

# WHOLESALE BULLETIN

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## 20W-069

Attention: AEs, Business Development Managers & Mortgage Brokers

May 13, 2020

Please take a moment to read the important information contained in this bulletin.

Included in this Bulletin: **RESCINDED 6/5/20. REFER TO 20W-080**

**Temporary Self Employment Guidance During COVID-19**

Mountain West Financial® (MWF) is dedicated to making quality loans that provide a benefit to the borrower. MWF has been reviewing self-employed borrowers and based on the data MWF has created the following temporary guidance. This guidance will be reevaluated as we work through the COVID-19 pandemic impact.

Many self-employed borrower's income streams are being impacted by the COVID-19 pandemic potentially impacting the borrower's ability to repay. The agencies require the lender to do additional due diligence to confirm the borrower's business is open and operating. MWF is required to insure continuity of income guidelines are being met due to the current economic climate.

As tax returns are not required to be filed until July 15, 2020, MWF will require 2018 personal and business tax returns (as applicable to AUS findings), a 2019 Full Year P&L, and 2020 YTD P&L. If there is more than a 10% increase in income on the 2019 P&L over 2018 then 2019 personal tax transcripts will be required. Otherwise follow current transcript flexibilities as previously announced in bulletin 20W-25.

The fact that the self-employed business has received a PPP loan (Paycheck Protection Program - Small Business Administration) does NOT affect our decision. However, cash from the PPP loan cannot be used as funds for down payment or closing costs.

### ESSENTIAL BUSINESS

As this environment changes daily and differently state by state, this list is a guide only and is not all inclusive. If the business is deemed an **Essential Business which is open and operating**, the **self-employed income can continue to be used in the transaction.**

### Calculation of income/reserves

**When the primary source of income is self-employment MWF will now require 6 months PITI reserves.** In lieu of 6 months of reserves, we will reduce the self-employment income by

25% qualifying at 75% of income earned.

**Essential businesses include:**

- Healthcare operations and businesses that operate, maintain, or repair essential infrastructure
- Grocery stores, certified farmer's markets, farm and produce stands, supermarkets, food banks, convenience stores, and other establishments that sell unprepared food, canned food, dry goods, non-alcoholic beverages, fresh fruits and vegetables, pet supply, fresh meats, fish, and poultry
- Retailers that sell hygienic products, and household consumer products necessary for personal hygiene or the habitability, sanitation, or operation of residences
- Food cultivation, including farming, livestock, and fishing (including indoor plant stores and nurseries, but only for seeds and materials for food cultivation)
- Businesses that provide food, shelter, and social services, and other necessities of life for economically disadvantaged or otherwise needy individuals
- Newspapers, television, radio, and other media services
- Gas stations for fueling and auto repair
- Auto-supply and auto-repair services for cars, trucks, motorcycles and motorized scooters
- Car dealerships only for selling supplies, repair services, and online sales with delivery (but not for indoor car sales)
- Bicycle repair and supply shops
- Banks and related financial institutions, including money lenders, check cashing services, and financing services at pawn shops (by appointment only)
- Service providers that enable residential transactions (such as rentals, leases, and home sales) including real estate agents, escrow agents, notaries, and title companies
- Hardware stores
- Plumbers, electricians, exterminators, and others who provide services that are necessary to maintain the habitability, sanitation, and operation of residences and essential businesses (but not for cosmetic purposes)
- Arborists, landscapers, pool maintenance, and gardeners, but only to maintain the habitability, sanitation, operation of businesses or residences, or for safety (such as fire safety or tree trimming to prevent a dangerous condition), and not for cosmetic purposes or upkeep
- Businesses providing mailing and shipping services, including post office boxes
- Educational institutions, including public and private K-12 schools, colleges, and universities, for purposes of facilitating distance learning or performing essential functions
- Laundromats, drycleaners, and laundry service providers
- Restaurants and other facilities that prepare and serve food, but only for delivery or carry out
- Funeral home providers, mortuaries, cemeteries, and crematoriums, for the transport, preparation, or processing of bodies or remains
- Businesses that supply other Essential Businesses with the support or supplies necessary to operate, but only to the extent that they supply Essential Businesses, not the general public
- Businesses that have the primary function of shipping or delivering groceries, food, or other goods directly to residences or businesses (operating only to support shipping and delivery)
- Airlines, taxis, rental car companies, rideshare services (including shared bicycles and scooters), and other private transportation providers providing transportation services necessary for essential activities
- Home-based care for seniors, adults, children, and pets
- Residential facilities and shelters for seniors, adults, and children

- Professional services, such as legal, notary, or accounting services, when necessary to assist in compliance with non-elective, legally required activities or related to death or incapacitation
- Services to assist individuals in finding employment with essential businesses
- Moving services for residents and businesses
- Childcare facilities
- Repairs for cell phones or telecommunication devices

## **NON ESSENTIAL**

**Non-Essential** Businesses are those that do not fall in one of the categories stated above. **Self Employed income from Non Essential businesses that are closed cannot be used unless there is sufficient documentation provided to insure the continuity of the income.**

## **DOCUMENTATION REQUIREMENTS for Self Employed Borrowers**

MWF **MUST** demonstrate **both** Continuity of Business AND Income. **The documentation used must be within 10 days of the note.**

Below are examples of methods that may be used to confirm the borrower's business is currently operating:

### **#1 – Continuity of Business Operation**

- a. Certification the business is open and operating (confirmed through a phone call or other means); **OR**
- b. Business website demonstrating activity supporting current business operations (timely appointment for estimates or service can be scheduled) NOTE: Websites are pulled as part of the VVOE process but may not reflect activity supporting current business operations

### **#2 – Continuity of Income**

- a. Evidence of current work (executed contract or signed invoices that indicate the business is operating on the date self-employment is verified);
- b. Evidence of current business receipts within 10 days of the note date (payment for services performed); **OR**
- c. Current Business Bank Statement within 10 days of the note to support business cash flow equal to or greater than qualifying income.

As we receive further guidance from the Federal or State governments on additional phased business openings our guidelines may change – we will keep you apprised.

If you have any questions, contact your local Account Executive, or Production Coordinator. You may also contact Brian Daily, SVP Wholesale: [Brian.Daily@mwfinc.com](mailto:Brian.Daily@mwfinc.com) 201-448-5552.

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