

Bulletin 22-31

New Documentation Option Available on Simple Access (Non-QM)

Homebridge is pleased to offer a new P&L Only documentation option on our Simple Access program.

The P&L Only option has been added to the **existing** Alt Doc matrix and has the same Loan Amount/DTI requirements as the Bank Statement and 1099 Only options however, the P&L Only option will require a minimum 700 credit score and the maximum LTV is limited to 75%.

Highlights of the P&L Only option are as follows:

- The most recent unaudited P&L(s) are provided subject to the following:

Application Dated	Required Profit & Loss Statements
January 1 st through March 31 st	Unaudited 12 month P&L from prior year
April 1 st through December 31 st	Unaudited 12 month P&L from prior year plus unaudited YTD P&L for current year

- Eligible for self-employed borrowers with a minimum of 2-years self-employment and ≥ 50% ownership of the business
NOTE: Ownership interest is **cumulative** for all borrowers (i.e. if borrower 1 has 25% ownership and borrower 2 has 25% ownership the ≥ 50% ownership requirement has been met)
- Purchase, rate/term and cash-out primary residence, second home, and investment transactions
- Fixed rate and 7/6 or 10/6 ARMs and the interest-only feature eligible
- Qualifying income is the **lower of**:
 - The income based on the unaudited P&L(s), **OR**
 - The monthly income disclosed on the **initial**, signed 1003
 - The net income is calculated from the P&L(s) based on the borrower(s) percentage of ownership (e.g. if the borrower(s) have 65% ownership interest, the qualifying income is the net income calculated using the P&L(s) multiplied by 65%)
- Minimum \$2,500 residual income required on primary residence transactions **only**
- P&L(s) **must be** prepared by an independent entity. **Borrower prepared P&Ls are not eligible.** Acceptable entities include:
 - A Certified Public Accountant (CPA), **or**
 - IRS Enrolled Agent (EA), **or**
 - Tax preparer registered with the California Tax Education Council (CTEC)
- The P&L(s) must be signed by both the borrower(s) with an ownership interest **AND** the preparer (non-owner borrowers are **not** required to sign)
- Documentation Requirements:**
 - A business license, letter from a tax preparer or Secretary of State filing is required to verify the business has been in existence for a minimum of 2 years

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- $\geq 50\%$ ownership percentage must be documented by a CPA, EA, CTEC letter, or Operating Agreement
 - The CPA, EA or CTEC registered tax preparer must confirm, in writing, one of the following:
 - o They have reviewed and prepared the P&L using working financial papers and that the P&L accurately reflects the business cash flow and expenses. The CPA/EA/CTEC registered tax preparer must also confirm that they have prepared the most recent year of business tax returns, **OR**
 - o They prepared the prior two years of tax returns for the borrower's business, they prepared the P&L(s), and the P&Ls accurately reflect the business cash flow and expenses
 - A copy of the CPA or CTEC active license is required. If P&L prepared by an EA, a screen shot from the [IRS EA website](#), validating the enrolled agent credentials, is required
 - A letter detailing the nature of the business, signed and dated by the borrower, is required
 - Two (2) months most recent business bank statements required and the bank statements must support the gross receipts/sales reflected on the P&L
 - o The average deposits on the bank statements must be greater than the average monthly sales **OR** no less than 10% below the average monthly sales. If not, additional bank statement(s) required
 - o If the average deposits are more than 10% below the average monthly sales, additional bank statements i.e. the next most recent statement(s) may be added to the analysis until the tolerance is acceptable

Example:

- **Acceptable Tolerance:** Average deposits that are 10% below (i.e. 10%, 9%, 8%, etc.) the average monthly sales **do not require** the additional most recent bank statement
- **Unacceptable Tolerance:** Average deposits that are 10.01% or more (i.e. 10.01%, 11%, 12%, etc.) below the average monthly sales **will require** the next most recent statement(s) until the tolerance is acceptable

A new P&L Only Documentation Eligibility and Summary section has been added to the Simple Access guidelines; refer to the guidelines for complete P&L Only requirements. Topics not addressed in the P&L Only section, standard Simple Access policy applies.

The updated Simple Access guidelines have been posted on the Homebridge website at www.HomebridgeWholesale.com

The new P&L Only option is available for new submissions on and after October 14, 2022

If you have any questions, please contact your Account Executive.