

May 29, 2020

Fannie Mae and Freddie Mac Update Origination Guidance Based on COVID-19

by the Mortgage Banking Group

On May 28, 2020, Fannie Mae in updates to [Lender Letter 2020-03](#) and [Lender Letter 2020-04](#) and Freddie Mac in [Bulletin 2020-19](#) updated their temporary origination requirements based on COVID-19.

Both Fannie Mae and Freddie Mac address the underwriting of borrowers with self-employment income, and advise that the new temporary requirements must be applied to applications made on or after June 11, 2020, and sellers are encouraged to apply the new requirements to existing applications. In view of the continuing impact of COVID-19 on businesses, the agencies are requiring additional documentation regarding self-employment income. In particular, the seller must obtain:

1. An audited year-to-date profit and loss statement reporting business revenue, expenses, and net income that includes the most recent month preceding the loan application date, and is dated no more than 60 days before the note date; or
2. An unaudited year-to-date profit and loss statement signed by the borrower reporting business revenue, expenses, and net income that includes the most recent month preceding the loan application date, and is dated no more than 60 days before the note date. In addition to the unaudited year-to-date profit and loss statement, the seller must obtain two business deposit account statements that are no older than the two latest months represented on the statement. For example, for a profit and loss statement that is dated through May 31, 2020, the business account statements must be no older than April and May 2020.

The agencies also provide guidance on the assessment of the business income, and note that in some cases the seller may need to obtain additional documentation.

Fannie Mae also addresses HomeStyle Renovation loans, and Freddie Mac also addresses CHOICERenovation mortgages, delivery requirements for no cash-out refinance mortgages, and the purchase of delinquent mortgages in forbearance.