



To: All Customers **From:** Credit Policy
Date: 07/14/2020 – Updated 07/15/20 **Memo #:** 20073
Subject: Temporary Rental Income Requirements- Conventional

Due to the continued impact of COVID-19 pandemic on economic conditions, the following temporary requirements will be required for income derived from rent in order to determine if the borrower's income is stable and there is a reasonable expectation of continuance. These temporary eligibility requirements will remain in effect until further notice. We will continue to monitor the situation and update this memo as needed.

NON-DELEGATED LOANS

TABLE FUNDED LOANS

Effective for loans with an *Application Taken* date on or after Monday, July 20, 2020.

NON-TABLE FUNDED CORRESPONDENT LOANS

Effective for all loans with an *Imaged Package Received* date on or after Monday, July 20, 2020.

DELEGATED LOANS

All loans delivered with an application date on or after Monday, July 20, 2020 must meet the below requirements in order to be eligible for purchase by Flagstar Bank. Correspondent lenders are responsible for all income used for qualification.

TEMPORARY REQUIREMENTS FOR USE OF RENTAL INCOME TO QUALIFY

The following temporary documentation is required, in addition to the standard [Conventional Underwriting Guideline](#) requirements, for all properties utilizing rental income.

DOCUMENTATION REQUIREMENTS

- A copy of the current long-term lease agreement must be provided along with two months receipt of the rental income
 - Receipt of rental income must be dated within 60 days of the Note date
 - The rent received must fully support the amount on the lease or rental income may not be utilized
 - If the current lease is less than the historic amount on the tax returns, the lesser income per the lease agreement will be used at 75% of the lease.
 - If the current lease is higher than the historic amount of the tax returns, the income per the tax returns must be used for qualification.
 - For investment purchases, **2-4 unit owner occupied purchases** and conversion of a primary residence to a rental property, a new lease **or leases may** be executed with a minimum receipt of the security deposit and first month rent paid **in lieu of the two months historic receipt of rent.**
 - An expired long-term lease agreement (one which automatically converts to a month-to-month lease) is acceptable when the source of receipt of rent matches the tenant name on the lease.
- When a rental property operates as a short-term rental (vacation rental or Airbnb without a long-term lease) income may only be utilized when the borrower can document receipt of



income for the last 2 months at the historical level as documented by the most recent filed tax returns. For owner-occupied transactions in which the borrower is using short-term rent from other real estate owned, the borrower is required to have an additional 2 months reserves for every short-term rental above and beyond the funds to close and reserves required by DU/LPA.

- Receipt of income must be dated within 60 days of the Note date
- Rental income may not be utilized unless the borrower has a historic of receipt of income as a vacation rental