



Non-QM  
The GMFS Difference!

9/16/2022

# Agenda

1. Overview
2. Products
3. Exceptions
4. Resources



# GMFS Overview

# Evolution of Non-QM Market Credit Quality

## Exhibit 16: Non-QM average details by vintage at issuance

CLTVs and FICO scores have improved consistently since Non-QM issuance in 2015

Year	WA Orig CLTV	WA Original FICO	Self-Employed (%)	WA DTI
2022	70	742	51	33
2021	70	735	57	34
2020	71	724	54	36
2019	71	725	53	36
2018	71	722	49	37
2017	73	711	47	37
2016	74	701	33	37
2015	74	688	31	36

Source: BofA Global Research, Intex, Bloomberg, KBRA

# Expanded-Prime

Borrowers Just Outside of Prime

This is our core product with our lowest rates

# Expanded Prime

## Program attributes

- 660 minimum FICO
- Loan amounts up to \$3M
- LTV up to 90%
- 1x30x12 mortgage history acceptable
- Standard debt ratio 50%
- 30 year fixed, 40 year fixed I/O, 5/6 ARM, and 5/6 ARM I/O
- Cash Out
- SFR, PUD, townhomes, 2-4 units, condos, non-warrantable condos, and rural up to 15 acres
- First time home buyers allowed on primary and second homes
- No MI on Expanded Programs

# Expanded Prime: Income Options

## General requirements

- Employment must be stable with at least a 2-year history in the same job or jobs in the same field
- Income from self-employment is considered stable if the borrower has been self-employed for 2 or more years

Income	
Full Documentation	1 YR W-2 or Tax Return
Asset Utilization	Max 80% LTV; Purchase & Rate/Term Only
Alternative Documentation (must be self-employed for 2-years)	12 Months Personal (or) Business Bank Statements 12 Months 1099 Income

- There are several options to use 1099 income:
- 1099's in the business and personal bank statement program in lieu of 12m or 24m of personal or business bank statements
- Gross 1099 and YTD bank statements
- Use them in lieu of tax returns for alt doc they can do 1 or 2 years 1099

# Expanded Prime: Business Bank Statement Feature

## General requirements

- 12 or 24 -months complete Business Bank Statements (Transaction history printouts are not acceptable)
- Initial signed 1003 with monthly income disclosed (Lessor of 1003 disclosed income or Bank Statement calculation)
- Must be at least 50% owner of the business
- Transfer deposits are backed out and large deposits require LOX
- Multiple Business accounts can be used. Each account will have its own income calculations so the statements must be uploaded separately. You can not combine business and personal accounts.

## One of the following expense factors may be used for calculation

- 50% Expense factor
- Expense Statement prepared by a third-party licensed tax professional
- P&L prepared by a third-party licensed tax professional covering the same time period as the Business Bank Statements

## Treatment of non-sufficient funds activity

- Non-Sufficient Funds (NSF) activity in the past 12 months must be satisfactorily explained by the borrower
- Excessive NSF or overdraft activity may preclude the borrower from eligibility

# Expanded Prime: Personal Bank Statement Feature

## General requirements

- 12 or 24 -months complete Personal Bank Statements (Transaction history printouts are not acceptable)
- 2-months most recent Business Bank Statements\*
  - Statements must evidence activity to support business operations
- Initial signed 1003 with monthly income disclosed (Lessor of 1003 disclosed income or Banks Statement calculation)
- Complete and signed GMFS Business Narrative Form
- 100% of deposits used for income and averaged over 12-months when analyzing the Personal Bank Statements

## The lower of the following is used to calculate qualifying income

- Income figure listed on the initial signed 1003, or
- Personal Bank Statement Average (total deposits [minus disallowed deposits] / 12 months)

\*Note: If Business Bank Statements are not available, the loan must be submitted/qualified as a Business Bank Statement Documentation Loan using Personal Bank Statements

# Bank Statement Calculator – Helpful Hints

## Submitting Banking Statements:

- Secure Bank statement PDF's that require a password will not be processed; our system cannot read them.
- We are unable to process a combination of business and personal bank statements on the same request.
- Submit bank statements saved as the MONTHYEAR format
- Include all pages in monthly statements, including blank pages.
- A full 12 or 24 consecutive months is required for all submissions.

## Providing Notes:

- Provide any information regarding the borrower's business: *percentage of ownership (if known), detail on how borrower gets paid, if multiple sources are received, etc.*
- Explanations for sources of deposits if necessary
- Please indicate If the borrower changed bank accounts or business names during the statements period.

## Missing Statements:

- If you are sent communication that you are missing a banking statement:
  - **1 missing statement** you may send it directly back to us for re-calculations
  - **2 or more missing statements-** you will need to do a completely new re-submission that includes the missing statements

# Bank Statement Calculator – Helpful Hints

## Income Calculation:

- For personal accounts, we use 100% of qualified deposits. You will also be required to show the existence of a business account. *If there is no business account, we will treat the personal account as a business account.*
- All Account holders on the personal bank statements must be on the loan.
- We use the LOWER of the calculated income or the income listed on the SIGNED 1003.

## Disallowed Deposits:

- Transfer Deposits are backed out.
- Assume any deposits greater than 50% of the monthly income will automatically be removed.
  - To add them back in, provide a letter of explanation. *(Further proof/source of funds may be required.)*

## Expense Ratios:

- For business bank statements, we use the 50% expense ratio calculation (vs. itemized expense calculation).

## Expense % Ratio Calculation Options:

- Submit a Tax Professional\* prepared P&L Statement specifying business expenses as a percentage of the gross annual sales/revenue. This statement must be on the Tax Professional's letterhead as well as addressed to the borrower.
- Submit a Tax Professional\* prepared Expense Statement covering either the same 1- or 2-year period as the bank statements or most recent 1 or 2 calendar years. This must be signed and dated on the Tax Professional's letterhead as well as addressed to the borrower.
- \*Tax Professional is defined as a CPA, Tax Attorney, Enrolled Agent (EA), or Paid Tax Professional (PTIN)

# Expanded Prime: 1099 Income Documentation Feature

## General requirements

- 1099 from the most recent year(s) is provided and are validated with wage and income transcripts from the IRS
- There are several options to use 1099 income:
- 1099's in the business and personal bank statement program in lieu of 12m or 24m of personal or business bank statements
- Gross 1099 and YTD bank statements
- Use them in lieu of tax returns for alt doc they can do 1 or 2 years 1099
- Borrower has been with the same 1099 provider for the past 2-years
- Documentation from borrower's employer confirming borrower has no job-related expenses is provided
- GMFS Self-Employed Business Narrative Form is provided
- Year-to-date (YTD) earnings are verified via a YTD paystub, written VOE, or other equivalent third-party documentation (GMFS Request for Verification of Earnings Form is also acceptable)

# Expanded Prime: Asset Utilization Feature



Finally, the perfect solution for individuals with high income or net-worth, those who are retired, those with no income or employment, or those with meaningful assets. Yes!

# Expanded Prime: Asset Utilization Feature

## Program attributes

- 660 minimum FICO
- Loan amounts up to \$3M
- LTV up to 80%
- Both DTI & no DTI qualification options
- Purchase & Rate and Term only
- Six-month seasoning on all assets is required

# Expanded Prime: Asset Utilization Feature

## Qualified Assets

The following personal assets are considered Qualified Assets and can be utilized to calculate income

- 100% of checking, savings, and money market accounts
- 80% of the remaining value of stocks & bonds
- 70% of retirement assets

## Options for calculating qualifying income using Asset Utilization

- Option 1: Debt Ratio Calculation

Borrowers must have a minimum of the lesser of (a) 1.5 times the loan balance or (b) \$1M in Qualified Assets, both of which must be net of down payment, closing costs, and required reserves to qualify. See the applicable GMFS Matrix for max debt ratios. The income calculation is as follows:  $\text{Monthly Income} = \text{Net Qualified Assets} / 84 \text{ Months}$

- Option 2: Total Asset Calculation

Qualified Assets must be sufficient to cover the new loan amount, down payment, closing costs, required reserves, and 5-years of current monthly obligations. There is no debt ratio calculation for the Total Asset Calculation option. Employment and Income are not required to be disclosed on the 1003.

# Non-Prime

## Borrowers Outside of Prime

Flexible solutions for borrowers recovering from recent credit events

# Non-Prime

## Program attributes

- 620 minimum FICO
- Loan amounts up to \$1.5M
- LTV up to 85%
- Standard debt ratio 50%
- 30 year fixed, 40 year fixed I/O, 5/6 ARM, and 5/6 ARM I/O
- Cash out
- SFR, PUD, townhome, 2-4 unit, condos, non-warrantable condos, and rural properties
- 12 months of bank statements income with a recent housing event
- Lighter seasoning for recent housing events

# DSCR

## Debt Service Coverage Ratio

DSCR is a formula for determining a borrower's ability to repay a mortgage using the cash flow from the subject investment property

# 15 Day DSCR

## Program attributes

- 680 minimum FICO
- Loan amounts up to \$2M
- Purchase & Rate and Term LTV up to 80%
- Cash out LTV up 75%
- 1X30X12 mortgage history acceptable
- No DTI / DSCR ratio down to 1.0
- 30 year fixed, 30 year fixed I/O, 5/6 ARM, and 5/6 ARM I/O
- 10+ properties
- LLC vesting (Coming Soon)
- SFR, PUD, townhome, 2-4 units, condos, and Non-Warrantable condos
- Max 2 acres
- 36 months seasoning for recent housing events

# What is DSCR?

## Debt Service Coverage Ratio (DSCR)

- Under the DSCR program, loan qualification is not based on personal income documentation
- The loan is qualified based on the DSCR, where the borrower utilizes cash flow from the subject property only
- No vacancy factor applied

Debt Service Coverage Ratio (DSCR) = Gross Income divided by (/) Proposed [P]ITIA\*

Gross Rental Income = \$1000.00 / Proposed PITIA = 1000.00 = 1.0 DSCR

## Calculating gross income

- If there is an executed lease agreement, use the lesser of the lease agreement or the market rent from appraisal (FNMA Form 1007 or Form 1025, as applicable), otherwise use the market rent from the appraisal
- If the executed lease agreement reflects a higher monthly rent, it may be used in the calculation when evidence of the most recent three (3) months of rent receipts are provided

\*For interest-only loans, the DSCR calculation allows for the use of the interest-only payment including escrows

# DSCR Seasoning

## General standards applicable to a refinance transaction under DSCR

- If the property was acquired > 12 months from application date, the appraised value must be used to determine loan-to-value
- For properties acquired between 6 and 12 months from application date, the maximum loan to-value cannot exceed 65% based on the current appraised value
- If the property was acquired < 6 months from application date, the lesser of the current appraised value or the previous purchase price plus documented improvements (if any) must be used, and the purchase settlement statement and any invoices for materials/labor will be required

# DSCR Lease Requirements

## **Refinance transactions**

- An executed lease with no less than 3 months remaining at time of close is required for all units in the subject property
- Month-to-month tenancy is not subject to this requirement with sufficient evidence (such as a signed extension letter)
- Lease term not to exceed 1 year
- Monthly lease payments must be consistent with market rents
- The property must not and cannot be occupied by a borrower, any member of the borrower's LLC, or any family member
- If subject property is not leased, see the DSCR matrix for LTV restrictions

## **Purchase transactions may be vacant**

# DSCR More to Know

## **Credit Score**

- Credit Reports should be supplied for all borrowers
- If two borrowers, the lower of the two middle credit scores will be used for Representative Loan Score

## **Late Payments**

- Rolling late payments are not permitted

## **Employment / Income**

- There is no employment verification or income analysis required
- There is no Debt-to-Income Ratio (DTI)

## **Gift Funds**

- Not permitted

## **Documentation**

- Full asset documentation is required for purchase transactions to evidence sufficient funds to close
- Assets must be sourced or seasoned for 60 days

## **Reserves**

- 6 mo. PITI based off subject property

# DSCR More to Know

## **Flip Transactions**

- Not permitted
- Seller must be on title for greater than 180 days

## **Multiple Financed Properties**

- There is no limit on the number of other properties borrowers may currently have financed
- GMFS exposure may not exceed \$5M aggregate with a maximum of five loans for each individual borrower. Exceptions to this policy will be reviewed on a case-by-case basis

## **Evidence of a Primary Residence**

- All borrowers must own or rent a primary residence and be able to provide proof of ownership

## **Ineligible Borrowers**

- LLC's, partnerships, or corporations
- Borrowers with diplomatic immunity or otherwise excluded from U.S. jurisdiction
- Residents of any country not permitted to transact business with U.S. companies are ineligible (as determined by any U.S. government authority)
- Trust or Land Trust
- Borrowers less than 18 years old
- Loans to employees of originator
- First-Time Home Buyers

## **Cash-Out Refinance**

- A signed letter from the borrower disclosing the purpose of the cash-out
- Proceeds from the cash-out must be used for the subject property only

# Resources & Tools

## Locating resources

- Visit our website, <https://gmfsagent.com/products/expanded-products/> to find:
  - Expanded Product Underwriting Guide
  - Expanded Matrices
  - Expanded Product Training Guide (this powerpoint)
  - Expanded Process and Pricing Training
  - Expanded FAQ
  - Forms needed for the programs
  - Announcements related to the program
- For questions email - [expandedprogram@gmfslending.com](mailto:expandedprogram@gmfslending.com)

## Reminder

- *Resources and tools are intended solely for the use of licensed mortgage professionals; distribution to consumers is strictly prohibited*
- *The resources and tools are designed to provide preliminary information and the results do not constitute a lock, a credit decision, an offer for the extension of credit, or a commitment to make a loan*

# Thank you!

You are the critical link to helping qualified homebuyers achieve their homeownership objectives.

