment, and HOA (if applicable) for other REO properties
- Title Report with evidence from the appropriate party that it is clear.
- Appraisal with required supplemental forms (ex: 1007 if subject is an investment property)