

Welcome

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1. Mute your microphone
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3. Hold questions until the end as this session may be recorded

Thank you and we will be starting shortly...

WVOE, 1099 and P&L INCOME

Non-Prime Sales Products

INTRODUCTION

In this training, we will review the following items for each income type:

- Eligibility Requirements
- Target Audience
- Income Documentation and Calculation
- Credit Qualifications
- Eligible Property Types



INTRODUCTION



What Rate Sheet are these income types available on?

- The WVOE, 1099 and P&L income options are available on the Non-Prime Rate Sheet
- Please reference the most recent rate sheet on the Cintranet for pricing information

Acra Lending

NON PRIME WHOLESALE - RESIDENTIAL RATE SHEET

INTRODUCTION

WVOE / 1099 Only / P&L Programs	0.375%	Refer to general information on page 2
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INCOME DOCUMENTATION

Full Doc = W2 + Pay Stubs / Wage Earner or 1040's + P&L / Self-Employed or Commission

Alt Doc = 12 or 24 Personal or Business Bank Stmts / SE Only

ATR in Full / Asset Depletion = Only Assets to Qualify (Primary Only); Max LTV / CLTV
75% / 70% for Purchase / Refi respectively

WVOE = 2-year history required - No First Time Home Buyers, \$1M Max Loan Amount

1099 Only = SE Only - No First Time Home Buyers

P&L Programs = 2-year P&L statement required prepared by third party



WRITTEN VERIFICATION OF EMPLOYMENT (WVOE) INCOME TYPE

WVOE

- Up to 80% LTV
- No 4506T Requirement
- Down to 600 FICO
- SFRs, Condo, and Townhomes Only
- Primary Occupancy



WVOE

- Maximum loan amount is \$1 million
- Minimum Loan Amount is \$100,000
- 2-year history required with employer
- Purchase, Refi and Cash-outs allowed



WVOE

- Customary Verbal Verification of Employment (VVOE) within 72-hours of Funding
- Minimum twenty-four (24) month recent housing history required;

Note: An acceptable housing history may span across more than one individual creditor / landlord covering the requisite timeframe;

- Borrowers without a recent mortgage may be considered at a reduced LTV

WVOE

- Property must be in good condition and conform to the area
- No deferred maintenance
- No First Time Home Buyers allowed
- Rural Properties are not allowed



WVOE TARGET AUDIENCE

- Borrowers who have a strong cash component to their income
- Servers, Bartenders or those who are paid in cash versus receiving paystubs



WVOE EXAMPLE

- For Full Documentation, we typically require the presentation of a formal paystub with the year-to-date income along with one of the following:
 - W2, tax return, WVOE
- The new WVOE program no longer requires this formal paystub from the borrower.
- A Bartender who gets the majority of their income as cash tips would be a good candidate for the WVOE program.



CREDIT QUALIFICATIONS

WVOE CREDIT QUALIFICATIONS

Must meet 'B' Credit Grade criteria/ 600 FICO

- Bankruptcy and Foreclosures must be seasoned minimum 2 years
- Deed-in-Lieu and Short Sale must be settled
- No 60 or 90 day Mortgage Lates in last 12 months
- Forbearances in the last 6 months allowed with rate and LTV adjustment
- See guidelines for additional information



INCOME CALCULATION

WVOE INCOME

Required Documentation:

- 1005 Form (Can NOT be executed by family member)
- Income on 1005 should be broken into yearly columns based on YTD
- The work # must be included

An employer may be required to complete a written Verification of Employment (“VOE”) with certain information regarding the borrower’s employment and income if required by an Acra underwriter.

WVOE INCOME

A Fannie Mae Form 1005 or similar form may be utilized, but a written VOE should include at a minimum the following information:

- Date of employment;
- Present position;
- Current base pay and frequency paid;
- Overtime, commission or bonus income, if applicable;
- Probability of continued employment, if available; and
- Date verified, name, title, and signature of the person verifying the information.

WVOE INCOME

Underwriting calculates the income on this program the same way as the WVOE with paystub is calculated.

Link to 1005:

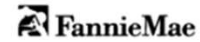
[Verification of Employment \(Form 1005\): PDF \(fanniemae.com\)](#)

<https://singlefamily.fanniemae.com/media/13861/display>

1005

EXAMPLE

12A. Current Gross Base Pay (Enter Amount and Check Period)			
<input type="checkbox"/> Annual <input type="checkbox"/> Hourly <input type="checkbox"/> Monthly <input type="checkbox"/> Other (Specify) <input type="checkbox"/> Weekly			
\$ _____			
12B. Gross Earnings			
Type	Year To Date	Past Year 2021	Past Year 2020
Base Pay	Thru 8/23/2022 \$ \$6500	\$ \$10,000	\$ \$10,000
Overtime	\$	\$	\$
Commissions	\$ \$62,000	\$ \$85,000	\$ \$75,000
Bonus	\$	\$	\$
Total	\$ \$68,500	\$ \$95,000	\$ \$85,000



Request for Verification of Employment

Privacy Act Notice: This information is to be used by the agency collecting it or its assignees in determining whether you qualify as a prospective mortgagor under its program. It will not be disclosed outside the agency except as required and permitted by law. You do not have to provide this information, but if you do not your application for approval as a prospective mortgagor or borrower may be delayed or rejected. The information requested in this form is authorized by Title 38, USC, Chapter 37 (if VA); by 12 USC, Section 1701 et. seq. (if HUD/FHA); by 42 USC, Section 1462b (if HUD/CPD); and Title 42 USC, 1471 et. seq., or 7 USC, 1921 et. seq. (if USDA/FmHA).

Instructions: Lender — Complete items 1 through 7. Have applicant complete item 8. Forward directly to employer named in item 1.
 Employer — Please complete either Part II or Part III as applicable. Complete Part IV and return directly to lender named in item 2.
 The form is to be transmitted directly to the lender and is not to be transmitted through the applicant or any other party.

Part I — Request

1. To (Name and address of employer)

2. From (Name and address of lender)

I certify that this verification has been sent directly to the employer and has not passed through the hands of the applicant or any other interested party.

3. Signature of Lender

4. Title

5. Date

6. Lender's Number (Optional)

I have applied for a mortgage loan and stated that I am now or was formerly employed by you. My signature below authorizes verification of this information.

7. Name and Address of Applicant (include employee or badge number)

8. Signature of Applicant

Part II — Verification of Present Employment

9. Applicant's Date of Employment

10. Present Position

11. Probability of Continued Employment

12A. Current Gross Base Pay (Enter Amount and Check Period)

☐ Annual ☐ Hourly
☐ Monthly ☐ Other (Specify)
☐ Weekly

\$ _____

12B. Gross Earnings

Type	Year To Date	Past Year	Past Year
Base Pay	Thru -- \$	\$	\$
Overtime	\$	\$	\$
Commissions	\$	\$	\$
Bonus	\$	\$	\$
Total	\$ 0.00	\$ 0.00	\$ 0.00

13. For Military Personnel Only

Pay Grade

Type

Monthly Amount

Base Pay \$

Rations \$

Flight or Hazard \$

Clothing \$

Quarters \$

Pro Pay \$

Overseas or Combat \$

Variable Housing Allowance \$

14. If Overtime or Bonus is Applicable, Is Its Continuance Likely?

Overtime ☐ Yes ☐ No

Bonus ☐ Yes ☐ No

15. If paid hourly — average hours per week

16. Date of applicant's next pay increase

17. Projected amount of next pay increase

18. Date of applicant's last pay increase

19. Amount of last pay increase

Part III — Verification of Previous Employment

21. Date Hired

23. Salary/Wage at Termination Per (Year) (Month) (Week)

22. Date Terminated

Base _____ Overtime _____ Commissions _____ Bonus _____

24. Reason for Leaving

25. Position Held

Part IV — Authorized Signature - Federal statutes provide severe penalties for any fraud, intentional misrepresentation, or criminal connivance or conspiracy purposed to influence the issuance of any guaranty or insurance by the VA Secretary, the U.S.D.A., FmHA/FHA Commissioner, or the HUD/CPD Assistant Secretary.

26. Signature of Employer

27. Title (Please print or type)

28. Date

29. Print or type name signed in item 26

30. Phone No.



PROPERTY TYPES

WVOE PROPERTY TYPES

Eligible property types include:

- Single Family Residences (attached / detached) including manufactured or modular
- Condominiums (attached / detached) (low-rise / high-rise)
- Townhomes (attached / detached)

Property must be in Good Condition meaning no deferred maintenance and **MUST** Conform to the area

***No Non-warrantable Condos Allowed**



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- See Guidelines for additional information
 - Escalate questions to your managers.

1099 and P&L INCOME

Non-Prime Sales Products



1099 INCOME TYPE

1099

- Up to 80% LTV
- For Self Employed borrowers with 2-year history
- Down to 600 FICO
- SFRs, Condo, and Townhomes Only
- Primary Occupancy



1099

- Property must be in good condition and conform to the area
- No deferred maintenance
- No First Time Home Buyers allowed
- Rural Properties are not allowed



1099

- Maximum loan amount is \$4,000,000
- Minimum Loan Amount is \$100,000
- Purchase, Refi and Cash-outs allowed



1099 TARGET AUDIENCE

- Any borrower who has an issue that disqualifies the bank statements as an option, such as a borrower who has a minor on the bank statement or a spouse on the statement and who does not want that spouse or other person on the loan.
- We will require 1099 for 2 past two years and the most recent 60 days bank statements to document current YTD

1099 EXAMPLE

- A long, haul truck driver who has their expenses covered, we apply 100% of 1099 income.
- An Uber Driver, however, who has to pay for their own gas, insurance, car; we will only apply 50% of income (a 50% haircut for overhead expenses will be deducted like we do for a personal account being utilized as a business account)
- Other good candidates: a Realtor, Appraiser, Law Practice conducted from the home

1099

- Applicant to provide:
 - IRS Form(s) 1099 to document prior two (2) year(s) income; and
 - Bank Statements for the most recent 60 days to document current year to date, which should show gross deposits consistent with the 1099s; and
- Underwriter will calculate income by determining if there is an overhead to the business in a manner consistent with reviewing personal versus business bank statements.

1099

- If the Applicant's business revenue reflected on the 1099 would have measurable expenses to generate a net income, a 50% haircut would apply.
- A business expense haircut under 50% may be considered by Underwriter when validated by (i) a CPA Letter that directly states the experienced overhead for Applicant's business AND (ii) Underwriter, in their sole discretion, finds that ratio to be consistent with the Applicant's industry.

1099 INCOME

How is the income calculated by underwriting?

- 1099 income divided by 12 months
- Two 1099's, then divide by 24 months
- We want to get a Monthly Average

➤ Example: 2021 1099 = \$120,000

2020 1099 = \$120,000

Total = \$240,000 divided by 24 = \$10,000 monthly average



1099 INCOME

When looking at the Bank Statements:

- Deposits in most recent 2 months MUST total at least 85% of the 1099 income being represented.
- Multiple Accounts are allowed to be utilized.
- If UW determines overhead expenses are being paid, a haircut will be applied the same way we apply to a personal account being used as business account. (50% haircut)
- The haircut can be as low as 25% with CPA letter

1099 EXAMPLE



Calculating the minimum required on the bank statements (85% of the 1099 Income)

- 1099 states \$120,000 – divide by 12 = \$10,000 a month
- Bank statements must represent income of at least \$8,500 per month or total of \$17,000 for both months (\$8,500 + \$8,500)
- \$120,000 times 85% will give you the minimum amount needed for the year.
= \$102,000. Divide this by 12 months to get monthly needed income = \$8,500.



PROFIT & LOSS (P&L) INCOME TYPE

P&L



- Up to 80% LTV
- For Self Employed borrowers with 2-year history
- Down to 600 FICO
- SFRs, Condo, and Townhomes Only
- Primary Occupancy

P&L

- Property must be in good condition and conform to the area
- No deferred maintenance
- No First Time Home Buyers allowed
- Rural Properties are not allowed



P&L

- Maximum loan amount is \$4 million
- Minimum Loan Amount is \$100,000
- Purchase, Refi and Cash-outs allowed



P&L TARGET AUDIENCE

- Same as 1099 audience: Any borrower who has an issue that disqualifies the bank statements as an option, such as a borrower who has a minor on the bank statement or a spouse on the statement and who does not want that spouse or other person on the loan.

P&L INCOME

Requirements:

- A 3rd party prepared P&L signed by the preparer,
 - Preparer must be CPA or licensed tax preparer,
 - They can NOT be an employee of the business,
 - P&L does not need to be broken down into highly detailed segments.
 - It should cover the past 2 fiscal years and YTD for the business- no pro forma.
- Most recent 60 days bank statements.
 - Gross deposits should be consistent with the revenue listed on the P&L.



CREDIT QUALIFICATIONS

1099 AND P&L CREDIT QUALIFICATIONS

Must meet 'B' Credit Grade criteria/ 600 FICO

- Bankruptcy and Foreclosures must be seasoned minimum 2 years
- Deed-in-Lieu and Short Sale must be settled
- No 60 or 90 day Mortgage Lates in last 12 months
- Forbearances in the last 6 months allowed with rate and LTV adjustment
- See guidelines for additional information



INCOME CALCULATION

P&L INCOME

Applicant will provide:

- A “third-party” prepared profit and loss statement for their self-employed business(es) on the preparer’s letterhead;
 - Statement from preparer that they have prepared or reviewed the corresponding tax returns for the covered period;
 - “Third Party” to be an appropriately licensed CPA or Tax Preparer; and
 - In no event can the preparer be an employee of the Applicant or their business;

P&L INCOME



AND

- Bank Statements for the most recent 60 days to track current year to date, which should show gross deposits consistent (within 90%) to the revenue of the P&L;
- P&L Statement should cover the past two (2) fiscal years and YTD for the business and in no event less than 24 months;
- P&L Statement to be signed by “third-party” preparer;
- Underwriter will calculate qualifying income by dividing net profit by the number of months in the covered period (subject to ownership percentage)



PROPERTY TYPES

1099 AND P&L PROPERTY TYPES

Eligible property types include:

- Single Family Residences (attached / detached) including manufactured or modular
- Condominiums (attached / detached) (low-rise / high-rise)
- Townhomes (attached / detached)

Property must be in Good Condition meaning no deferred maintenance and **MUST** Conform to the area

*No Non-warrantable Condos Allowed



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- See Guidelines for additional information
 - Escalate questions to your managers.