

CORRESPONDENT

WV O E & 1099 Only

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www.LSCorrespondent.com

A tropical resort scene featuring a swimming pool in the foreground, palm trees in the middle ground, and a modern building with large windows on the right. The background shows a beach and the ocean under a clear sky.

The ONE Lender Makes You the ONE to Call

Nationwide footprint

Loan Programs to help you stand out from the competition

Competitive Rates and Programs, Exclusive Proprietary Programs

The strength of a lender that's been around for over 30 years!

Agenda

WVOE

- Definition & Who Benefits
- Requirements & Guidelines
- Submission Requirements

1099 Only

- Definition & Who Benefits
- Requirements & Guidelines
- How It's Calculated with Examples
- Submission Requirements



Please note: This webinar and its contents are effective as of the date of this webinar and subject to change. The information contained is not intended to be used as legal, compliance, financial, accounting, or other professional advice and should not be construed as such.



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WVOE Only

NanQ SG 8.6.5

WVOE

Definition

WVOE (Written Verification of Employment)

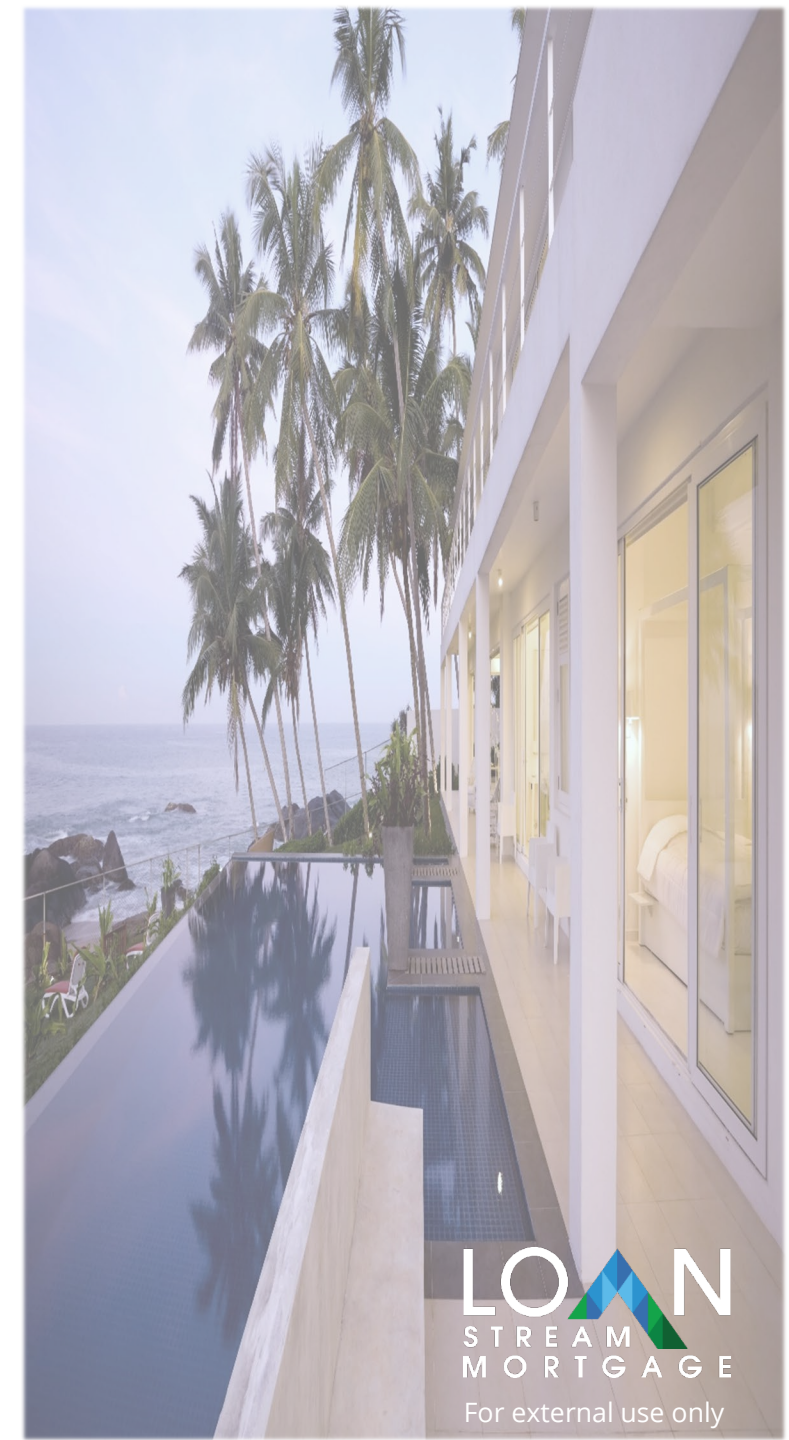
When **W-2** is the borrower's **only** source of income/employment and they have been at the same profession/job for several years, a **Written VOE** can be used as their sole qualifying income documentation.

NO need for tax returns, W2's, 4506C, or paystubs!



What type of borrower benefits from the WVOE program?

- A borrower who is a wage earner or in a service-based business where tip income makes up a substantial part of their income.



WVOE

Requirements

Written VOE is allowed for income documentation subject to the following:

- W2 is ONLY source of income/employment
- Two-year work history
- Written VOE completed by Lender (HR, Payroll Dept, Officer of Co)
- Verbal VOE to be done by Lender prior to funding to support WVOE
- 2 Months personal bank statements, dated within 60 days of closing, required to support the WVOE (after FICA deductions)
- No charge off's, collections, or tax liens last 3 years
- **No** Paystubs, **No** Tax Returns, **No** 4506-C, **No** W2

LSM recommends performing due diligence on the business. Items include but not limited to:

- Confirm existence of the business
- Confirm borrower is not owner or related to the owner of business
- Additional factors that could impact income stability

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WVOE

Guidelines*

- Allowed with A+, A, and B credit grades
- Owner Occupied, Primary Residence only
- Min FICO
 - A+ Grade: 660
 - A & B Grades: 620
- DTI follows full doc guidelines – Max 50%
- Max LTVs
 - 80% for Purchase or Rate and Term
 - 70% Cash-Out and FTHB
- Min Loan Amount 125K
- Max Loan Amount 4MM

*Refer to LSM NanQ Matrix and Seller Guide for additional detail



WVOE & 1099 ONLY

WVOE

Program Submission Requirements

Standard Credit Documents (not complete list)*

- LSM Correspondent UW Submission Form
- 1003
- Credit Report
- Full Exterior/Interior Appraisal
- Title
- Insurance

WVOE Program Required Documents

- Written VOE completed by Seller
- Verbal VOE completed by lender prior to funding
- 2 Months personal bank statements, dated within 60 days of closing

NO Paystubs, tax returns, 4506-C, or W2s

*Refer to LSM NanQ Matrix and Seller Guide for additional detail





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1099 Only

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1099 ONLY

Definition

1099 Only

When 1099 is the **only** source of income/employment and they have been at the same profession/job for at least 2 years, a **1099** can be used as their sole qualifying income documentation.

NO need for tax returns or paystubs!

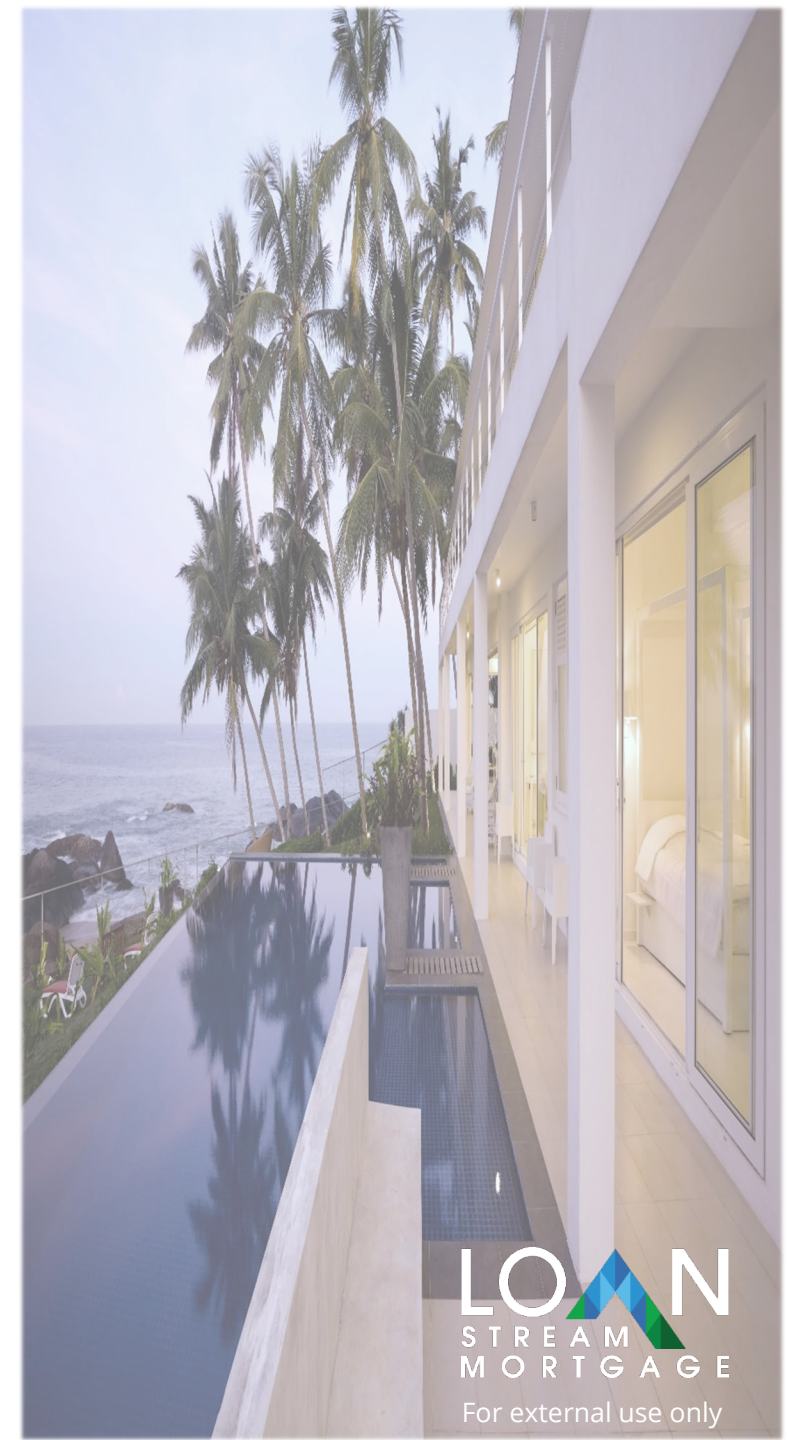
VOID CORRECTED

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.		FILER'S federal identification no.	OMB No. 1545-2205	2015	Payment Card and Third Party Network Transactions	
		PAYEE'S taxpayer identification no.	Form 1099-K			
		1a Gross amount of payment card/third party network transactions \$	2 Merchant category code	Copy 1 For State Tax Department		
		1b Card Not Present transactions \$	3 Number of payment transactions			
Check to indicate if FILER is a (an): Payment settlement entity (PSE) <input type="checkbox"/> Electronic Payment Facilitator (EPF)/Other third party <input type="checkbox"/>		Check to indicate transactions reported are: Payment card <input type="checkbox"/> Third party network <input type="checkbox"/>		2022		
Check to indicate transactions reported are: Electronic Payment Facilitator (EPF)/Other third party <input type="checkbox"/> Third party network <input type="checkbox"/>		Check to indicate transactions reported are: Payment card <input type="checkbox"/> Third party network <input type="checkbox"/>				
PAYEE'S name		5a January \$	5d April \$			
Street address (including apt. no.)		5c March \$	5e May \$			
City or town, state or province, country, and ZIP or foreign postal code		5g July \$	5h August \$			
PSE'S name and telephone number		5i September \$	5j October \$			
Account number (see instructions)		5k November \$	5l December \$			
		6 State	7 State identification no.			8 State income tax withheld \$

Form **1099-K** www.irs.gov/form1099k Department of the Treasury - Internal Revenue Service

What type of borrower benefits from the 1099 only program?

- Borrowers who earn 100% commission or are Independent Contractors. Lawyers, doctors, and other service professionals



1099 ONLY

Requirements

1099 is allowed for income documentation subject to the following:

- Borrower **cannot** have any ownership percentage in the business from where they received the 1099 income
- Two-year work history in the same profession
- **No** Tax Returns, only two years 1099 are required (treat as a Full Doc)
- 4506-C is still required along with 1099 Transcripts to validate 1099 filings for most recent 2 tax years
- At least one **business reference letter** is required to validate 1099 continuous employment
- 2 Months Personal or Business Bank Statements, dated within 60-days of closing, to support the 1099 reported income
- **Borrower**, CPA, or Tax Professional **prepared P&L** with business narrative required
 - CPA, CTEC, PTIN or AE Expense factor letter is also acceptable

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1099 ONLY

Guidelines*

- Allowed with A+, A and B credit grades
- Owner Occupied, Primary Residence only
- Min FICO 600
- DTI follows full doc guidelines – Max 50%
- Max LTV - 80% for all loan types
- Min Loan Amt 125K
- Max Loan Amount \$4MM

*Refer to LSM NanQ Matrix and Seller Guide for additional detail



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How It's Calculated

1099 Income calculations are based on **NOI (Net Operating Income)** from P&L or Expense Factor letter and supported by two most recent bank statements with the same level of income.

- 2 most recent bank statements **must** support the monthly income calculations. If the amount is less than what is calculated from provided P&L or expense factor letter, the borrower may add bank statements to support the average income.
- **10% variance** in calculation amount is allowed.



1099 ONLY

Examples of Income Calculation

Example 1:

- 2 years 1099 shows \$300,000 in income
- P&L shows NOI of \$200,000 for two-year period

$\$200,000 / 24 \text{ months} =$
 $\$8,333.33 \text{ in monthly income}$

Example 2:

- 2 years 1099 show \$300,000 in income
- Expense Letter shows 15% expense factor as an independent contractor

$\$300,000 \times 85\% = \$255,000 \text{ in net income} / 24 \text{ months} =$
 $\$10,625 \text{ in monthly income}$

1099 ONLY

Program Submission Requirements

1099 Program Required Documents

- 1099 from previous 2 years
- Completed 4506-C
- 2 years 1099 Transcripts to validate 1099 filings
- Business reference letter to validate 1099 continued employment
- 2 months personal or business bank statements (dated within 60 days of closing), to support 1099 reported income
- **Borrower**, CPA, or Tax Professional **prepared P&L** with Business Narrative
 - CPA or tax professional prepared expense factor letter is also acceptable

Standard Credit Documents (not complete list)*

- LSM UW Submission Form
- 1003
- Credit Report
- Full Exterior/Interior Appraisal
- Title
- Insurance

*Refer to LSM NanQ Matrix and Seller Guide for additional detail

Contact Us



Client Service Team
LSMCorrespondent@lsmortgage.com



Client Service Team
833-311-0126



Your dedicated Regional Sales
team is available for questions

A large, stylized number '1' composed of a mosaic of blue and green triangles, set against a light blue background with a subtle gradient.

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