

Statement of Understanding (Stated Income Loan)

I have applied for a so-called “Stated Income” loan, also known as a “Limited Documentation” loan. My loan officer has informed me that:

- A Stated Income loan is designed for borrowers with excellent credit and/or established employment in the same business (two years minimum).
- This product is available as either a Full or Limited Documentation loan. Limited Documentation loans do not require verification of income. Qualifying ratios are calculated on the basis of figures obtained from the loan application. The borrower’s stated income is considered an estimate based on either the previous year’s income or projected income for the next 12 months. Stated income should be consistent with income typically derived from the borrower’s occupation. It is assumed that stated income is the upper estimate of the borrower’s actual income. Qualifying ratios based on the borrower’s estimate of income (stated income) should generally be below maximum acceptable qualifying ratios.
- My loan officer asked how much monthly gross income I earn and recorded that monthly gross income in “Section V—Monthly Income and Combined Monthly Housing Expense” of the Uniform Residential Loan Application.
- My loan officer will submit my loan application to a lender for consideration based on my statements and the lender’s qualifying guidelines.

I understand that:

- A Stated Income loan is **NOT** designed to allow for declaring inflated monthly gross income merely to qualify for a loan.
- I understand that some lenders require that I sign a Form 4506 with loan documents. This form allows the lender to reference my Form 1040’s to verify that the monthly gross income I stated is in fact equal to the annual gross income I reported to the Internal Revenue Service.
- Even when a Form 4506 is not required, a Stated Income loan should be used only when monthly gross income actually supports the proposed monthly mortgage obligation and all my other debt.

I have been counseled not to compromise my integrity or my financial or legal standing by stating monthly gross income in excess of what I actually earn. By signing this Statement of Understanding, I acknowledge that the importance of factually stating the monthly gross income I actually earn has been fully explained to me and I fully understand the consequences of not doing so.

Borrower

Borrower