

CORRESPONDENT

Bank Statement

LOAN
STREAM
MORTGAGE

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

Bank Statement Types

EZ Qual Tool

12-Month Bank Statement Program

1-Year Self-Employment

12- Month P&L w/ 3-Mos Bank Statements

Large Deposits & NSF/Overdraft Rules

FAQ

Submission Requirements

Contact Information



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.

Personal

Statements show borrowers income deposits and **only** show payments for expenses directly related to the borrower's personal finance and other non-business-related activity.

Business

Statements show credit and debit activity directly related to the business which they are associated with. This may include deposits for the business and business-related expenses like payroll or other capital expenses to run and maintain the business


Comingled

Statements with both personal and business-related deposits and expense activity. Once personal statements show any business-related deposit or expense, the account will be considered co-mingled and must follow the business-related income method.

Bank Statement EZ Qual Request Form

- Submit most recent bank statements.
- Send this form along with your 12-month Bank Statements to EZQual@lsmortgage.com
- This is an ESTIMATED analysis only. The LSM underwriter will do a full in-depth income analysis.
- Upload these results with your credit package submission.
- Turn times are 24 hours.

Note: You can locate this document on LSM Client Portal in the Documents tab



LOANSTREAM MORTGAGE
EZ QUAL REQUEST

Please complete all applicable fields and email this form and supporting documentation to EZQUAL@LSMORTGAGE.COM. Please allow 24 hours for a response.

I. CORRESPONDENT CONTACT INFORMATION

Company Name Requester Name
Requester Email Requester Phone
LoanStream Sales Executive

II. APPLICANT INFORMATION

APPLICANT 1 FULL NAME Last 4 Digits of SSN
Business Name Business Type
Percent Ownership Minimum 2 Years Self-employed Yes No

III. INCOME ANALYSIS

Submit the following documentation for income analysis (self-employed only).
 12 or 3 Months Bank Statements, which are Personal or Business or Co-mingled
 Product or Service or Real Estate Business Number of Employees/Contractors

IV. LOAN STRUCTURE DESK

Submit the following additional information if you need assistance with credit grade and loan structuring.
 2 Years Tax Returns Credit Report(s)
 Assets Lease Agreements (DSCR/No-ratio Loans)
 Business Narrative

V. EXCEPTION REQUEST

If applicable, let us know if you are requesting a guideline exception and explain those details here.

VI. CORRESPONDENT COMMENTS

Please share any information you believe will help us structure your loan, including any compensating factors, credit LOE, etc., so we may better serve you.

VII. LOANSTREAM RESPONSE



12-Month Bank Statement Program

NanQ Corr SG 8.6.3

Please Note: Tax returns and 4506-C are **NOT** required for this program. If tax returns and/or transcripts are provided for the self-employed income, the loan will be ineligible for the Self-Employed Bank Statement Program.

Bank Statement

Business Narrative Letter

- Include with your UW submission to LSM on all Bank Statement loans
- Located on LSM Client Portal in the *Documents* Tab
- Focus on Borrower's % of ownership, how many employees/contractors and whether the business is Service, Product or Real Estate based
- Can be completed by LO, yet must be signed by the borrower(s)

**SELF-EMPLOYMENT BUSINESS NARRATIVE,
QUESTIONNAIRE, AND CERTIFICATION**

1. Describe the business. Please provide as much detail as possible

2. Does the business have a physical location? Yes No

a. If Yes, does the business have more than one physical location? Yes No

b. What is the address of your physical location?

3. How many people work for you?

a. Full-time: _____

b. Contractors: _____

4. Does the business manufacture a product that has a cost of goods? Yes No

5. Does the business resell a product? Yes No

6. If the business address is different than the home address, please explain the use of the business address.

7. What percentage of the business do you own? _____

8. Is there anything else about the business that is important to know to analyze the bank statements?

I/We hereby certify that this information is true, accurate, and complete. I/We understand that any misrepresentation made in this questionnaire may result in declination of our loan application.

Borrower Printed Name

Co-Borrower Printed Name

Signature

Date

Signature

Date

Bank Statement

12-Month Personal Bank Statements

When using personal bank statements, up to **100%** of qualified deposits can be used with no expense factor. Seller Guide 8.6.3.3

Borrower's Qualifying Income will be calculated from the **qualified deposits** on most recent **12 months** personal bank statements.

To support the personal bank statements, we require **two** months of business bank statements.

- Must evidence activity to support business operations
- May reflect transfers to the personal account

If statements include additional names other than the borrower(s), the following is required:

- 100% access letter from individual(s) included on statements
- LOE from individual(s) included on statements explaining their relationship with the borrower(s), if they are employed or not, if they are associated with the business, and if they contribute income to the bank account

Bank Statement

12 Month Business/Co-Mingled: Fixed Expense Ratio

Underwriter will evaluate the qualifying income of borrower/business using the **Fixed Expense Ratio Table** shown below for business related deposits. The expense factor used will be determined through the review of the **completed Business Narrative Letter**. *If the expense factor allows the borrower to qualify then no further expense analysis is required.* SG section 8.6.3.4

FIXED EXPENSE FACTOR TABLE			
Number of Full-Time Employees/Contractors	0-1	2-10	10+
Service Business	30%	50%	60%
Product Business	40%	60%	70%
Real Estate Business*	70%	75%	80%

Service Business Examples: Consulting, Accounting, Legal, Therapy, Counseling, Financial Planning, Insurance, IT, etc.

Product Business Examples: Retail, Food Service/Restaurants, Manufacturing, Contracting/Construction, etc.

Real Estate Business Examples: Real Estate Investors(Without a schedule of current real estate**), Developers, Flippers, etc.

*CPA letter will not be accepted to provide a lower expense ratio when business is real estate.

**See SG 8.6.3.4 for additional details.

Bank Statement

12 Month Business/Co-Mingled: Qualifying Income Calculation SG 8.6.3.4

1. First, determine the **Business Gross Monthly Qualifying Income** :

Average Allowable Monthly Deposits from Bank Statements divided by 12

2. Next, determine the **Business Net Income**:

Business Gross Monthly Qualifying Income \times Fixed Expense Ratio (table previous page) = **Business Fixed Expense**

Business Gross Monthly Qualifying Income – Business Fixed Expense = **Business Net Income**.

3. Then, determine the **Borrower's Monthly Qualifying Income**:

Business Net Income \times Borrowers Percentage of Ownership of the Business = **Borrower's Monthly Qualifying Income**

Bank Statement

12-Month Business/Co-Mingled: Qualifying Income Calculation Example

Borrower's Monthly Qualifying Income:

The average allowable monthly deposits multiplied by expense ratio for type of business and number of employees found on the business narrative. Subtract that number from the business qualifying income and multiply by the borrower's percentage of business owned also found on the business narrative.

Example:

Average Allowable Monthly Deposits = \$10,000

Borrower has 9 employees and is in a Service Business = 50% Expense Factor

Borrower owns 80% of the business

Borrower's Qualifying Income = \$4,000

\$10,000 (Average Allowable monthly deposits) x 50% (expense factor for a service business with 9 employees) = \$5,000 (Expense Factor)

\$10,000 (Business Qualifying Income - \$5,000 (Expense Factor) = \$5,000 (Business Net Income)

\$5,000 x 80% (percent of business owned) = \$4,000

Refer to LSM NanQ Matrix and Seller Guide for additional details.

FIXED EXPENSE FACTOR TABLE			
Number of FTE*/Contractors	0-1	2-10	10+
Service Business	30%	50%	60%
Product Business	40%	60%	70%
Real Estate Business**	70%	75%	80%

Service Business Examples: Consulting, Accounting, Legal, Therapy, Counseling, Financial Planning, Insurance, IT, etc.

Product Business Examples: Retail, Food Service/Restaurants, Manufacturing, Contracting/Construction, etc.

Real Estate Business Examples: Real Estate Investors (without a schedule of current real estate), Developers, Flippers, etc.

***FTE=Full-Time Employees**

****CPA letter will not be accepted to provide a lower expense ratio when business is real estate.**

Bank Statement

12-Month Business/Co-Mingled: Rebuttal Options Expense Factor

If the type of business has a materially different expense factor, two rebuttal options are listed below. Should the underwriter uncover any red flags which require further review, the underwriter may request additional documentation. Seller Guide Section 8.6.3.4.

Rebuttal Option 1: Business Expense Statement Letter

Business Expense Statement Letter from tax professional or a properly licensed Accounting/Bookkeeping Firm supervised by a certified accountant with 12 Months Bank Statements (24 Months Bank Statements if required by underwriter).

***Note:** This option is not allowed to lower expense ratio when business is real estate.*

Rebuttal Option 2: 12-month P&L Statement

Tax Professional/CPA's/Properly Licensed Accounting/Bookkeeping Firm supervised by a certified accountant can provide **12 Month profit and loss (P&L) statement.** (24 months if required by underwriter)

Bank Statement

12-Month Business/Co-Mingled: Rebuttal Option 1 *Business Expense Statement Letter*

The **Business Expense Statement Letter** should be from a Tax Professional or a Properly Licensed Accounting/Bookkeeping Firm supervised by a Certified Accountant.

- Company letterhead showing company name
- Include individual's license number
- Include borrower's percentage of business owned AND expense factor ratio
- Dated and Signed by Licensed professional
- Expense Ratios below 15% will be considered at the discretion of the LSM underwriter. The letter should include additional details explaining why expenses are so low.

Cyndi Jensen, CPA, CrFA
Jensen Tax & Accounting
29887 Thornton Drive
Kingston IL 60145
Phone/Fax (815) 762-4070 Cell/Voice Mail (815) 762-2280

June 16, 2021

To whom it concerns,

Taylor Taylor (SSN: 888-8888) has been 100% owner of Phoenix Capital Consulting Group LLC since the business was established on March 15, 2017.

The use of business funds to pay for down payment, closing costs and all other expenses on this property will have no negative effect on his business.

Taylor's expense factor ratio is 34% which includes all expenses and debts related to his business.

Cyndi Jensen, CPA, CrFA
Cyndi Jensen, CPA, CrFA
PTIN P00350626

Note: This option is not allowed to lower expense ratio when business is Real Estate.

Bank Statement

12-Month Business/Co-Mingled: Rebuttal Option 1

Business Expense Statement Calculation

To Find Borrower's Monthly Qualifying Income:

Take the average allowable monthly deposits multiplied by the expense ratio provided by CPA. Subtract that number from the business qualifying income and multiply by the borrower's percentage of business owned found on the expense letter.

Example:

Average Allowable Monthly Deposits = \$10,000

Expense factor provided by CPA = 34%

Borrower owns 100% of the business

Qualifying Income = \$6,600

$\$10,000$ (Average Allowable monthly deposits) \times 34% (expense ratio provided by CPA) =
 $\$3,400$ (expense factor)

$\$10,000$ (business qualifying income) $-$ $\$3,400$ (expense factor) = $\$6,600$

$\$6,600$ (business net income) \times 100% (percent of business owned) = $\$6,600$

Bank Statement

12-Month Business/Co-Mingled: Rebuttal 2 Profit & Loss

- The 12-month Profit and Loss (P&L) Statement must be from a CPA/Licensed Accountant.
- Proof of the preparer's current state license is required
- P&L Sales/Revenue must be supported by the provided bank statements (10% variance).
 - More statements may be requested to support the income on P&L.
 - If not able to meet 10% tolerance than must revert to the Expense Factor calculation for qualifying income.
- Bank statements and P&L must cover the same period

TAYLOR TORRES	
2021 YTD PROFIT & LOSS	
JAN 2021 - JUNE 22ND 2021	
INCOME	
COMMISSIONS:	\$316,717
TOTAL INCOME:	\$316,717
EXPENSES:	
ADVERTISING:	\$32,762
CAR AND TRUCK EXPENSES:	\$5,853
RENT:	\$3,450
DEDUCTIBLE MEALS:	\$3,773
UTILITIES:	\$819
PHONE:	\$1,489
OFFICE EXPENSE:	\$1,879
LEGAL FEE'S:	\$750
TOTAL EXPENSES:	\$50,775
NET INCOME:	\$265,942
	6/22/21



12-Month Bank Statement Program 1-Year SE

NanQ Corr SG 8.6.5

Please Note: Tax returns and 4506-C are **NOT** required for this program. If tax returns and/or transcripts are provided for the self-employed income, the loan will be ineligible for the Self-Employed Bank Statement Program.

Bank Statement

12-Month Bank Statements: One Year Self-Employed

A borrower that has only been Self Employed for 1 year can still qualify with our 12-month Bank Statement program when they are 100% owner of the company.

- Proof of at least **ONE** Year Self-Employment required!
- Borrower must be 100% owner
- Most recent 12 months bank statement income must be greater than previous year's W-2 earnings (10% variance allowed)
- Previous full year W-2 employment, same profession required
- Income Calculations follow LSM Alt-Doc guidelines

Program Parameters:


- Allowed with A+ grade only, Min 660 Fico, Max LTV up to 80%.
- DTI max 45%
- Up to \$4MM loan amount (Min \$125,000)
- Purchase, Rate/Term Refinance, and Cash Out available

Note: Refer to LSM NanQ Matrix and Seller Guide for additional details.



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P&L Plus 3-Month Bank Statement Program

NanQ Corr SG 8.6.4

Please Note: Tax returns and 4506-C are **NOT** required for this program. If tax returns and/or transcripts are provided for the self-employed income, the loan will be ineligible for the Self-Employed Bank Statement Program.

Bank Statement

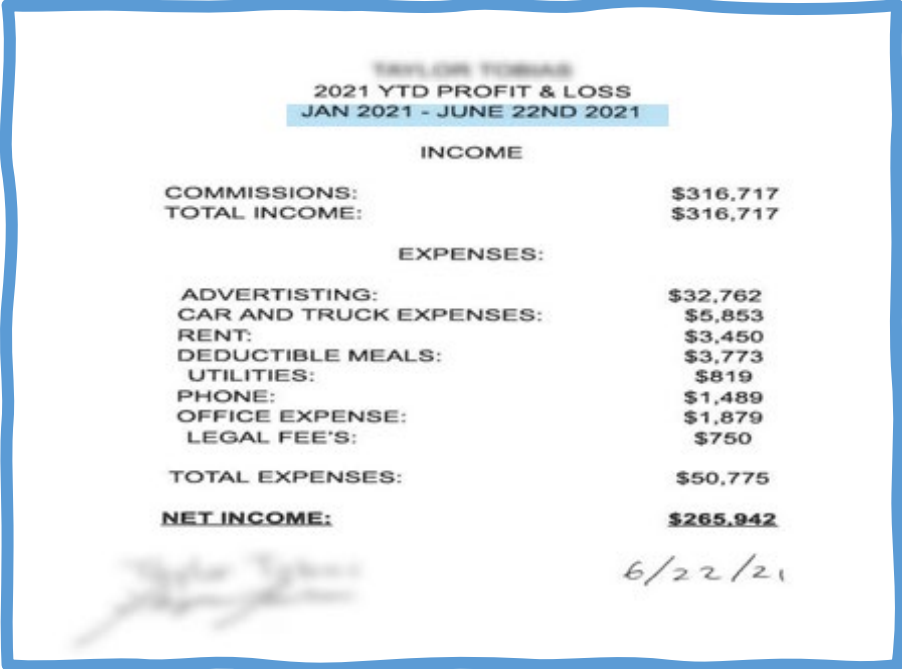
12 Month Profit and Loss Plus 3-Month Bank Statements Program

Documentation:

- 12 Month Profit and Loss (P&L) Statement from CPA/Licensed Accountant
 - Proof of the preparer's current state license is required
- Minimum 3 Months Bank Statements required to verify monthly income on P&L

Qualifying Income Requirements:

- P&L Sales/Revenue must be supported by the provided bank statements (10% variance)
 - More statements may be requested to support the income on P&L
 - If not able to meet 10% tolerance than must revert to 12-month program with Expense Factor calculation for qualifying income
- Pattern of deposits and payments should be consistent with type of business
- ATM/PayPal/Square/Venmo deposits may be considered and analyzed for consistency
- Income documented separately but comingled must be backed out
- NSF/Overdrafts not allowed



TAYLOR TORRES
2021 YTD PROFIT & LOSS
JAN 2021 - JUNE 22ND 2021

INCOME	
COMMISSIONS:	\$316,717
TOTAL INCOME:	\$316,717
EXPENSES:	
ADVERTISING:	\$32,762
CAR AND TRUCK EXPENSES:	\$5,853
RENT:	\$3,450
DEDUCTIBLE MEALS:	\$3,773
UTILITIES:	\$819
PHONE:	\$1,489
OFFICE EXPENSE:	\$1,879
LEGAL FEE'S:	\$750
TOTAL EXPENSES:	\$50,775
NET INCOME:	\$265,942

[Signature] 6/22/21

Bank Statement

Profit and Loss Plus 3-Month Program

For the P&L program, there is only one income calculation.

Start by determining the **Business Net Monthly Qualifying Income** (net income from the P&L divided by 12). Then determine the **Borrowers Monthly Qualifying Income** (Business Net Monthly Qualifying Income X Borrowers Percentage of Ownership in the Business). Now you have the borrowers Monthly Qualifying Income.

Example:

- P&L indicates \$264,000 Business Net Annual Income (\$22,000 per month for net monthly qualifying income)
- Borrower owns 60% of the business (found on business narrative)

Now, review the Bank Statements to make sure they are consistent with the P&L income:

- Bank statement review results in \$21,000 monthly income

Results: \$22,000 (P&L within the 10% tolerance of bank statement income) multiply by 60% (percent of business owned) = **\$13,200 / monthly qualifying income**



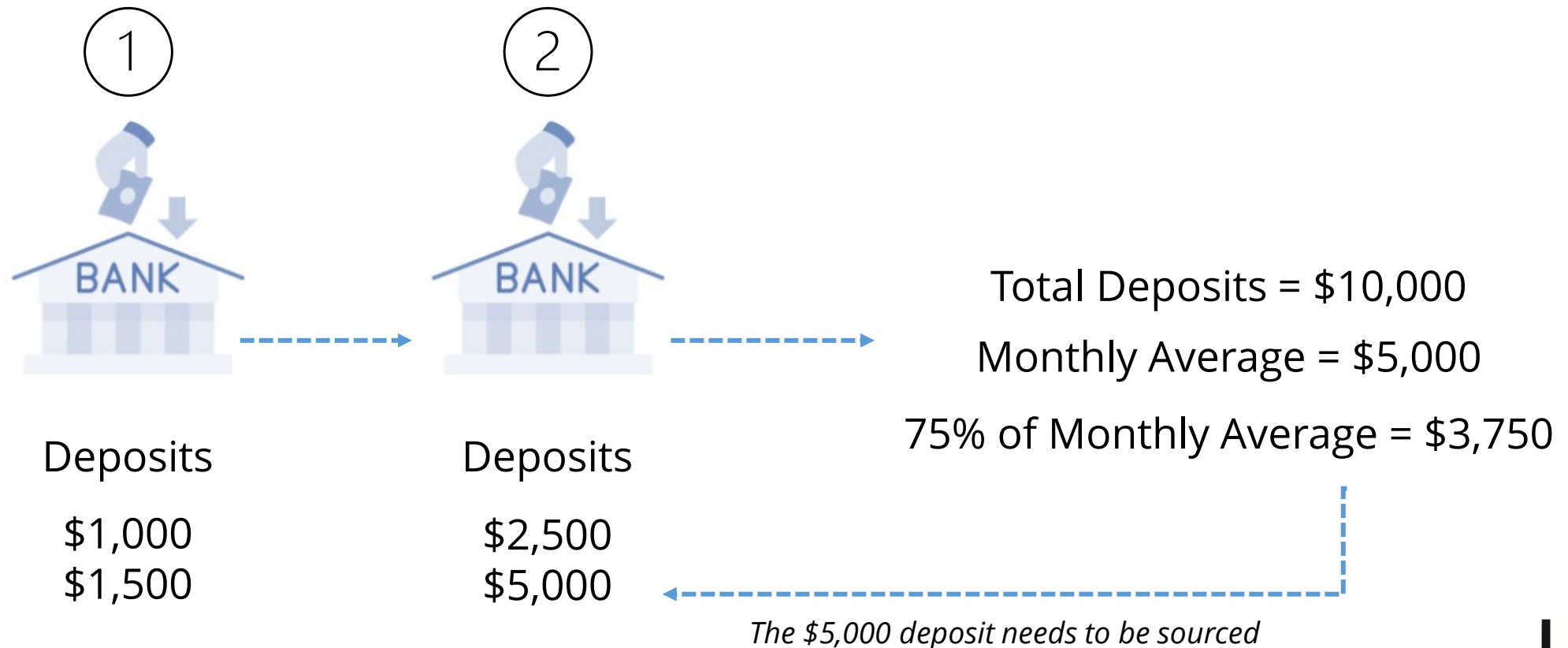
Large Deposits and NSF Rules Bank Statement Program

NanQ Corr SG 7.5.1 and 8.6.3.5

Bank Statement

Large Deposits (SG 7.5.1)

Large Deposits are defined as single deposits that exceeds more than 75% of the monthly average deposit balance. These deposits must be sourced & verified. Please note, the LSM underwrite has discretion to request sourcing of any deposits.



Bank Statement

Non-Sufficient Funds/Overdrafts: 12-Month Bank Statement ONLY (SG 8.6.3.5)

Non-Sufficient Funds (NSF):

- NSF activity within the last 12 months (or 24, if required; depending on program/UW), requires a satisfactory explanation by the borrower.
- Excessive amounts of NSFs will be highly scrutinized and may cause the loan to be deemed ineligible.
- Full details in Seller Guide section 8.6.3.5

NSF occurrences included in the analysis are subject to the following tolerances:

- Up to **six** (6) occurrences in the most recent twelve (12) months period is acceptable if there are **zero** (0) occurrences in the most recent three (3) month period.
- Occurrences on the same day are counted as a one-time occurrence.

Overdraft Protection Occurrence:

These may be excluded if statements for the linked account confirm that:

- The linked account balance/limit at the time of the transfer exceeded the amount of the overdraft transfer **and**
- There were no fees charged for the overdraft.

Returned Checks:

Allowed and not considered NSFs if they do not result in a negative balance on the account.

Note: NSFs/Overdrafts not allowed on the 12-month P&L plus 3-month Bank Statement Program.



Frequently Asked Questions Bank Statement Program

Bank Statements

Frequently Asked Questions

What are the minimum self-employment verification requirements?

- Verification of SE is required for 2 years and at least 25% ownership interest for at least 1 borrower. (SG section 8.6)
- However, if using 1 year SE option with the 12-month program only 1 year of SE verification is required if there is proof of an additional year of W2 employment in same line of work. The borrower must also be sole owner of the business. (SG 8.6.5)

Can the SE Bank Statement program be combined with other full doc income sources?

- Yes. When wage income is combined with SE bank statements a tax return is not required for full income documentation. A 4506-C is still required with box 8 checked to obtain a transcript of W2 earnings only. (SG 8.6.3)

Does LSM allow gift funds?

- Yes! Up to 100% with LTV restrictions (SG 7.4 and NanQ Matrix)

Does LSM allow I/O loans?

- Yes! 30 and 40-year Fixed IO and 5/6 and 7/6 ARMs are allowed for the Bank Statement loan programs except for Select Credit Grade. Min FICO 640, Max LTV 80% (SG 1.2 and NanQ Matrix)

Can ADU income be used to qualify on Alt Doc loans?

- Depends. (SG 8.6.2)
 - Purchase: Not available **except** when assignable via the purchase contact and verified.
 - Refinance: Only with executed lease and 2 months verifiable rent received.

Bank Statements

Frequently Asked Questions

Are non-occupant co-borrowers allowed?

- Yes. They are allowed on Purchase and Rate/Term transactions on primary residence with credit grades A+, A, and B only. SG 4.2

Are non-warrantable condos allowed?

- Yes! Allowed on A+, A & B Credit Grades with LTV restrictions. SG 2.12.3 & NanQ Matrix

Can Asset Utilization be combined with Bank Statement programs?

- Yes. Allowed on A+, A & B Credit Grades with LTV restrictions. SG 8.6.8 & NanQ Matrix

What is the max amount of cash in hand?

- Up to \$1.5M based on LTV and property status. Not allowed on C Credit Grades. NanQ Matrix

Are non-profit enterprises eligible for self-employed bank statement program?

- No. Non-profit enterprises are currently ineligible to be used as SE income. SG 8.6.3.2

Does LoanStream require a preliminary income review for the Bank Statement program?

- It is not required but strongly recommended to use our EZQual for income review. Fully completed form is sent to EZQual@LSMortgage.com along with 12 months of bank statements. Results to be included in credit package when delivered to LoanStream.





Submission Requirements Bank Statement Program

Bank Statements

Submitting your File

- Underwriting Submission Summary Form
- EZQual Results
- Business Narrative Letter
- Business license or most recent company formation documents
- Complete Initial Signed and Dated 1003 (SCIF Addendum)
- Credit Report
- 1008 – make sure the loan qualifies!
- Appraisal Report (including SSRs, Air Certification, and Appraisal Invoice)
- Title, Insurance, EMD Documentation, Assets as applicable
- 12 Month Bank Statements*

12-Month Program with only 1-Year Self-Employment:

- Prior full year W2 (in same line of work) with 4506-C verification (W-2 transcript only)
- Minimum 12 months verified self-employment (100% sole owner of business)

12-Month P&L Plus 3-Month Bank Statement Program

- 12 Month P&L (CPA/Enrolled Agent/Tax Professional)
- Proof of P&L preparer's current state license
- 3 Month Bank Statements*

**Additional Bank Statements may be required per underwriter.*

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

The screenshot shows the LOAN STREAM MORTGAGE web application interface. The top navigation bar includes 'TPO Contacts', 'Welcome', 'Pipeline', 'Add New Loan', 'Correspondent Turn Times', and 'Documents' (highlighted with a green box and a hand cursor). Below the navigation bar, the 'Documents' section is displayed. It features two tables of resources:

Important Resources	
Appraisal Exclusionary List - 6.26.24	XLSX 105.00 KB
Correspondent Bank Statement EZQual Request	PDF 96.00 KB
Correspondent Lock Request Form	PDF 92.00 KB
Correspondent UW Submission Form	PDF 180.00 KB
Correspondent Closed Loan Submission Form	PDF 354.00 KB

NonQM(NanQ) Forms	
NanQ ACH Form	PDF 64.00 KB
NanQ Borrower Contact Consent Form	PDF 60.00 KB
NanQ Bank Statement S/E Business Narrative	PDF 83.00 KB
NanQ Business Purpose - Occupancy Affidavit	PDF 104.00 KB
NanQ Business Purpose - Personal Guaranty	PDF 98.00 KB

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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The ONE Lender
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Thank You

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