



DELEGATED CORRESPONDENT ANNOUNCEMENT 2020-07 March 25,2020

Guideline Update

Non-QM and Non-Conforming Jumbo Loan Products:

Due to recent volatility across secondary investors and capital markets, and in order to protect our Correspondent's reputational risk as product and price offerings are changing daily, **FCM Correspondent has suspended all Non-QM and Non-conforming Jumbo programs for a period of 30 days.** Once the market settles down and we can once again offer a reliable and competitive product, FCM will notify all Correspondents. If you have questions about eligibility or pricing of prospect loans in these product families, please contact your FCM Account Executive.

Conventional/Conforming:

FCM is adopting many of Fannie Mae and Freddie Mac's recent policies around temporary flexibilities pertaining to verification of employment and appraisal requirements.

Here are the links to the full bulletins:

[FNMA Lender Letter 2020-04](#)

[FHLMC Bulletin 2020-5](#)

These temporary flexibilities, unless otherwise restricted below, are effective immediately for all loans in process and remain in place for loans with application dates on or before May 17, 2020.

FCM offers the following restrictions to the Fannie/Freddie guidance:

Verbal Verification of Employment:

For all loans closing 3/26/2020 or later, Sellers must obtain a verbal verification of employment within 3 days of the note date. If you are unable to obtain a verbal



verification of employment due to the business being temporarily closed, there must be documentation in the file addressing what efforts have been made to contact the business.

To further support this 3-day requirement, FCM Delegated Correspondent is aligning with one of the VVOE flexibilities offered by Fannie/Freddie:

Written VOE: An email directly from the employer's work email address that identifies the name and title of the verifier and the borrower's name and current employment status may be used in lieu of a verbal VOE.

Note: FCM will not accept a recent paystub or direct deposit verification, as offered by the GSEs.

Day 1 Certainty:

If D1C is used, loan must close by the date indicated on the DU approval, in addition to all other required D1C requirements. Loans with D1C for employment will not require a VVOE within 3 business days provided the close by date in AUS is met.

Verification of Self-Employment:

For all loans closing 3/26/2020 or later all loans with self-employed borrowers must provide verification the borrower's business is still operational within 15 days of the note date. This would NOT include anything created > 15 days of the note date. (Example. Secretary of State print out is not acceptable)

Property Valuations - Appraisal Flexibilities:

If an interior inspection is not able to be obtained, FCM is allowing temporary exceptions to property eligibility and appraisal requirements that align with Fannie and Freddie. There may be instances where there is insufficient information about the property for an appraiser to complete an appraisal assignment with a desktop appraisal or an appraisal with an exterior-only inspection. In these instances, a full appraisal including an interior inspection will be required.

***Note: For all Mortgages with LTV ratios greater than 80%, we require Mortgage Insurance in accordance with Selling Guide requirements. Consult



with mortgage insurance companies to confirm coverage for Mortgages using one of the temporary appraisal flexibilities***

The following table provides appraisal requirements based on Mortgage purpose, loan-to-value (LTV) ratio, occupancy type and Mortgage ownership. For loans sent to FCM for credit underwriting, we require a Desktop Appraisal and UCDP results on all purchases if a traditional full interior/exterior appraisal cannot be performed.

Freddie (these flexibilities are not permitted for Construction Conversion, Renovation or new construction properties):

Permissible appraisal requirements				
Mortgage purpose	LTV ratio	Occupancy type	Ownership of Mortgage being refinanced	Permissible appraisals
Purchase transaction*	Up to 97%	Primary Residence	N/A	Interior and exterior inspection appraisal, desktop appraisal or exterior-only appraisal
	≤85%	Second homes and Investment Properties	N/A	Interior and exterior inspection appraisal, desktop appraisal or exterior-only appraisal
	>85%	Second homes	N/A	Interior and exterior inspection appraisal
No cash-out refinance	As permitted in the Guide	All	Mortgage being refinanced owned by Freddie Mac	Interior and exterior inspection appraisal or exterior-only inspection
			Mortgage being refinanced not owned by Freddie Mac	Interior and exterior inspection appraisal
Cash-out refinance	As permitted in the Guide	All	Mortgage being refinanced owned or not owned by Freddie Mac	Interior and exterior inspection appraisal

Fannie (these flexibilities are not permitted for Construction Conversion, Renovation or new construction properties):

Loan purpose	LTV ratio	Occupancy	Ownership of loan being refinanced	Permissible appraisals (in order of preference)
Purchase*	Per Eligibility Matrix	Principal residence	N/A	Traditional appraisal Desktop appraisal Exterior-only appraisal
	≤ 85%	Second home Investment		Traditional appraisal Desktop appraisal Exterior-only appraisal
	> 85%	Second home		Traditional appraisal
Limited cash-out refinance	Per Eligibility Matrix	All	Fannie Mae-owned	Traditional appraisal Exterior-only appraisal
			Not Fannie Mae-owned	Traditional appraisal
Cash-out refinance			Fannie Mae or not Fannie Mae-owned	Traditional appraisal



Appraisals with exterior-only inspections

The table below provides the appraisal report form that must be used to complete an appraisal with an exterior-only inspection for each property type. Because there are not appropriate exterior-only appraisal report forms available for 2- to 4-unit properties and Manufactured Homes, we will accept an exterior-only appraisal scope of work completed using the applicable forms listed below.

Freddie:

Property type	Acceptable appraisal form
1-unit property, including a unit in a Planned Unit Development (PUD) or a Detached Condominium Unit	Guide Form 2055, Exterior-Only Inspection Residential Appraisal Report
Attached Condominium Unit	Form 466, Exterior-Only Inspection Individual Condominium Unit Appraisal Report
Cooperative Unit	Fannie Mae Form 2095, Exterior Only Individual Cooperative Interest Appraisal Report
2- to 4-unit property	Form 72, Small Residential Income Property Appraisal Report
Manufactured Home	Form 70B, Manufactured Home Appraisal Report

Fannie:

Property Type	Acceptable Appraisal Form
One-unit property, including a unit in a planned unit development (PUD) or a detached condominium unit	<i>Exterior-Only Inspection Residential Appraisal Report (Form 2055)</i>
Attached condominium unit	<i>Exterior-Only Inspection Individual Condominium Unit Appraisal Report (Form 1075)</i>
Cooperative unit	<i>Exterior-Only Individual Cooperative Interest Appraisal Report (Fannie Mae Form 2095)</i>
Two-four unit property	<i>Small Residential Income Property Appraisal Report (Form 1025)</i>
Manufactured home	<i>Manufactured Home Appraisal Report (Form 1004C)</i>



Exhibits for exterior-only inspection appraisals

The following are required in connection with an appraisal with an exterior-only inspection:

- A street map that shows the location of the subject property and of all comparables that the appraiser used
- Clear, descriptive photographs (either in black and white or color) that show the front of the subject property, and that are appropriately identified. (Photographs must be originals that are produced either by photography or electronic imaging); and
- Any other data (as an attachment or addendum to the appraisal report form) that are necessary to provide an adequately supported opinion of market value

Desktop appraisals

For purchase transaction Mortgages, we encourage obtaining a desktop appraisal in lieu of an appraisal with an exterior-only inspection when an interior and exterior inspection is not available.

The minimum scope of work for a desktop appraisal does not include an inspection of the subject property or comparable sales. The appraiser relies on public records, multiple listing service (MLS) information or other third-party data sources to identify the property characteristics.

The table below provides the appraisal report form that must be used to complete the desktop appraisal for each property type.

Freddie:

Property type	Acceptable appraisal form
1-unit property, including a unit in a Planned Unit Development (PUD) or a Detached Condominium Unit	Form 70, Uniform Residential Appraisal Report
Condominium Unit	Form 465, Individual Condominium Unit Appraisal Report
Cooperative Unit	Fannie Mae Form 2090, Individual Cooperative Interest Appraisal Report
2- to 4-unit property	Form 72, Small Residential Income Property Appraisal Report
Manufactured Home	Form 70B, Manufactured Home Appraisal Report



Fannie:

Property Type	Acceptable Appraisal Form
One-unit property, including a unit in a planned unit development (PUD) or a detached condominium unit	<i>Uniform Residential Appraisal Report (Form 1004)</i>
Condominium unit	<i>Individual Condominium Unit Appraisal Report (Form 1073)</i>
Cooperative Unit	<i>Individual Cooperative Interest Appraisal Report (Fannie Mae Form 2090)</i>
2-4 Unit Property	<i>Small Residential Income Property Appraisal Report (Form 1025)</i>
Manufactured Home	<i>Manufactured Home Appraisal Report (Form 1004C)</i>

Exhibits for desktop appraisals

Each desktop appraisal must include the following exhibits:

- Photographs of the subject property. we recognize it may be challenging in some instances to obtain photographs; however, it is expected that the appraiser utilizes available means to obtain relevant pictures of the subject property.
- A location map indicating the location of the subject and comparables.

Additional form instructions for appraisals

For an appraisal with an exterior-only inspection or a desktop appraisal that is completed on a form for an interior and exterior inspection (e.g., [Form 70](#)), as permitted above, the appraisal report must include, in the “Map Reference” field, the corresponding text identifier that verifies the type of appraisal completed; specifically, “exterior” or “desktop”.



DELEGATED CORRESPONDENT ANNOUNCEMENT 2020-11 April 1,2020

Guideline Update

Conventional:

[FNMA Updates LL-2020-03](#)

[FNMA Appraisals LL-2020-04](#)

[Freddie Updates Bulletin 2020-8](#)

The following updates are effective immediately for DU and LP files unless differentiated below.:

Age of documentation

In order to ensure that the most up-to-date information is being considered to support the borrower's ability to repay, we are updating our age of documentation requirements for all loans (existing and new construction) as follows:

- We are modifying **age of document requirements from four months (120 days) to two months (60 days) for most income and asset documentation.** If an asset account is reported on a quarterly basis, the lender must obtain the most recently issued quarterly statement.
- When the lender receives employment and income verification directly from a **third-party employment verification** vendor, we are now requiring that the **information in the vendor's database be no more than 60 days old** as of the note date.
- There are no changes to the age of documentation requirements for military income documented using a Leave and Earnings Statement, Social Security, retirement income, long-term disability, mortgage credit certificates, public assistance, foster care, or royalty payments, and the lender can continue to apply standard age of document requirements.
- Due to the federal income tax filing extension granted through Jul. 15, 2020, we are eliminating the following documentation requirements. These normally apply for income types that require copies of federal income tax

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returns when the mortgage has an application or disbursement date between Apr. 15th and Jul. 15th:

- a copy of the IRS Form 4868 (*Application for Automatic Extension of Time to File U.S. Individual Tax Return*), and
- IRS Form 4506-T (*Request for Transcript of Tax Return*) transcript confirming “No Transcript Available” for the 2019 tax year.

Verification of Self Employment

When a borrower is using self-employment income to qualify, the lender must verify the existence of the borrower’s business within 120 calendar days prior to the note date. Due to latency in system updates or recertifications using annual licenses, certifications, or government systems of record, lenders must take additional steps to **confirm that the borrower’s business is open and operating**. The lender must confirm this **within 10 business days prior to the note date**.

Below are examples of methods the lender may use to confirm the borrower’s business is currently 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 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).

Stocks, Stock Options, and Mutual Funds

In light of current market volatility, we are making the following updates when the borrower is using stocks, stock options, or mutual funds for assets:

- When used for down payment or closing costs, evidence of the borrower’s actual receipt of funds realized from the sale or liquidation must be documented in all cases.



- When used for reserves, only 70% of the value of the asset must be considered, and liquidation is not required.

Power of Attorney Additional Options

FCM is in the process of reviewing this and will provide more information when available.

Remote Online Notaries

FCM is in the process of reviewing this and will provide more information when available.

Flexibilities for new construction loans:

For new construction properties where the appraisal is “subject to completion per plans and specifications,” and also when the property is 100% complete but an interior and exterior inspection appraisal cannot be completed, we will permit a desktop appraisal on the forms identified in the following table. These requirements apply to purchase transactions only and exclude all construction-to-permanent loans.

FNMA:

Property Type	Acceptable Appraisal Form
One-unit property, including a unit in a planned unit development (PUD) or a detached condominium unit	<i>Uniform Residential Appraisal Report (Form 1004)</i>
Condominium unit	<i>Individual Condominium Unit Appraisal Report (Form 1073)</i>
Cooperative unit	<i>Individual Cooperative Interest Appraisal Report (Fannie Mae Form 2090)</i>
Two- to four-unit property	<i>Small Residential Income Property Appraisal Report (Form 1025)</i>
Manufactured home	<i>Manufactured Home Appraisal Report (Form 1004C)</i>

To accommodate the desktop appraisal on the existing Fannie Mae forms, the revised scope of work, statement of assumptions and limiting conditions, and certifications must accompany the form. Additionally, as noted below, the



appraiser must identify a desktop appraisal was performed by populating the *Map Reference* field on the appraisal with “desktop.”

Freddie Mac:

Property type	Acceptable appraisal form
1-unit property, including a unit in a Planned Unit Development (PUD) or a Detached Condominium Unit	Guide Form 70, Uniform Residential Appraisal Report
Condominium Unit	Form 465, Individual Condominium Unit Appraisal Report
Cooperative Unit	Fannie Mae Form 2090, Individual Cooperative Interest Appraisal Report ↗
2- to 4-unit property	Form 72, Small Residential Income Property Appraisal Report
Manufactured Home	Form 70B, Manufactured Home Appraisal Report

To accommodate the desktop appraisal using the existing Freddie Mac forms, the revised scope of work, statements of assumptions and limiting conditions provided as [Attachment A to Bulletin 2020-5](#) must accompany the form. Additionally, as stated in [Bulletin 2020-5](#), the appraiser must identify that a desktop appraisal was performed by populating the Map Reference field on the appraisal with "desktop."

Documentation requirements for new construction loans

If construction of the property has not yet begun or is partially complete, and the appraisal report will be completed “subject to completion per plans and specifications,” the lender must provide the appraiser with, or ensure that the builder has provided the appraiser with the following:

- Plans and specifications
- Survey and/or plot plan
- Current photos of the subject property
 - If construction has not yet begun, a photograph of the site and down the street in both directions
 - If construction is partially complete, a photograph is required of the following:
 - A front view of the subject property
 - A rear view of the subject property
 - A street scene (i.e., a photograph down the street in both directions)



- The following interior photos are required when construction is at a stage in which they are available
 - The kitchen of the subject property
 - All bathrooms of the subject property
 - The main living area of the subject property
 - Basement, including all finished rooms
- A copy of the complete, ratified sales contract, and all addenda

If construction of the property is 100% complete, and the appraisal report will be completed “as is,” the lender must provide the appraiser with, or ensure that the builder has provided the appraiser with the following:

- Plans and specifications
- Survey and/or plot plan
- Current photos of the subject property
 - A front view of the subject property
 - A rear view of the subject property
 - A street scene (i.e., a photograph down the street in both directions)
 - The kitchen of the subject property
 - All bathrooms of the subject property
 - The main living area of the subject property
 - Basement, including all finished rooms
- A copy of the complete, ratified sales contract, and all addenda

Builder Certification

The lender must obtain a signed [Builder Certification](#) attesting that the information provided is true and correct. This certification must be included in the loan file.

Completion reports for new construction properties

For new construction properties where the appraisal report was completed “subject to completion per plans and specifications,” if the lender is unable to obtain a completed *Appraisal Update and/or Completion Report* (Form 1004D/442) as a result of COVID-19 related issues, we will accept the [Completion of Construction Certification](#).



Conventional section of DC ANNOUNCEMENT 2020-16
April 21, 2020 access the full Announcement under
News&Announcements

Updates to COVID-19 Flexibilities

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[FNMA Lender Letter \(LL-2020-04\)](#)

[Freddie Mac Bulletin 2020-11](#)

Condo Flexibilities:

Waiver of project review

- Effective immediately, FNMA and Freddie Mac are extending project review waiver flexibilities for loans with LTV ratios greater than 80% and up to 90%. This flexibility applies to Fannie Mae-owned/Freddie Mac owned, limited cash-out/no cash-out refinance transactions for owner-occupied condo units only. Second homes and investment transactions are excluded. When applying this flexibility, lenders must confirm the project meets the following, existing requirements:
 - the litigation requirements, and
 - all policies in Waiver of Project Review, for all loans with LTV ratios greater than 80% using the waiver of review/exempt from review requirements for Fannie Mae-owned/Freddie Mac owned limited cash-out/no cash-out refinance transactions.
- On FNMA loans, lenders must provide Project Type Code V in the loan delivery data file for these transactions. The use of other Project Type Codes may result in fatal edits at loan delivery.
- On Freddie Mac loans, sellers must deliver ULDD Data Point, Project Classification Identifier as “Exempt From Review”.

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Project documents used in project reviews

- When a budget review is required on an established project, we will accept the budget from the 2019 fiscal year if the current year's budget has not yet been ratified due to issues related to COVID-19. To utilize this flexibility, the lender must confirm the project currently meets the HOA dues delinquency requirements.

NOTE: *New projects are excluded from this flexibility.*

Update to Appraisal Flexibilities/Updates:

Map Reference Field for Desktop Appraisals

FNMA and Freddie Mac are clarifying that the map reference field on the appraisal report may only contain the word "desktop". No other words or phrases may be used or included.

New Construction Appraisal Flexibility

- FNMA and Freddie Mac will now allow a desktop appraisal on purchase transactions, including new construction.

DU Validation Service Updates:

Unless otherwise specified below, these changes will apply to all new DU Version 10.3 loan casefiles created on or after April 18, 2020, until further notice.

Age of documentation

- The age of documentation requirements will be updated for income and asset verification reports. Prior to this update, these reports could not be more than 120 days old on the closing date. Starting April 18, 2020, the DU validation service will require that vendor reports used in the validation of



wage-related income (base, bonus, overtime, commission) are no more than 30 days old on the closing date, and vendor reports used in the validation of assets are no more than 60 days old on the closing date. The DU messages will be updated to provide the 'close by date' in alignment with these changes.

Market-based assets

- Prior to this update, when validating assets, the DU validation service considered both depository accounts (checking, savings, certificates of deposit, and money market accounts) and investment accounts (stocks, mutual funds, retirement funds). Due to current market conditions, starting April 18, 2020, the DU validation service will no longer consider the value of any investment accounts when validating assets, even when such accounts appear on the asset report.

Remote Ink-Signed Notarization (RIN)

Some states have recently issued Executive Orders allowing RIN including GA, TN and AL. Other states are currently reviewing and may be adding similar provisions during the National Pandemic. Loan originators are encouraged to consult with their settlement agents to see if this temporary flexibility is available.

Please see the attached FNMA Job Aid for further guidance. FCM will require settlement agents to be able to meet all recommendation outlined by FNMA.

[Remote Ink-Signed Notarization \(RIN\) Job Aid](#)



DELEGATED CORRESPONDENT ANNOUNCEMENT 2020-21

May 5, 2020

Guideline Update

FNMA and Freddie Mac have issued new guidance around unemployment and furloughed borrowers.

Unemployment Benefits:

Unemployment benefits cannot be used to qualify a borrower unless they are clearly associated with seasonal employment that is reported on the borrower's signed federal income tax returns. We recognize that many unemployed and furloughed individuals are eligible for unemployment benefits under the CARES Act; however, unemployment compensation is short-term in nature and is therefore not a reliable and predictable source of income for borrowers who are not established seasonal workers.

Furloughed Borrowers:

The COVID-19 pandemic has resulted in an increase in furloughed employees. A furlough is a suspension from active employment that does not typically guarantee restoration of an employee's position when the furlough period ends. Until furloughed employees actually return to work, they are unable to provide evidence of a stable and reliable flow of employment-related income and are therefore ineligible under our Temporary Leave Income policy



USDA Loan Limits:

As of May 4, 2020, the standard USDA loan income limit for 1-4 member households is \$90,300 or \$119,200 for 5-8 member households in most U.S. counties. Total household income should not exceed these limits to be eligible for a USDA home loan, but income limits can vary by location to account for cost of living.



DELEGATED CORRESPONDENT ANNOUNCEMENT 2020-24

May 26, 2020

COVID-19 Update

On May 20, 2020, the FHFA, FNMA and Freddie Mac came out with guidance for mortgage lenders regarding borrowers who are in forbearance or who have recently come out of forbearance (for any mortgage reporting in their name, including co-signed loans and non-occupant borrowers). FCM is following their guidance.

- Borrowers are eligible to refinance or purchase a new home if they are current on their mortgage (in forbearance but continued to make their mortgage payments or reinstated their mortgage).
- Borrowers are eligible to refinance or purchase a new home three months after their forbearance ends and they have made three consecutive payments under the payment plan or payment deferral option or loan modification.

For the purposes of these requirements, “current” means the borrower has made all mortgage payments due in the month prior to the note date of the new loan transaction by no later than the last business day of that month. Examples of acceptable additional due diligence methods to document the loan file include:

- a loan payment history from the servicer or third-party verification service,
- a payoff statement (for mortgages being refinanced),
- the latest mortgage account statement from the borrower, and
- a verification of mortgage.

A borrower who is not current and has missed payments on any mortgage loan is eligible for a new mortgage loan if those missed payments were resolved in accordance with the requirements in the table below.



Resolution Method	Eligibility
Reinstatement	If the borrower resolved missed payments through a reinstatement, they are eligible for a new mortgage loan. The lender must document the source of funds in accordance with eligible sources of funds in the <i>Selling Guide</i> , if the reinstatement was completed after the application date of the new transaction. Proceeds from a refinance may not be used to reinstate any mortgage loan.
Loss Mitigation Solution	<p>If outstanding payments will be or have been resolved through a loss mitigation solution, the borrower is eligible for a new mortgage loan if they have made at least three timely payments as of the note date of the new transaction as follows:</p> <ul style="list-style-type: none"> ▪ For a repayment plan, the borrower must have made either three payments under the repayment plan or completed the repayment plan, whichever occurs first. Note that there is no requirement that the repayment plan be completed. ▪ For a payment deferral, the borrower must have made three consecutive payments following the effective date of the payment deferral agreement. ▪ For a modification, the borrower must have completed the three-month trial payment period. ▪ For any other loss mitigation solution not listed above, the borrower must have successfully completed the program, or made three consecutive full payments in accordance with the program. <p>Verification that the borrower has made the required three timely payments may include:</p> <ul style="list-style-type: none"> ▪ a loan payment history from the servicer or third-party verification service, ▪ the latest mortgage account statement from the borrower, and ▪ a verification of mortgage. <p>If these requirements are met on an existing mortgage loan being refinanced, the new loan amount can include the full amount required to satisfy the existing mortgage.</p>

We are not considering payments missed during the time of a COVID-19-related forbearance that have been resolved to be historical delinquencies for purposes of the excessive mortgage delinquency policy. This flexibility does not apply to high LTV refinance loans.

At this time, no guidance has been provided for FHA, USDA or VA regarding borrowers that have entered forbearance. We will provide an update as soon as we receive guidance.



DELEGATED CORRESPONDENT ANNOUNCEMENT 2020-27

June 11, 2020

COVID-19 Update

Conventional

Effective for all loan applications dated on or after June 11, 2020, FCM is adopting the following guidance from FNMA and FHLMC. The links to their bulletins are listed below:

[Lender Letter \(LL-2020-03\)](#)

[Bulletin 2020-19](#)

Self-Employment Income Requirements:

Minimum Additional Documentation Requirements:

- A *CPA audited* year-to-date profit and loss statement reporting business revenue, expenses, and net income up to and *including the most recent month preceding the loan application date*;
OR
- an *unaudited year-to-date profit and loss statement signed by the borrower* reporting business revenue, expenses, and net income up to and including the most recent month preceding the loan application date, **PLUS** two business depository account(s) statements no older than the latest two months represented on the year-to-date profit and loss statement.
 - For example, the business depository account statements can be no older than Apr. and May for a year-to-date profit and loss statement dated through May 31, 2020.
 - The lender must review the two most recent depository account statements to support and/or not conflict with the information presented in the current year-to-date profit and loss statement. Otherwise, the lender must obtain additional statements or other documentation to support the information from the current year-to-date profit and loss statement.



- **NOTE:** *The year-to-date profit and loss statement must be no older than 60 days old as of the note date consistent with current Age of Documentation requirements below.*

Here is the direction provided to lenders from Fannie Mae. The underwriter is expected to review the business operations for viability beyond the updated revenue/expense comparison:

Assessing the Impact of COVID-19	
Business Operations	<ul style="list-style-type: none"> • Have business operations been maintained or modified to support continued business income? <i>For example, review an updated business plan.</i> • Is the business continuing to operate in the current location or an alternate location suitable for business operations? <i>For example, perform an Internet search or verify through a third-party source.</i> • Is there a demand for the product or service currently offered by the business? <i>For example, obtain current business receipts or purchase contracts.</i> • Is the business operation and/or revenue temporarily restricted due to state shelter in place, stay at home or other similar state or local orders? • Is the impact to the business operations negligible due to the nature of the business? <i>For example, obtain a written explanation from the business owner or confirmation that income is seasonal apart from the event timeline.</i>
Business Income	<p>Complete a business income assessment by comparing the year-to-date net business income from the year-to-date profit and loss statement to historical business income calculated using the <i>Cash Flow Analysis</i> for a similar timeframe (such as monthly).</p> <p>Example</p>

	<p>Historical monthly self-employment income calculated using Form 1084 = \$2,000</p> <p>Current level of stable monthly self-employment income as determined by the lender using details from the year-to-date profit and loss statement and other supplemental documentation = \$1,000</p> <p>The impact of the COVID 19 pandemic on current business income results in a 50% decline from historical levels. See Business Income Calculation Adjustment below for next steps.</p>
<p>Business Stability</p>	<ul style="list-style-type: none"> • Does the profit and loss identify a significant imbalance between expenses and revenue that may impact financial stability? Or have modifications to current business operations been made to correct this imbalance? (Consider documenting with an updated business plan) • Do prior year business tax returns demonstrate ample financial liquidity due to a history of retained earnings? • Do current business account balances (excluding Paycheck Protection Program (PPP) or other similar COVID-19 related loans or grants) support the financial ability of the business to operate given current market and economic conditions? <p>A current balance sheet may be used to support the lender's determination of business stability, in conjunction with the profit loss statement.</p>

Business Income Calculation Adjustment

When it is determined the current year net business income has been impacted by the COVID-19 pandemic and is:

- LESS than the historical monthly income calculated, but is stable at its current level, the lender must reduce the amount of qualifying income calculated to no more than the current level of stable income as determined by the lender (see Business Income above).



- MORE than the historical income calculated, the lender must use no more than the currently stable level of income calculated to qualify the borrower.

In all cases, qualifying income must be supported by documentation, including any supplemental documentation obtained by the lender.

Business Assets

Proceeds from the Small Business Administration PPP or any other similar COVID-19 related loans or grants are not considered business assets.