

Mortgage Loan Documentation Types

Over the past couple months I've had borrowers ask for certain documentation types later to find out that's not really what they are seeking after all, the most common variation I've seen is people looking for *no doc* loans when they should be looking for some variation of *stated income* or *no ratio loan*.

To help clarify the different documentation types on a mortgage, arranged from usually what gets the best pricing & terms to the worst:

Full doc - if you are self-employed this most likely means 2 years of federal tax returns (all schedules). If you are a wage-earner it most likely means 2 years of W-2's and a paycheck with YTD earnings information. If income is hard to determine based on the paycheck & W-2 then a verification of employment (VOE) form can accompany it. Also requires assets, usually the rule of the thumb is you need 2 times your monthly mortgage payment in reserves + any funds to close. Sub-prime lenders usually don't have the asset verification part. Employment is verified.

Lite doc - usually when 3, 6, 12, or 24 months of bank statements are used to document income in lieu of paycheck stubs, W-2's, & 1040's. Assets are still required in addition, sub-prime's asset requirement is usually the same as full doc. Employment is verified. This is a common document type for sub-prime financing, while not many non sub-prime lenders & programs find this acceptable.

****Stated income** (also known as **stated income/verified assets - SIVA**) - income is stated on the loan application, employment is verified, assets are verified (asset verification becomes more common on stated income sub-prime loans than full doc sub-prime).

****Stated income/stated assets (SISA)** - income & assets are stated on the application but not verified, employment is verified. Most sub-prime stated income loan programs are of this type.

No ratio - employment & assets are verified, income is either on the application but debt ratios do not apply or income is left completely off the application.

No income/no asset (NINA) - income nor assets are listed on the application, employment is still verified.

No doc - zip, zilch, nunca (thanks David Spade), no assets, no income, no employment. Most sub-prime lenders "no doc" program is really a NINA but they call it "no doc". About 1 out of 3 or 4 of sub-prime lenders offer this documentation type.

I've met several loan officers who have been in the industry for over 3 years who still have a tough time figuring out which document type is most beneficial to the borrower, just be sure that you and your loan borrowers are both on the same page.

** I wanted to say something about the Stated Income loans. I am aware that good people will have a second job that pays cash or cannot document their income in some way. The stated income program was designed for them. It WASN'T, however, designed so that one borrower can include spouse income, or inflate income to get a bigger house. Unfortunately, this is all too common. It is fraud to state your income higher than it really is.... and you will be asked to sign a 4506-T form which allows the lender to get copies of your tax return from the IRS in order to audit the file. They usually do not audit the file.... but you better believe they will if it defaults.