

## Verification of All Mortgages and Self-Employed Borrowers

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### Purpose

This announcement includes the following topic:

- ✓ Verification of All Mortgages – temporary guidance
  - ✓ Self-Employed Borrowers – temporary guidance
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### Verification of All Mortgages – temporary guidance

As announced in Fannie Mae LL-2020-03 updated 5/19/20 and Freddie Mac Bulletin 2020-17 updated 5/19/20, *in addition to reviewing the credit report*, due diligence is required for each mortgage the borrower is obligated which includes co-signed mortgages and mortgages that are not related to the subject transaction (i.e.: investment properties, second homes) to verify that the payments are current as of the note date of the new loan.

Acceptable due diligence documentation includes:

- ✓ a payment history from the servicer or a third-party verification service
  - ✓ payoff statement for the loan being refinanced
  - ✓ the borrower's most recent mortgage statement
  - ✓ Verification of Mortgage (VOM)
- For a loan to be considered current, the borrower must have made all original, full mortgage payments due in the month prior to the note date of the new loan by the last business day of that month.

*Note: Above temporary guidance is effective with all applications dated on or after June 2, 2020.*

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## Verification of All Mortgages and Self-Employed Borrowers, Continued

**Self-Employed  
Borrowers –  
temporary  
guidance**

Due to the ongoing impact of the COVID-19 pandemic, *effective immediately*, the following is required:

- ✓ a written analysis of the self-employed income amount and justification of the determination that the income used to qualify was stable.
- ✓ In addition to the regular self-employed tax return requirements, one of the below additional documentation options must be obtained:

Option 1	<ul style="list-style-type: none"> <li>• An unaudited YTD Profit &amp; Loss Statement (P&amp;L) signed by the Borrower that reports business revenue, expenses and net income. The information on the YTD P&amp;L must cover the most recent month preceding the application date and be dated no more than 60 calendar days prior to the Note date <b>AND</b></li> <li>• Two (2) months' business account statements no older than the latest two (2) months represented on the YTD P&amp;L             <ul style="list-style-type: none"> <li>○ For example, if the YTD P&amp;L is through 5/31/20, the business account statements can be no older than for April and May</li> <li>○ Personal asset account statements evidencing business deposits and expenses may be used when the borrower is the owner of a small business and does not have a separate business account</li> </ul> </li> </ul>
Option 2	<ul style="list-style-type: none"> <li>• An audited YTD P&amp;L reporting business revenue, expenses and net income. The information in the YTD P&amp;L must cover the most recent month preceding the application received date and be dated no more than 60 calendar days prior to the note date.</li> </ul>

*Note: Additional documentation may need to be obtained to supplement the minimum required documentation shown above in order to effectively assess the impact of the pandemic on the business.*

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Issue Date 06/08/20

Effective Date As Noted

GA 2020-020

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## Verification of All Mortgages and Self-Employed Borrowers, Continued

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**Effective Date** As Noted

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**Question** Retail – Please contact your Manager  
Mod Corr – Please contact your Account Executive

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