



Important Announcement

8/13/2020

This announcement includes notices regarding updates for Flanagan State Bank's Retail & TPO Division

This will reference:

Conventional Self-Employment Guidelines with COVID-19
December Holiday Hours

Conventional Self-Employment Guidelines with COVID-19

Effective December 14th, these guidelines will be applicable for ANY loan reviewed by underwriting. This will be inclusive of loans that have not closed or received a CTC by this date and new submissions to underwriting. The only exception to this will be loans that are re-submitted to underwriting as of 12/10/2020.

The new guidelines in effect will be:

- 1) 2 months reserves will be required if a P&L is present to underwriting that shows a decline in income since the last tax return. This will help protect the borrower and FSB if we see more shutdowns in our lending areas.
- 2) Documentation Required
 - a. 1 or 2 years personal and business tax returns – as required by the AUS
 - b. YTD Profit & Loss statement that is valid up to the month prior to closing. The P&L may not be more than 60 days old at time of closing!
 - c. Most recent 3 months business bank statements OR if borrower does not have dedicated business statements, then 3 months personal accounts that show business income in the deposits
 - d. Statement from borrower of any time periods close for COVID-19
 - e. Any current contracts that can be used to support the continued income for the business
- 3) Review Requirements for Underwriting
 - a. The P&L must be used to calculate current income
 - i. Underwriting will use the LOWER of the prior year income or current P&L income for qualification
 - b. Bank statements must show sufficient deposits to support the amount of qualifying income as stable over the course of the most recent 3 months

- i. Bank statements must show stable income from month to month in the most recent 3 months
- c. If the self-employment is an industry that is likely to be affected by future COVID-19 closures such as close contact personal service industries, management review will be required
- d. Business should show current liquidity to support continued operation without the inclusion of SBA PPP funds or other COVID-19 subsidies

Underwriting will analyze the P&L and Bank Statements as required by the Freddie Mac Guidelines, which have been attached as part of this announcement. This memo has captured the key items from the recent guidelines, and it is important to note that underwriting will be following all COVID-19 requirements. This will include analyzing the type of business the borrower is in and the way they receive their income. The more information underwriting receives to help them gain an understanding of the borrower's income the better the review will be from the beginning of the file.

December Holiday Hours

Please note, FSB is closed on December 24 & 25. We will also be closed on January 1, 2021. December 24 will still count in TRID and Rescission periods. December 25 and January 1 will not count in TRID and Rescission periods.

If you have any questions regarding this information, please feel free to contact mtgsupportcenter@flanagansatebank.com.

Sincerely,

Flanagan State Bank Mortgage Division Management