



## Mortgage Documentation Types

Mortgage Documentation Type is a [[risk-based pricing]] factor that effects the overall interest rate an individual borrower will qualify for. The general rule is that the less verifiable documentation a borrower provides, the more expensive the interest rate becomes.

The major categories of mortgage loan documentation are as follows:

### **"Full Income Verified Asset (FIVA)"**

Income amount: Fully verified using the following authentic documentation types:

Salaried. 2 most recent and concurrent yrs W-2. 2 most recent concurrent pay-stubs. 2 most recent and concurrent months bank statements (all pages).

Self Employed or other income types. 2 most recent and concurrent tax returns, [[1040]], [[Schedule C]], and/or [[K-1]]. 2 most recent and concurrent months personal and business bank statements (all pages).

Rental property. Tax returns. Leases, appraisal summaries with rent reports.

Signed Verification of Employment (VOE) Required

Borrowers wishing to obtain any type of Stated documentation loan must usually provide proof of at least 2 years self-employment. Accepted proof includes: Letter from [[CPA]] stating your filing 2 yrs tax returns via CPA, 2 years most recent concurrent business licenses, or 2 years most recent concurrent tax returns (actual income numbers are traditionally blacked out), Schedule C, or K-1, whichever apply.

### **"Stated Income Verified Asset loan (SIVA)"**

Income Amount: Verbally stated by the borrower consistent with borrowers occupation (teachers typically don't make \$100,000/year).

Income must be stated high enough to qualify for mortgage using the programs standard [[Debt-to-income ratio]] (DTI)

Example:

The DTI ratio needed to qualify for a specific mortgage is 50%.

[[Principle Interest Taxes Insurance]] or ([[PITI]]) = \$1500/Month.

Borrower credit bureau reports \$800/month in other debt (auto, credit cards, student loans, other mortgages).

\$1500/Month PITI + \$800/Month other debt = \$2300/Month in total debt.

Borrower must verbally state at least \$4600/Month in income to qualify for the mortgage.  $\$2300/50\% = \$4600$ .

Assets are fully verified by providing the two most recent and concurrent statements of any/all of the following account types:

Bank checking and savings (personal and business), [[401(k)], Traditional Brokerage Accounts (Stocks/Bonds), and/or [[Individual Retirement Account|IRA]].

Must equal anywhere from 2 to 10 months worth of subject mortgages total monthly payment or [[PITI]]. Number of months required is directly related to [[Property Use]] and Mortgage Loan Documentation.

Ex. Mortgage program requires 4 months PITI in [[seasoned assets]] to qualify.

$PITI = \$1500 \times 4$  (months) = \$6000 min. in verifiable assets.

Employment is verbally verified

[[Risk-based pricing]] adjustments increase cost of interest rate between .25% to 1%. Credit score driven.

### **"Stated Income Stated Asset loan (SISA)"**

Income: See "SIVA"

Assets: Verbally stated high enough to qualify for the programs minimum requirements. Example: PITI = \$1500 x 4 month program requirement = \$6000 in minimum stated assets.

Employment is verbally verified.

[[Risk-based pricing]] adjustments increase cost of interest rate from .5% to 1%. Credit score driven. **\*\*IMPORTANT.**

Credit scores above 740 can qualify borrowers for a SISA with no Risk-based pricing adjustments with many lenders.

### **"No Ratio-"**

Income: Verified according to "FIVA" rules. Program DTI requirements are waived.

Assets: Verified according to "FIVA" rules. Program asset reserve requirements are waived.

Employment is verbally verified.

Risk-based pricing adjustments increase cost of interest rate between .375% to .75%. Credit score driven.

### **"No Doc-"**

Income: Not stated or verified.

Assets: Not stated or verified.

Employment, income, and asset information is completely omitted from the 1003 application.

Risk-based pricing adjustments increase cost of interest rate between 1.25% to 2.5%. Credit score driven.

A word about Reduced Documentation Loans:

BEWARE, 'stated loans' are becoming a large problem under the realm of [[Mortgage fraud]] and [[Predatory lending]] tactics. Qualifying for a Stated Income Verified Asset ("SIVA") loan comes highly at the discretion of the Broker, who is supposed to diligently verify that the subject borrower makes more in gross income than they can transparently document. Many times, self-employed borrowers take advantage of significant tax write-offs they may enjoy at the expense of 'proving' the income. The lender recognizes that the borrower COULD be taking home more money than the IRS taxes, however, many brokers use "SIVA" loans as a tool to qualify a borrower even though they may know the borrower does not meet income requirements. This is a version of mortgage fraud and should be avoided. Do not let a Broker put you in a SIVA loan if you do not make enough money (using the lenders prescribed DTI ratio as a benchmark) to make the mortgage payment. There are alternative stated documentation loans available, See "SISA", "No Ratio", and "No Doc" Loans.