



## **Underwriting Guidelines**

### **Non-Recourse Financing Program**

These guidelines cover the general conditions necessary when determining what Barnett Finance Company Inc. will approve. Please note that these are general conditions only. In many cases, certain exceptions may overrule these general conditions. The following information provides a general representation of the type of customers, conditions and deal structures that are acceptable to Barnett Finance.

#### **Typical Customer:**

Our typical customer maintains credit histories ranging no credit to severely challenged credit. We generally look for stability and ability to pay when there is an absence of acceptable credit history. We do not accept customers who are currently delinquent on all of their credit obligations unless there are legitimate explanations. Our customers must be able to prove their income and residency.

#### **Residence Stability**

Generally, a customer must have one year at residence or 3 years in the area. Job transfers are acceptable. We request a five year history of residence on each buyer. Each customer must have a phone.

#### **Employment Stability**

Generally, a customer must have a minimum of 6 months with the current employer or 2 years in the same field. Considerations are given for recent college or technical graduates. Job gaps should not exceed 30 days and we prefer no more than three employers in the last two years. Customer must be employed to obtain financing unless they are on a permanent fixed income. Customers receiving unemployment or temporary disability are ineligible for financing. Any job changes automatically revoke the approval and the deal must be underwriting again.

#### **Self Employed**

Generally, self employed customers are less acceptable but may be considered with excellent stability, credit and/or commitment.

#### **Co-signors**

Generally, we do not accept unrelated co-signors, but will accept them on occasion with good credit history

### **Dealership Employees:**

Any employee involved in the submitting credit applications is generally unacceptable. Employees in departments not related to sales, will be consider on a case by case bases.

### **First-Time Buyers:**

A first-time buyer is a customer who has no credit history or whose social security number is not sufficiently verifiable from the credit bureau. We require a valid copy of the social security card with the deal package submitted for funding.

### **Military Personnel:**

Unfortunately Barnett Finance Company does finance military personal.

### **Direct Check Credit**

Any credit not on the bureau must be accompanied by some proof of payment history or ownership. Examples of acceptable proof include a title with a released lien from the finance source, proof of payment history from a printout. A pay history verified with a DMV report or proof of insurance.

### **Eligible Vehicles:**

Must be listed in NADA Used Car Guide. All vehicles must be for private passenger use only. We do not finance commercial vehicles.

### **Ineligible Vehicles**

1. Vehicles designed for racing or commercial purposes.
2. Any vehicle made by a defunct manufacture.
3. Trucks with gross-load capacities exceeding 2000 pounds.
4. Limousines, salvage vehicles, taxis and reconditioned titles
5. True Mileage Unknown (TMU )
6. Cars 10 years or Older ( Current Year Minus 9)

### **Down Payment Requirements:**

1. Down payments can be cash, trade or a combination of the two. A minimum of \$ 1,000.00 is required as a down payment.
2. Pick-up payments and hold checks are not acceptable
3. Trade-in equity is based on NADA Car Guide. Exceptions can be made for trade values on well paid accounts.
4. In some instances, larger down payment may be required dependent upon various factors.

### **Proof of Income (POI)**

1. In some cases proof of income can be waived for W-2 employees depending on customer's credit worthiness.

2. W-2 Employees will be required to provide a year-to-date pay stub verifying gross monthly income as stated or a W-2 in the first 3 months of the year. In some cases, one month of cancelled checks from the employer (front and back) can be accepted with credit analyst approval
3. Self employed, Two years previous tax returns with schedule C attachments prepared and signed by a tax preparer using line 31 as gross income. With analyst approval, we can accept 3 months bank statements in the customers name or business name with DBA papers
4. During the first three months of the year, a year end pay stub or W-4 may be required.

### **Overtime/Bonus:**

Income should be derived from year-to-date figures. The year-to-date figure must be consistent with the gross income for the pay periods on each check. If overtime or bonuses are included and the checks do not look consistent, verification of overtime will be required from the employer. Usually, overtime cannot be more than 20% of the gross income.

### **Proof of Phone:**

1. The phone bill with the name, address and phone number must match the application. We prefer all pages of the phone bill. IF the phone bill is not available, directory assistance must verify the name and address. If the phone is not in the customers' name, the address on the phone bill must match the address on the application for credit.
2. If a cell phone is used as primary contact number, a second contact number must accompany the phone bill. No prepaid phones will be considered.

### **Proof of Residence**

1. Landlord or mortgage information must always be provided on the credit application. Rent or mortgage payment must verify with the landlord or mortgage company as stated.
2. Rent or mortgage must be current at time of funding. A payment arrangement on a past due rent or mortgage is not acceptable.
3. A current utility bill in the customers name other than a phone bill will be required for proof of residence. If no utility bill is available customers' name, junk mail can sometimes be used however; prior approval from Credit analyst is required.

### **Drivers License:**

A valid driver's license is required on all buyers. Generally, the license must be in the same state as the customer resides but exceptions may be made on a case by case basis. Your Credit analyst must approve an out of state license prior to deal contracting.

### **Credit history**

Explanation of credit history is requested on all customers who have derogatory credit history. This information is very helpful in determining our customers' situation more clearly. This explanation must be a serious attempt to explain the customers past credit. We prefer this letter up front to aid the analyst in the decision making process.

## **Repossessions**

We expect an explanation for all recent repossessions. We generally do not consider multiple repossessions unless there is good explanation accompanied by stability and commitment. There is no minimum time frame since the date of repossession.

## **Foreclosures**

A foreclosure is acceptable if finalized, with proper documentation if recent.

## **Bankruptcies:**

Multiple prior bankruptcies are usually not acceptable. A Chapter 13 Bankruptcy converted to Chapter 7 only counts as one. A Chapter 7 that has been discharged is acceptable. There is no minimum time frame needed since discharge. Derogatory credit since the bankruptcy is sometimes acceptable, but definitely decreases credit quality. A letter from the trustee is not required on open Chapter 13's. A schedule of debts may be required to clarify the credit bureau and to help calculate a correct budget. The payment must be within our maximum debt to income ratio.

## **Budget:**

Our Debt to income is based on a variety of factors such as prior payment history. Our maximum debt-to-income ratio is typically around 50%. The ratio is derived by calculating the customers' total gross income and subtracting all current obligations in addition to minimum rent factors and insurance payments.

## **Insurance:**

A minimum of \$100 is calculated to budget for insurance. We require an insurance binder on every deal prior to funding. We also need an agent's name, address and telephone number. Dealer must inform and have customer sign Agreement to Provide Full Coverage Insurance with a maximum of 500 deductible on comprehensive and collision. Full coverage insurance must remain in affect for the life of the loan or until the account is paid in full.

## **Total Advance:**

A maximum Dealer advance is up to 140% of NADA trade. Other mitigating factors can reduce the advance such as high debt-to-income, minimum down payment, higher mileage vehicles etc...

## **Multiple Notes:**

Generally, multiple auto accounts are not acceptable unless the customer has demonstrated an exemplary pay history and has the debt to income ratio to justify the additional expense.

## **Maximum Payment:**

Generally, the lower of available income from debt ratio or 18% of gross income, the payment may be reduce for poor payment histories. **Payment may not exceed 1 week's net income.**

**References:**

We require a minimum of six verifiable references on every deal. All references will be checked and are very important to the overall success of each deal.

**Purchasing:**

A completed checklist, a buyers' order and all stipulations are required for contract purchasing. Upon receipt of the completed contract package from the dealer, we will verify all the information on the application plus any additional stipulations that are required outside of the normal funding package. All verifications will be based on the date of the instrument. In other words, all employment, residence, and other applicable information on the credit application must be correct as of the day the paper work is signed. Any changes will require the deal to be submitted to a credit analyst for re-evaluation.

**Pre-purchase interview:**

Each customer will be contacted to verify all deal documentation. The customer will also be asked how they like the vehicle. The customer will also be asked to verify the down payment and/or trade-in, vehicle equipment, overall mechanical condition of the vehicle etc...If the customer is unhappy with the vehicle or if there has been something promised to the customer but not delivered by the dealer, the deal will not be funded until the customer is satisfied.

**Contracts:**

All contracts must be simple interest. Any handwritten changes must be initialed by the customer.

**Lien Holder Information:**

All titles must have lien recorded as: Barnett Finance Company  
P.O. Box 15906  
Savannah, GA 31416

**Contracting Errors:**

Our goal is to correct any errors in contracting without having to send the contract back to the dealer. Any advances in excess of the approval will deducted from dealer proceeds. Interest rate mistakes can also be withheld from the dealer proceeds, unless it exceeds the state maximum. Mileage and term errors will be handled on case by case bases. If necessary, additional discounts may be charged. Any increase in discount to help purchase a deal will only be done with approval from the Dealership.

**Approvals:**

Contract approvals are valid for 30 days. If contract is not received within 30 days of the approval date, the deal must be resubmitted to the underwriting department for reapproval. All approvals are based on the information provided on the credit application and are subject to verification before purchasing.