

UNDERWRITING DOCUMENTATION OVERVIEW

Every documentation situation is unique. Guidelines can vary slightly from program to program and for Fannie Mae, Freddie Mac, FHA and VA. The information provided below is not all-inclusive of every situation, but it is designed to give you an overview of some standard underwriting requirements and guidelines. It can be used as a checklist as you prepare for your mortgage.

Due to the complexity of underwriting guidelines **it is recommended that you speak with an AmStar Mortgage Network Mortgage Professional to discuss your particular situation.** Taking the right steps just a month or two in advance can make a significant difference in the process.

INCOME VERIFICATION

- 1.) Most recent two years **W-2's** - W-2 income should match income on Form 1040
- 2.) Most recent two years of **Tax Returns** - Sign page 2 of the 1040 and date it using the current date. If your copy already has a signature, sign/date above the original signature. If you filed joint returns, you will need both signatures unless there are extenuating circumstances (such as a divorce).

SELF-EMPLOYED, BONUS or COMMISSION INCOME - The underwriter may use an average of your income over the last two years. If your self-employed income or bonuses/commissions have declined the underwriter may use the lower amount for qualifying purposes. In order for bonus and commission income to be counted, generally speaking, you must have been at the same company during the two year period. Exceptions may be granted on a case by case basis. A Verification of Employment form will be sent to the employer to determine the exact bonus or commission figures over the last two years.

SELF-EMPLOYED borrowers who have an ownership stake of 25% or more in an LLC or S-Corp will be required to provide **1120S business tax returns** (including K-1's). These should also be signed and dated with the current date. Sole proprietors income will be determined from Schedule C over a 2 year period.

HOURLY wages generally require at least a one year history of hourly income in order to calculate regular and overtime pay. (Two years is preferable.) Hourly wages in the same field, but different jobs are acceptable, but may require at least 6 months in the current position. If you go from a salaried position to an hourly position in the same field, the lender may require at least a one year history of the hourly income. Please speak to one of our mortgage professionals to review the specifics of your situation.

PART-TIME INCOME - Generally speaking, a 1 year history is a required minimum, but 2 years may be required depending on the type of part time income (full time second job vs. seasonal work). It has to be supported by tax returns and W-2's.

- 3.) **Employment Gaps** - A letter of explanation (signed and dated) is required for any 90+ gap in employment
- 4.) 1 month of most recent **Pay Stubs** (3 if you get paid every 2 weeks; 2 if you get paid twice monthly; 5 if you get paid weekly)
- 5.) **Alimony/Child Support** - This income only needs to be claimed and documented if you want to use it for qualifying purposes. A fully executed, **recorded** copy of the Settlement Agreement would need to be provided. This income must be shown to continue for at least three years in order to be included in the income total.
- 6.) **Retirement/Pension/Social Security** - An annual Awards Letter for Social Security or a letter from the company providing the pension, plus proof of receipt of these funds is required.
- 7.) **Rental Income** - Rental income will be derived from Schedule E of the most recent tax returns. Depreciation may be added back to offset some of the loss, or add to the positive income. A mortgage statement, county tax bill and insurance declarations page may also be required.
- 8.) **Dividends** - This form of income will be averaged over the most recent two year period as shown on the tax returns. If this income declined in the most recent year the lower number may be used for qualifying purposes.

IDENTIFICATION

- 9.) **Clear** copy of your passport, social security card or voter registration card (scan and e-mail or send regular mail)
- 10.) **Clear** copy of your driver's license (scan and e-mail or send regular mail) Fax copies are not clear enough to use. The picture must be identifiable.

ASSETS

- 11.) **Personal Bank Statements** - 2 months bank statements for all bank accounts listed on application. **ALL pages** of the statements are required, even if the last page is a blank page. **As a rule of thumb, if there are any deposits (or combination of deposits) over \$500 (varies based on gross monthly income) on your account statements that are not clearly payroll related, the underwriter will require proof of the source of funds.** (Since there are so many sources where funds may come from, you'll want to talk to one of our Mortgage Professional to get details on your situation.) Save a copy of all non-payroll checks you deposit. If you get quarterly statements you can use the most recent statement and update it by providing a printout that includes: bank name, your name, the last 4 digits of the account number, beginning/ending balances, and daily debits/credits. Again, you will need all pages of the printout.

Business Bank Accounts – A letter will be required from your CPA (on letterhead, signed and dated....speak to an AmStar Mortgage Professional for more details) stating that the funds can be taken out “without any adverse impact on the business.”

- 12.) **Gift Funds** – These must come from a relative or spouse. Gifts from friends are not acceptable. Gifts “may” be allowed from a non-profit organization such as a church or synagogue (but check first on these). A gift letter is required. Proof of receipt of the gift will be required as well as proof the funds came from the donor’s account (such as a copy of the front and back of the gift check). The earnest money check can also be gift funds, but again, it must come from a relative or a spouse.

MISCELLANEOUS

- 13.) Name and phone number of the insurance company you will be using.
- 14.) Main phone number of your employer. Provide the extension (and contact name if available) of person in HR who can verbally verify your employment. **THE PHONE NUMBER MUST BE ABLE TO BE FOUND ON 411 OR ON 411.COM.** Private lines and cell phone numbers are not acceptable.
- 15.) If you are purchasing, a copy of the cancelled earnest money check (front AND back) will be required along with an updated bank statement showing updated balance of funds in the account. Again, the source of funds for all large non-payroll deposits must be verified.
- 16.) If you are refinancing, a copy of your most recent mortgage statement/coupon is needed. If the tax and insurance escrows are clearly identified on the statement/coupon a separate copy the tax bill may not be required.
- 17.) If you are refinancing a copy of the most recent annual real estate tax bill and homeowner’s insurance declarations page is needed....and, if applicable your HOA monthly/annual statement.
- 18.) If you are refinancing and need to subordinate an existing 2nd mortgage (including Home Equity Line of Credit (HELOC), even if it has a \$0 balance), a copy of the “NOTE” (shows the line amount, interest rate, due date and other terms of the loan) will be required. This document is often 4 to 7 pages long. Please discuss this in more detail with a Mortgage Professional.
- 19.) A letter of explanation for all inquiries within 120 days of your application date is required. We will supply you with information from your credit report so you can address each one. If a debt was obtained (revolving or installment...does not include utilities, cell phones, etc.) you will need to document the outstanding balance and minimum monthly payment. If no debt was incurred you simply have to state that. All letters of explanation must be signed and dated.....e-mail explanations are not acceptable at this point.

OTHER DOCUMENTATION MAY BE REQUIRED. Please talk to one of our Mortgage Professionals about your specific situation. **Credit will be re-pulled approximately 5 days prior to closing** to see if any new accounts show up which might impact your debt to income ratios. We highly recommend that you not open any new accounts between the initial application date and the closing date. It could delay your closing and cause you to lose your rate lock and loan approval. **Your employment will also be verbally verified approximately 5 days prior to closing** through the HR contact you provided.