

Bulletin 22-32

New Option Available for Freddie Mac 1099 Income Transactions

Freddie Mac [Bulletin 2022-18](#), dated September 7, 2022, provided guidance for when Freddie Mac will allow 1099 income to be treated as non-self-employed income when reported on Schedule.

Transactions with a Note dated on or after December 7, 2022, are eligible to utilize the guidance detailed below.

Overview

Borrowers who receive an IRS Form 1099 for services performed and subsequently reported on Schedule C as non-self-employed income are generally considered contractors. Freddie Mac has updated their guidance to allow income reported on Schedule C to **not be** considered self-employment income when specific criteria is met.

There is now an option to apply **either** the existing self-employment guidance **OR** apply the new non-self-employed guidance.

NOTE: While the income calculation for self-employed income and non-self-employed income is similar, self-employed income is considered an additional risk factor by LPA so with the option to treat the income as non-self-employed, when eligible, more loans may receive an "Accept/Eligible" finding.

Eligibility

- A 2-year history of receipt of the 1099 income required except as noted below:
 - Less than 2-years receipt, but not less than 1-year, may be eligible if the income is considered stable and the borrower has prior experience in the same field. 1-2 years receipt **requires Homebridge management review and approval**
 - The Homebridge Underwriter will provide a written analysis of the income and include supporting documentation in the loan file

Documentation Requirements

- 2-years most recent 1099s (1099s received from multiple sources are acceptable), and
- 1-year most return tax return (pages one and two) **and** all applicable schedules, **and**
- YTD income documentation
- IRS Schedule C **must evidence all of the following:**
 - Gross receipts or sales are equal to the total amount(s) reported on IRS Form 1099(s), **and**
 - Total expenses are $\leq 5\%$ of gross receipts or sales after deducting non-cash expenses (e.g. depreciation), **and**
 - Cost of goods sold must equal \$0, **and**
 - 12 month history of 1099 income and reported expenses
- The qualifying income is the **net** income

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- The 1003 and the LPA Findings must be consistent with the qualification option used (i.e. self-employed or non-self-employed)

Effective Date

Eligible on transactions with a Note dated on or after December 7, 2022

The Freddie Mac guidelines have been updated and posted on the Homebridge website at www.HomebridgeWholesale.com

If you have any questions, please contact your Account Executive