

## **Expense Ratio Program Instructions**

The person preparing the expense ratio must complete the attached questionnaire after reading and acknowledging this instruction form. The person preparing the expense ratio must include all relevant expenses for the listed borrower's business covering a period of 12 consecutive months, beginning no earlier than January 1<sup>st</sup> of the previous calendar year. Relevant expenses should include the following non-exhaustive list:

- Cost of goods sold for the acquisition of materials used to complete the work or provide the service requested paid for by the borrower, and not paid for separately by the customer (for example: paint, bricks, lumber, concrete, stone, hardware, cleaning supplies, shingles, etc...)
- Wages/Payroll for any cost, including benefits, to persons reported under a W2 that are not the borrower.
- Contract Labor for any cost, including benefits, to persons other than the borrower not reported on a W2.
- Rent for the cost paid for any space used by the business.
- Advertising costs for anything associated with promoting the business, such as phone book listings, social media, billboards, radio, television, etc...
- Equipment expense for the cost of any equipment used by the business including rentals.
- Repairs/Maintenance for the cost of parts and labor involved in keeping equipment, goods, or services in usable condition for the continuation of the business.
- Insurance for any bond, or insurance used to protect the business against risk in the operation of the business.
- Any other sales, general, or administration cost of the business for general operation, such as phones, utilities, licenses, office supplies, gas, internet, etc...
- Debt expense for any loans taken by the business in order to continue to operate.
- Any other expense not listed paid by the business in order to continue to operate.

If any of the expenses defined above are not applicable to the borrower's business, please provide a detail explanation in the appropriate comment box in the questionnaire that follows. All fields in the attached questionnaire must be completed.

Any preparer registered to file taxes as a PTIN without another certification (Certified Public Accountant, Annual Filing Season Participant, or Enrolled Agent) must provide verification of at least 2 years tax preparation experience, or a minimum of 50 tax returns filed. Years of experience may be proven by existence of the PTIN's self-employed tax preparation business, or evidence from the PTIN's employer.

## Expense Ratio Program Questionnaire

### Preparer Information

1. Preparer's name: \_\_\_\_\_
2. Preparer's business: \_\_\_\_\_ Years in operation: \_\_\_\_\_
3. Preparer's business address: \_\_\_\_\_
4. Is the preparer self-employed? \_\_\_\_\_
5. How long has the preparer worked for their current company? \_\_\_\_\_
6. PTIN (if applicable): \_\_\_\_\_ Years registered: \_\_\_\_\_
7. What is the preparer's designation or certification?  
CPA          Enrolled Agent          Annual Filing Season Participant (AFSP)          PTIN

### Borrower Information

8. NAICS code of borrower's business: \_\_\_\_\_ (<https://www.naics.com/search/>)
9. Borrower's business type (select one below):  
DBA                  Partnership                  LLC                  Corporation
10. Borrower's percentage of business ownership: \_\_\_\_\_ %
11. Method of business deposits (check all that apply)  
Paypal / Zelle / Venmo  
Check  
Credit Card  
Cash  
Wire
12. Time period review start and end date: \_\_\_\_\_ to \_\_\_\_\_

Please provide a description of the business, including how income is generated, the cost of goods/services sold, marketing, and labor (employees/other):

Explanation for any expense that is not applicable to the borrower's business

- Cost of goods sold:
- Wages/Payroll:
- Other labor:
- Rent:
- Advertising:
- Equipment:
- Maintenance:
- Insurance:
- Debt service:

**EXPENSE RATIO:** \_\_\_\_\_ %

**I, the undersigned person preparing this expense ratio acknowledge and understand the instruction page, and have completely and accurately represented such instructions in determining the expense ratio of the borrower's business. In addition, I acknowledge that no compensation has been received in relation to the application for credit, independence from the borrower, and misrepresentation of information in connection with a mortgage application is a federal crime punishable by monetary fines, and/or imprisonment.**

\_\_\_\_\_  
Signature of preparer

\_\_\_\_\_  
Date