



MFM Bulletin: 008-2022

Date: February 3, 2022

Subject: Fannie Mae and Freddie Mac COVID-19 Policy Updates

On February 2, 2022, Fannie Mae and Freddie Mac issued bulletins making significant changes to current COVID-19 policies for Self-Employed borrowers and clarifying which policies are still in effect.

These changes are effective immediately and apply to all loan in process, not just new applications. If the most recent federal income tax returns are dated before 2020, lenders must continue to apply the prior requirements.

Self Employed Borrowers

Effective immediately both Fannie Mae and Freddie Mac are lifting the temporary COVID-19 requirements for borrowers with qualifying income derived from self-employment, provided the most recent federal income tax returns are not older than 2020. **This means a current Profit and Loss statement and three months of business bank statements are no longer required.** MFM currently requires 2020 tax returns on all self-employed borrowers.

However, if the analysis of self-employed income reflects that the Borrower's income significantly decreased from 2019 to 2020, then we may need additional documentation to support the determination that income used to qualify the Borrower is stable and likely to continue for the next three years. It may be necessary to obtain an additional year's tax returns or other documentation to determine the stability of income.

The following requirements for Verification of Self-employment still apply to all loans using self-employment income to qualify:

- We must verify 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
- We must also confirm the borrower's business is open and operating within 20 business days of the closing. 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 20 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).



Status of Current Mortgages

We must continue to verify each mortgage loan on which the borrower is obligated, including co-signed mortgage loans and mortgage loans not related to the subject transaction is current as of the closing date of the new transaction.

This means we must verify 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 documentation are:

- A payoff statement (for mortgages being refinanced),
- The latest mortgage account statement from the borrower, or
- A verification of mortgage.

COVID-19 Related Forbearance

The current guidance for borrowers who are not current due to a written COVID-19 related forbearance plan and have missed payments on any mortgage loan are eligible for a new mortgage loan if those missed payments were resolved in accordance with the requirements in the table below. A copy of the forbearance agreement is required.

Resolution Method	Eligibility
Reinstatement	If the borrower resolved missed payments through a reinstatement, they are eligible for a new mortgage loan. The source of funds to reinstate the loan must be documented and a letter from the servicer stating the borrower is no longer in Forbearance is required. Proceeds from a refinance may not be used to reinstate any mortgage loan.
Loss Mitigation Solution	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: <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: 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



	<p>program. 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○ The latest mortgage account statement from the borrower○ 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>
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Please contact the MFM Underwriting department (underwriting@memberfirstmortgage.com) if you have any questions or concerns.

Thank you