



WHOLESALE ANNOUNCEMENT 2020-35

July 30, 2020

COVID-19 Update- FHA

first community mortgage

FHA

Updated Temporary Guidance for Verification of Self-Employment & Rental Income is effective for case numbers assigned on or after August 12, 2020.

[Mortgagee Letter 2020-23](#)

Self-Employment Income Requirements:

When self-employment income is used to qualify the Borrower, the Mortgagee must verify and document that the income derived from self-employment is stable with a reasonable expectation that it will continue.

The Mortgagee must obtain one of the following to verify and confirm that the business is open and operating:

- evidence of current work (executed contracts or signed invoices that indicate the business is operating on the day the lender verifies self-employment);
- evidence of current business receipts within 10 days of the note date (payment for services performed);
- lender certification that the business is open and operating (lender confirmed through a phone call or other means); or
- business website demonstrating activity supporting current business operations (timely appointments for estimates or service can be scheduled)

Rental Income:

When a borrower is qualifying utilizing rental income, for each property generating rental income the Mortgagee must either:

- Reduce the effective income associated with the calculation of rental income by 25%, or
- Verify 6 months PITI reserves (this option is applicable to Forward only), or
- Verify the borrower has received the previous 2 months rental payments as evidenced by borrower's bank statements showing the deposit. (This option is applicable only for borrowers with a history of rental income from the property).

Please contact your Account Executives with any questions