

## ASK 2. SAVE 10.

### SIMPLE QUESTIONS TO ASK SELF-EMPLOYED BORROWERS.



This simple task will serve two purposes:

- It will **save** you and your Underwriting team **time** in analyzing self-employed Borrower income, and
- It will **help** self-employed **Borrowers** understand the impact current economic conditions may have on their Lender's ability to assess the stability of their income.

1. **What can the Borrower tell us about their business** that may not be obvious when we review their Business Profit & Loss Statement or Business Bank Statements?

For example:

- Do they commingle business income or expenses with personal bank account(s)?
- Do they regularly move money between different bank accounts?
  - If yes to either, then the Underwriter will need copies of each account to verify the money trail when reviewing unaudited P&L Statements of the business.
- Do they take a regular draw/salary from the business?
  - If so, what is their monthly or yearly salary?

2. **How has the Pandemic affected their business?** (Positively. Negatively. Neutrally.)

For example:

- Were they required to close their doors due to the Pandemic? If so, for how long?
- Did they downsize or stop/start paying employees for any reason?
- How has their business plan changed in recent months, if at all? Is the change temporary or permanent?

#### **Reminder about Fannie Mae and Freddie Mac documentation requirements**

In addition to personal and business tax returns, request the following information about the Borrower's business:

- YTD P&L Statement (unaudited or audited). End date must fall within 30 days of the application date.
  - If an unaudited YTD P&L Statement is provided, then three months of their business bank statements must also be provided. The dates must coincide with most recent three months covered by the YTD P&L Statement.



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