



**Announcement 2020-073
June 11, 2020**

Conventional Self-Employed Updates

Eligible Channels

- Correspondent

Temporary Guidance for Self-Employed Borrowers

Effective for application received dates on or after June 11, 2020, the following guidelines apply for self-employed borrowers and are based on direction announced in Fannie Mae [LL-2020-03](#) and Freddie Mac [Bulletin 2020-19](#).

Extra due diligence must be practiced to understand the impact of the pandemic on a borrower’s business revenue and expenses and to determine stability and continuance of income. Each business and business situation will be different. This includes borrowers who receive a large portion or all of the income from commission or variable income. Their income may be impacted in similar ways as self-employed borrowers.

Required Documentation

Please refer to the Temporary Guidance for Self-Employed Borrowers located in Tools & Tutorials for full details.

Additional documentation will now be required to determine the stable and reliable flow of income. Please note that the text in red denotes a NewRez overlay of agency guidelines for non-delegated clients.

Provide all documentation from one of the following options:

Option:	Documentation:
Option One	<ul style="list-style-type: none">• Unaudited 2020 YTD P&L broken out by quarter (Jan to March, April to June, etc.), signed by the borrower. Month to month or additional documentation may be necessary to show income trending• Unaudited 2019 P&L, if 2019 tax returns not filed, signed by the borrower• Two months of business bank statements no older than the latest two months shown on the YTD P&L
Option Two	<ul style="list-style-type: none">• Audited 2020 YTD P&L• Audited or unaudited 2019 P&L, if 2019 tax returns not filed, signed by the borrower

- Year-to-Date Profit and Loss Statement must



- Cover most recent month preceding application date
- Be dated no more than 30 calendar days prior to Note date (Non-Delegated Clients)
- Be dated no more than 60 calendar days prior to Note date (Delegated Clients)
- Report business revenue
- Report business expenses
- Report Net Income

Also, the following must be provided:

- NewRez Income Worksheet or other Cash Flow Analysis form
- Bank Statement and Profit and Loss Statement comparison worksheet (must be completed for Non-Delegated Clients, and will be located in Tools & Tutorials)
- Written analysis of all businesses owned explaining the following:
 - Nature of the business
 - How the business operates in a typical environment
 - How the business generates income
 - Where the business operates (remotely or within an office)
 - Number of employees
- Updated business plan or similar detailed explanation from borrower, as applicable
- Business receipts or purchase contracts, as applicable
- Additional information based on review below

Assessing Impact to Business

- Establish that borrower's income is stable and likely to continue at the same level being used for qualifying.
- Know the economic conditions related to borrower's business.
- Documentation and analysis of business must support that business has sufficient liquidity and is financially capable of producing stable monthly income for borrower.
- Consider pandemic-related factors, as outlined in the Temporary Guidance for Self-Employed Borrowers

Establishing Monthly Income and Stability

Establish current level of stable monthly income from provided documentation and compare Year-end P&L to YTD P&L net business income to the most recent tax return(s) or 2019 YTD P&L using a Cash Flow Analysis.

Additional documentation may be required to supplement the P&L to make the determination.



Business Assets

Loan proceeds from SBA PPP or other similar COVID-19 related programs are not considered business assets for the purposes of eligible funds to qualify, including funds for down payment, closing costs and reserves.

Previously Announced Temporary Guidance and Resources

For additional information, below are links to Fannie Mae and Freddie Mac Frequently Asked Questions

- [Fannie Mae FAQ](#)
- [Freddie Mac FAQ](#)

Remember that NewRez is not adopting all flexibilities in the Fannie Mae and Freddie Mac announcements, therefore some guidelines in their announcements and FAQ may not apply.

Correspondent

The product profiles will not be updated with the temporary guidelines related to COVID-19 (with the exception of credit score updates). Refer to the following previously issued announcements.

- Annc 2020-026 COVID-19 (3/25/20)
- Annc 2020-031 Suspension of Tax Transcripts (3/30/20)
- Annc 2020-041 Correspondent Attestation (4/3/20) and Forbearance Attestation
- Annc 2020-044 COVID-19 Additional Conforming Updates (4/9/20)
- Annc 2020-048 COVID-19 Conventional Updates – Property (4/17/20)