

Self-Employed Borrower Document Checklist

In response to the economic instability brought on by COVID-19, Fannie, Freddie and our Jumbo investors are requiring additional documentation for Self-Employed Borrowers to show up-to-date profitability and loss (P&L) and support stability of income of their companies.

“Income from a business that has been negatively impacted by changing conditions is not necessarily ineligible for use in qualifying the borrower,” said Fannie Mae’s recent lender letter¹. “However, the lender is required to determine if the borrower’s income is stable and has a reasonable expectation of continuance.”

Standard Self-Employed Borrower Documentation Requirements:

- 2 most recent years personal 1040 Tax Returns with all pages, schedules and worksheets
 - If on extension, please provide extension
- AND** 2 prior years
- 2 most recent years 1065, 1120, or 1120S Business Tax returns, including your K-1 attachments

NEW Additional Documentation Now Required:

- A Year-to-Date **Audited** P&L as of the most recent month preceding application²
- OR**
- Self-Prepared Year-to-Date P&L as of the most recent month preceding application **AND**
- 2 months most recent Business Bank Statements that coincide with the last 2 months on the P&L²

If You Do Not Have Business Bank Accounts, Provide the Following:

- 2 months most recent Personal Bank Statements that coincide with the last 2 months on the P&L²
- Itemized income deposits and personal expenses³

NEW Additional Documentation Requirements for Jumbo Loans:

- Same as above, except each quarter should be separated on the Profit and Loss Statement

NOTE: Additional documentation may be required based on the loan program and nature of the business.

1-<https://singlefamily.fanniemae.com/media/22316/display>

2-For example, if your application date is 7/15/2020, then the P&L must be 1/1/2020 through 6/31/2020. If business bank statements are required, the statements covering May 2020 and June 2020 must be provided.

3-Expenses that are not documented as personal expenses will be considered business expenses

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Contact your loan officer with any specific questions or concerns.

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