



Bank Statement Income

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Bank Statement Programs

- **Arc Access Non-QM**
 - 12- and 24-Month Bank Statements
- **Arc Elite QM**
 - 24-Month Bank Statements
- Minimum \$100,000 loan amount
- Wholesale, Delegated and Non-Delegated Correspondent





Overview – Arc Access vs. Arc Elite

✓ Arc Access Non-QM – Alt Income

- Up to **90%** LTV
- Minimum **660** FICO
- Loan Amount to **\$3MM**
- DTI up to **50%**
- Primary Residence, Second Home, Investment
- Available Programs
 - 15- and 30-Year Fixed Rate
 - 5/6 and 7/6 SOFR ARM
 - Interest Only options available
- Manual Underwriting

✓ Arc Elite QM – Alt Income

- Up to **80%** LTV
- Minimum **680** FICO
- Loan Amount to **\$3MM**
- DTI per **AUS**
- Primary Residence, Second Home
- Available Program
 - 30-Year Fixed Rate
- DU Approve/Eligible or DU Approve/Ineligible required
 - May be ineligible due **ONLY** to Loan Amount and/or LTV when MI is required per AUS

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





Who are your borrowers?

Contractors



Business Owners



Doctors



Gig Economy



Retail Store Owners



Bank Statements – Overview

- Average of **12 or 24** months of checking/draft account 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 NSFs and/or Overdrafts that occur on the same day considered a single occurrence
 - * Protected Overdrafts and Reversed NSFs 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



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 indicated 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
- **Note:** \$10,000 calculation is lower than 1003 income of \$12,000



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:

Hospitality, Tourism, Finance, Fitness, Beauty and Wellness, Mechanical, Media and Entertainment, Design, Marketing and Sales, Education, Healthcare, Public Service

Product Business Examples:

Building Materials, Fashion Industry, Furniture, Printing, Publishing, Toy Maker, Household Goods (Focus on production of goods through the manufacturing process, which includes but is not limited to moving raw materials, creating goods, storing finished products and shipping products to customer.)

Borrower's Monthly Qualifying Income:

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

Example:

- * Average Allowable Monthly Deposits = \$10,000
- * 1003 Income = \$8,000
- * Borrower has 9 employees and is in a Service Business
- * Borrower owns 80% of the business

Qualifying Income in this example = \$4,800

- $\$10,000 \times (100\% - 40\% = \text{Fixed Expense Ratio for a service business with 9 employees}) \times 80\%$ (percent of business owned) = \$4,800
- **Note:** \$4,800 calculation is lower than 1003 income of \$8,000

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 verifiable

Borrower's Monthly Qualifying Income:

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

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

- $\$20,000 \times 50\%$ (expense ratio provided by CPA) $\times 100\%$ (percent of business owned) = \$10,000
- **Note:** \$10,000 calculation is lower than 1003 income of \$25,000

Bank Statements – Declining Income

- Arc Home must make a reasonable determination that the qualifying income is stable and likely to continue.
- If the bank statement review suggests a decline in the qualifying income, 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 most recent months have stabilized at \$7,000/month; stabilized income of \$7,000/month will be considered for qualifying.





Common Issues & Solutions

- **Missing and/or incomplete statements**
 - Submit ALL pages of ALL account statements (12 or 24 months complete/consecutive, including blank pages)
- **Co-mingled accounts**
 - Review personal account statements for evidence of business expenses; if present, income will be qualified as a business account
- **Missing and/or incomplete Business Narrative**
 - Borrower to complete all sections – necessary for bank statement analysis and calculation
- **Large/unusual deposits not addressed**
 - Documentation and explanation required to consider in income calculation
- **1003 income is less than bank statement average calculation**
 - Loan will be qualified using the lower 1003 income amount



Bank Statement Calculators



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ARC HOME

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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**

ARC HOME

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Self-Employed Bank Statement Calculator

Business Download

Personal Download

Arc Home – Deal Desk



Visit business.archomellc.com to submit an Income Analysis Request, guideline question, or Exception Request today!



Important Note: Exceptions are NOT permitted for the Arc Elite program.

Bank Statement Eligibility in SPARC



Property & Loan Info **PML Options**

Property Information

Zip Code: 90210 State: CA
County: Los Angeles
City: Beverly Hills
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:
Owner's Title Insurance: Use Use born
Area Median Income:
Loan Information
Loan Purpose: Purchase
First Time Home Buyer? [explain](#)
Impound? Yes
Doc Type: Full Document
Appraised Value:
Sales Price:
Down Payment:
1st Lien:
2nd Financing?
Rate Lock Period: 5/31

Other Information

Loan Originator is Paid By: Lender Borrower
Expected AUS Response: **None/Not Submitted**
Estimated Credit Score:
Number of Financed Properties:
Total Liquid Assets:
Prior Sales Date:

Doc Type dropdown menu options:
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

Arc Access NQM

- **Doc Type**
 - 12 Mo. Personal Bank Statements
 - 24 Mo. Personal Bank Statements
 - 12 Mo. Business Bank Statements
 - 24 Mo. Business Bank Statements
- **Expected AUS Response**
 - None/Not Submitted

Arc Elite QM

- **Doc Type**
 - 24 Mo. Personal Bank Statements
 - 24 Mo. Business Bank Statements
- **Expected AUS Response**
 - DU Approve/Eligible, **OR**
 - DU Approve/Ineligible

Arc Access & Arc Elite Quick Pricer



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Arc Access, Elite and Super Jumbo Quick Pricer

Income Doc	<input type="text" value="Full Doc"/>	FICO	<input type="text" value="FICO ex. 350-850. 0 for no FICO."/>
Purpose	<input type="text" value="Full Doc"/>	Bankruptcy	<input type="text" value="None"/>
Occupancy	<input type="text" value="Full Doc: 12 Mo. (Limited)
1099: 24 Mo.
1099: 12 Mo."/>	Credit Events	<input type="text" value="None"/>
Property Type	<input type="text" value="Bank Stmts: 12 Mo. Personal
Bank Stmts: 12 Mo. Business
Bank Stmts: 24 Mo. Personal
Bank Stmts: 24 Mo. Business"/>	Mortgage Lates	<input type="text" value="0X30X12"/>
State	<input type="text" value="DSCR
Asset Depletion / Utilization
No Ratio"/>	DTI/DSCR	<input type="text" value="ex. DTI: 43 / DSCR: 1.50"/> %
County	<input type="text" value="Please Select"/>	Citizenship	<input type="text" value="US Citizen"/>
Loan Amount	<input type="text" value="\$ Loan Amount"/>	ITIN	<input type="text" value="No"/>
LTV	<input type="text" value="LTV ex. 80"/> %		

[See Results](#)

Wholesale Resources



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

- **Arc Access Matrices** – Alternative Income, DSCR, Clean Slate, Agency Plus
- **Arc Access & Arc Elite Business Narrative**

Wholesale > Forms and Guidelines > Arc Elite QM Forms and Guidelines

- **Arc Elite Matrices** – Alternative Income, Agency Plus
- **Arc Access & Arc Elite Business Narrative**

Wholesale > Forms and Guidelines > Wholesale Forms

- **Arc Access NQM Initial Submission Form**
- **Arc Elite QM Initial Submission Form**

Wholesale > Forms and Guidelines > Wholesale Resources

- **Wholesale Important Information** – details fees, mortgage clause info, servicing contact details
- **Arc Access & Arc Elite Broker Flow** – map of file flow through Arc Home
- **Pricing and Lock Policy** – Arc Access & Arc Elite
- **Transferred Appraisal Policy** – Arc Access & Arc Elite

Wholesale > Wholesale Training

- **Fast Track Training Videos** – quick hit videos demonstrating SPARC functionality
- **SPARC Broker User Guide** – detailed instructions for using SPARC
- **SPARC Job Aids** – SPARC Product & Pricing, Add New Users, Appraisal Ordering, Initial Upload, Client Condition Upload, Re-Issue Credit

Correspondent Resources



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Correspondent > Delegated **OR** Non-Delegated Forms and Guidelines > **Arc Access Non-QM Forms and Guidelines**

- **Arc Access Matrices** – Alternative Income, DSCR, Clean Slate, Agency Plus
- **Arc Access & Arc Elite Business Narrative**
- **Business Purpose and Occupancy Affidavit** – required for all DSCR loans

Correspondent > Delegated **OR** Non-Delegated Forms and Guidelines > **Arc Elite QM Forms and Guidelines**

- **Arc Elite Matrices** – Alternative Income, Agency Plus
- **Arc Access & Arc Elite Business Narrative**

Correspondent > **Delegated Forms and Guidelines** > **Correspondent Resources**

- **Access & Elite Submission Job Aid**
- **Correspondent Seller's Guide**
- **Delegated Correspondent Client Reference Guide** – details fees, mortgagee clause info, servicing contact details

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

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

Correspondent > Correspondent Training

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



Why Partner with Arc Home?

- Send in your bank statements, and we will calculate the income prior to registration!
 - Wholesale and Non-Delegated Correspondent
- Attract a diverse base of referral sources with our broad range of products
- Ease of use: Utilize the same online portal for all your loans at Arc Home
 - Agency, Government, Jumbo, Arc Access Non-QM, Arc Elite QM – Wholesale and Correspondent





QUESTIONS & ANSWERS



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