

CORRESPONDENT

Bank Statement Income Calculation



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Bank Statement Types

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

Bank Statement

Business Narrative Letter

- Include with your UW submission to LSM on all Bank Statement loans
- Focus on Borrower's % of ownership, how many employees/contractors and whether the business is Service, Product or Real Estate based
- Add any notes that are important to the business (Question 8)
- Can be completed by LO, yet must be signed by the borrower(s)

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

**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

Income Calculation: 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

Income Calculation - Fixed Expense Ratio: Business/Comingled Statements

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

Income Calculation - Rebuttal Options Expense Factor: Business/Comingled Statements

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)



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 (Non-Delegated Only)
- 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.

LOAN STREAM MORTGAGE Streamlined Process Great Rates, Unique Non-QM Products

TPO Contacts Welcome Pipeline Add New Loan Correspondent Turn Times Documents

Documents

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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