



## SELF EMPLOYED 12 MTH BANK STATEMENTS (5/1 ARM)

### PURCHASE | RATE & TERM

OCCUPANCY/FICO	MAX DEBT RATIO	MAXLTV/CLTV	MAX LOAN AMOUNT
Primary Residence 1 Unit SFR/Condo/PUD 700+ FICO	50%	75%/80%	100,000 - 1,000,000
2-4 Unit 700+ FICO		70%/75%	100,000 - 1,000,000
Second Home 1 Unit SFR/Condo/PUD 700+ FICO		75% /80%	100,000 - 1,000,000
Investment 1 Unit SFR 700+ FICO		75%/80%	100,000 - 1,000,000
Investment Condo/PUD/2-4 Unit		70%/75%	100,000 - 1,000,000

### CASH OUT (MAX \$300,000)

OCCUPANCY/FICO	MAX DEBT RATIO	MAXLTV/CLTV	MAX LOAN AMOUNT
Primary Residence, Second Home Investment 1 Unit SFR/Condo/PUD 700+ FICO	50%	65%/70%	100,000 - 1,000,000

\*\*\*NO 4506T

Corporate Office: 915 Highland Pointe Dr. Ste. 250, Roseville, CA 95678  
 SoCal Office: (Wells Fargo Bldg) 2030 Main St. Ste. 1300, Irvine, CA 92614  
 Phone: 800-385-3657 | Fax: 866-598-9987  
 NMLS 266371 | BRE 01183898

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## INELIGIBLE TRANSACTION

- Borrowers who are principal or employees of third party originators
- Property in an Estate
- Employer/Employee Sales
- Flip transactions
- Borrower affiliated with the builder, developer or property seller

## PRODUCTS

- Fully Amortized: 5/1 ARM

## QUALIFYING RATE

- Greater of the fully indexed rate or the note rate

## QUALIFYING RATIOS

- Total monthly debt ratio is limited to 50%

## BORROWER ELIGIBILITY

- U.S. Citizens
- Lawful Permanent Residents & Non-Permanent Residents
- Self Employed Only
- Foreign National is not eligible
- Non-Occupant Co-Borrowers is not allowed

## NON ARMS LENGTH TRANSACTION

- Gift of equity, sale by owner and any other non-arm's length transactions are not permitted

## CREDIT SCORE

- Minimum credit score of 700 (middle score of 3)

## CREDIT HISTORY

- Credit scores must be based on a minimum of 3 tradelines - Open & Active for at least 24 months
- Non-traditional credit: Not permitted
- Mortgage Payments History: 0 x 30 in past 12 months
- Housing Payment History: 1 x 30 in past 24 months
- Bankruptcy, Foreclosure, Short Sale or Deed-in-Lieu: 7 Years

## MONTHLY DEBT OBLIGATIONS

- HELOC Payment:
    - Current monthly payment reflected on the credit report may be used for qualifying ratios.
    - If the amount is not shown on the credit report, use the payment reflected on the billing statement
  - Installment Debts:
    - Payments on installment debts with more than 10 months of remaining payment must be included in the DTI.
    - Installment debts may be paid off or paid down to 10 or fewer monthly payments for qualifying, unless monthly debt obligation significantly affects the borrower's ability to meet their credit obligations.
  - \*Limited to One installment debt being paid "down" per borrower/loan application-Unlimited if paying "off" \*
  - 30 Day Accounts
    - Document that the borrower has sufficient funds to cover the unpaid balance of all 30-day charge accounts. DU will include the balance of all 30-day charge accounts in the Total Funds to be verified.
  - Deferred Installment Debts:
    - If a monthly payment cannot be determined, 2% of the outstanding balance will be used as the monthly payment.
  - Lease Payments:
    - The lease payment must be included in the DTI regardless of the remaining number of payments.
  - Co-signed Debts:
    - Evidence the primary obligor has made payments as agreed for the last 12 months (Provide copies of 12 month canceled checks)
    - No history of delinquencies in the last 12 months
- Debts paid by Business for Self-employed borrowers:

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– Debts paid by business for self-employed borrowers may be excluded from the monthly obligation when all of the following requirements are met.

./ No late payments in the last 12 months and no more than 1x30 in the last 24 month period.

./ Evidence, such as 12 months canceled checks that the debt has been paid out of company funds

./ The underwriter may condition for CPA or borrower to prepare P&L (Cash Flow Analysis) that the business took the payment of the debt into consideration.

• Revolving Accounts:

– Use the monthly payment shown on the credit report. If not available, use the greater of \$10 or 5% of the outstanding balance.

• Payoff of Revolving Accounts

– In order to qualify without the monthly payment on the current balance, a revolving account must be paid off and closed.

./ Revolving account paid thru escrow is acceptable, however must provide a credit supplement or letter from creditor to evidence the account is closed prior to funding.

./ If the revolving account is paid off, but not closed, the monthly payment shown on credit report (or the greater of \$10 or 5% of the outstanding balance, if there is not payment) must be included in the DTI.

## EMPLOYMENT

• Self-employed only

• Self-employed is defined as borrower owns 25% or greater of ownership interest in a business.

• The business may be a sole proprietorship, a partnership (general or limited), an S corporation or a corporation.

• Borrower is paid 1099 and files a Schedule C

• Realtors are considered Self-Employed

• Borrower must be self-employed for at least 2 years in same line of work

• Business phone number must be verifiable via 411 or internet

• Self-employed business license or CPA letter verifying borrower's ownership of business for last two years

## INCOME DOCUMENTATION

• STATED INCOME DOCUMENTATION

– Disclosure of income and employment are required on 1003

• RENTAL INCOME

– N/O/O property owned that is not the subject property:

./ Fully executed lease agreement must be provided

– Primary Residence converting to Investment Property:

./ 2055 Exterior Appraisal to document at least 30% equity

./ Fully executed lease agreement must be provided

• OTHER INCOME

– Passive income (retirement, Social Security, trust, interest dividend, annuity, child support etc.) is not permitted

• 12 months personal bank statements

## ASSET

• Must be borrower's own funds

• Minimum 3 months bank statements

• Business Assets:

– The borrower must have 100% ownership of the business. The Company CPA to verify that withdrawal of funds has no adverse effect to business. Business accounts will be considered for the down payment, closing costs or reserves

• Gift Funds & Gift of Equity: Not Allowed

• Mutual Funds, Bond and Stocks: 70% of the value of stock and mutual funds may be used

• Retirement Funds: Not Allowed

• Large Deposits

– Any large deposit not consistent with the borrower's employment and/or over 25% of borrower's earnings must be fully explained and sourced with acceptable documentation in order to be eligible for down payment, closing costs, earnest money deposit and reserves.

## RESERVES

• Liquidity minimums are calculated after closing and do not include proceeds from cash out on current loan

• 6 months PITIA PLUS 6 months PITIA for each additional financed property

• Business Assets:

– The borrower must have 100% ownership of the business. The Company CPA to verify that withdrawal of funds has no adverse effect to business. Business accounts will be considered for the down payment, closing costs or reserves

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## **INTERESTED PARTY CONTRIBUTIONS**

- 3% regardless of LTV/CLTV

## **DELAYED FINANCING REQUIREMENTS**

- Initial/Original purchase transaction must be 'Arm Length Transaction'
- Source of all funds went into Initial/Original purchase transaction must be from borrower's own funds and must provide Final HUD 1

## **SEASONING**

- Liens on the property must be seasoned for a minimum of 6 months.
- If the lien is a HELOC, it must be seasoned 12 months with no draws taken in the previous 12 months

## **LISTED PROPERTIES**

- Properties must be withdrawn from MLS 6 months prior to initial loan application date

## **MULTIPLE PROPERTY OWNERSHIP**

- In addition to the subject property, the borrower(s) may not own more than three (3) additional financed properties

## **CONTINUITY OF OBLIGATION**

- The borrower must be the existing lien holder for refinance transaction

## **APPRAISALS**

- All appraisals must be completed by Approved AMC
- All transactions with a loan amount >\$750,000 will require a desk review
- Maximum 20% appreciation if subject property was purchased within last 6 months. Additional restrictions may apply.

## **SUBORDINATE FINANCING**

- Subordination agreement is mandatory, if applicable

## **PREPAYMENT PENALTY**

- None or 3 years

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