



# Seller Guide Update



SEL-2021-044: Update to Requirements and Guidance Related to COVID-19 for Self Employed Borrowers

August 6, 2021

- Correspondent Lending
- Housing Finance Agency (HFA)

## Summary

Underwriting/Delivery	
<input checked="" type="checkbox"/>	Corr. Delegated
<input checked="" type="checkbox"/>	Corr. Non-Delegated
<input checked="" type="checkbox"/>	Corr. EZD
<input checked="" type="checkbox"/>	Corr. Mandatory
<input checked="" type="checkbox"/>	HFA Delegated
<input checked="" type="checkbox"/>	HFA Non-Delegated
Products	
<input checked="" type="checkbox"/>	Conv. (Freddie)
<input checked="" type="checkbox"/>	Conv. (Fannie)
<input type="checkbox"/>	Conv. (Portfolio)
<input type="checkbox"/>	FHA
<input type="checkbox"/>	VA
<input type="checkbox"/>	Rural Development

Effective immediately, U.S. Bank is updating the COVID 19 documentation requirements outlined in **SEL-2020-095 (12/4/20)** when assessing borrowers who own more than one business. For ease of finding these changes, the updated guidance is notated in **green** below.

U.S. Bank must comply with the following Agency requirements when assessing income derived from self-employment in order to determine if income is stable. The mortgage file must include a written analysis of the self-employed income amount and justification of the determination that the income used to qualify the borrower is stable.

### Updated Minimum additional documentation requirements

At a minimum, the following additional documentation must be obtained when assessing income from self-employment:

**Option 1:** U.S. Bank is required to determine if the business revenue documented in the unaudited YTD profit and loss statement supports the level of revenue documented on the business account statements.

- An unaudited year-to-date (YTD) profit and loss statement that is signed by the Borrower and reports business revenue (i.e., gross receipts or sales), expenses and net income. The information in the YTD profit and loss statement 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, and
- Three months business account statements no older than the latest three months represented on the YTD profit and loss statement
  - For example, if the YTD profit and loss statement is through October 31, 2020, the business account statements can be no older than Aug, Sept and Oct.
  - Personal asset account statements evidencing business deposits and expenses may be used when the Borrower is an owner of a small business and does not have a separate business account

Or...

### Option 2:

- An audited YTD profit and loss statement reporting business revenue (i.e., gross receipts or sales), expenses and net income. The information in the YTD profit and loss statement 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.



## Summary, continued

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**Note:** U.S. Bank may need to obtain additional documentation to supplement the minimum required documentation in order to effectively assess the impact of the pandemic on the business.

When borrower owns more than one business, it is acceptable to document only that one business when it can fully support the loan transaction including any other business losses. Business income remains ineligible to be used as qualifying income if not properly documented.

**Example - Borrower owns five businesses:**

- Income from business A is sufficient for qualifying the loan request and handling all other borrower obligations including losses from other businesses.
- Business B & C show losses on personal tax returns and are counted against business A income for income qualifying purposes.
- Business D & E show profit on personal tax return but income not used to qualify.

In this example only business A is fully documented while business B-C-D-E documentation can be waived only with Underwriter comments to support and justify the decision.

**Reminders:**

- For Agency only, when using a borrowers W2 (non-Self Employed) income and the borrower or spouse has a secondary (e.g. in home sales) Self-Employed business, when no income and/or loss from this business is being used for loan qualification, this business can be disregarded and no additional documentation is required.
- The minimum documentation requirement no longer applies to a self-employed income source that is NOT relied upon for income qualification and justification should be included.

**Guide Update:** COVID-19 Frequently Asked Questions (FAQ)

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## Questions



**Correspondent:** Please contact your Account Executive or the Client Support Area at 800.200.5881, option 1.

**HFA:** Please contact the Housing Finance Agency Hotline at 800.562.5165, option 1 for the HFA Customer Care Team.

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