Genworth Mortgage Insurance

COVID-19

Quick Tips on Calculating Income

As we all continue to navigate the economic and industry impacts of the pandemic and the related underwriting guideline changes, Genworth wanted to support our lending partners with what we hope is a useful resource for underwriting income. This material provides suggested guidance only and does not replace Lender, Investor or GSE instructions or applicable guidelines.

1 When reviewing base pay income, compare current base pay with year-to-date (YTD) and prior years (W-2s or WVOE)

- Address inconsistencies
- Note possible pay reductions
- Confirm income level used will likely continue into future
- **Helpful hint:** ask for written explanation from the borrower to address lower YTD earnings, if applicable, and remember that COVID-19 **is not** considered a one-time occurrence.

2 Borrowers with COVID-19 related furloughs or unemployment cannot use unemployment benefits under Temporary Leave Income or Other Income Policies

- Unemployment benefits can only be used with seasonal employment that is reported on signed federal tax returns and will likely continue
- Borrowers must have returned to employed status for their income to qualify if related to COVID-19
- **Helpful hint:** See Fannie Mae Selling Guide B3-3.1-09 for more information on Temporary Leave Income Policy and Unemployment Benefits; Freddie Mac Seller Servicer Guide Chapter 5305.1 General requirements for all other income (non-employment/non-self-employment)

3 Borrowers with variable income and fluctuating hourly workers

- Compare prior year earnings to YTD earnings
- Review current hours worked compared to historical hours worked per pay period
- Note any reduction in hourly rate from historical pay rate
- If using bonus or overtime, verify it is being earned at the same level compared to historical levels
- **Helpful hint #1:** If YTD earnings are lower than historical earnings and YTD earnings have been confirmed **stable**, lenders should not average historical earnings but use the lower YTD earnings
- **Helpful hint #2:** When considering variable income be sure to use the most recent document. Paystubs may be more current than third party verifications or vice versa

4 Age of Documents

- Income documents must be dated within 60 days of the note date
- If the income verification received is directly from a third-party verification vendor, the vendor's database cannot be more than 60 days old as of the note date

5 When borrower(s) is self-employed, apply the following COVID-19 guidelines

- P&L statements are required to be dated within 60 days of the note date and should include business revenue, expenses, and net income up to and including the most recent month preceding the loan application date (if unaudited, 3 months business asset statements are required)
- Secure verification that the business is open and operating within 20 days of the note date (or prior to loan delivery)
- Lenders are required to determine the extent to which a business has been impacted by COVID-19
- Proceeds from a PPP loan or any similar COVID-19 related loan or grant are not considered business revenue and cannot be used to determine or support self-employed income used for qualifying purposes.
- **Helpful hint:** Proceeds from a PPP loan cannot be used towards cash to close or reserves.

6 Suggested best practices and resources

- Employ a pre-funding audit to spot training opportunities and review findings weekly with your Underwriting and/or Processing team
- Use organization approved chat/video platforms to encourage questions or discussions around loan scenarios
- Use desktop job aides to assist and support Underwriters with income calculations
- Visit **mi.genworth.com** for resources related to paystub review training module, COVID-19 related loan scenarios resource, and common Fannie Mae and Freddie Mac income FAQs summary

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Contact your Genworth representative or the ActionCenter® at 800 444.5664 with questions or requests for additional information.

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