

CUSTOMER ANNOUNCEMENT

CA 2019-01 | April 11, 2019

► Use of Third-Party Vendors to Calculate Self-Employed Income

Fannie Mae and Freddie Mac (the Agencies) have recently announced that lenders may use a third-party vendor to calculate the income for borrowers with specific categories of self-employed income. Fannie Mae announced this in SEL 2018-09 and Freddie Mac in Bulletin 2019-05. Currently, LoanBeam is the only Agency-approved vendor.

General Information

When the Agencies' requirements for the use of a third-party vendor to calculate self-employed income are followed, the lender may receive relief from representation and warranty for the income calculation from the Agencies.

The lender supplies the vendor with the borrower's tax returns and the vendor extracts the data from the tax returns and performs the calculation. The vendor's calculation may or may not include adjustments required by the Agencies. The lender must analyze the tax returns per the requirements in the Agencies' Guides and make any necessary adjustments to the income calculation.

The loan file must include a copy of the vendor's final self-employed income calculation report as well as the borrower's tax returns.

Arch MI's Position

The Agencies' representation and warranty relief **does not** apply to Arch MI.

Arch MI will allow the lender to use a third-party vendor to calculate the self-employed income. **We expect that the self-employed income used to qualify the borrower meets the Agencies' published underwriting requirements for analyzing self-employed income**, regardless of the income calculated by the third-party vendor **or** any representation and warranty relief the lender receives from the Agencies. This is true for both delegated and non-delegated submissions.

Arch MI will require that a copy of the vendor's final self-employed income calculation report as well as the borrower's tax returns be included in all loan files that we insure.

For more information, please contact your Arch MI Account Manager.