FHA Offers New Flexibilities for Borrowers Previously Affected by COVID-19

Today, the Federal Housing Administration (FHA) published Mortgagee Letter (ML) 2022-09, Calculating Effective Income after a Reduction or Loss of Income for Borrowers Affected by Presidential-Declared COVID-19 National Emergency.

The guidance in this ML allows flexibility in calculating income for borrowers who experienced a gap in employment and/or a reduction or loss of income due to a COVID-19 related economic event, where the borrower's effective income is now stable. These flexibilities will allow more borrowers who have recovered from a COVID-19 related economic event to be appropriately evaluated for FHA financing.

FHA defines a COVID-19 Related Economic Event as a temporary: (1) loss of employment, (2) reduction of income, and/or (3) reduction of hours worked during the Presidential-Declared COVID-19 National Emergency. As a result, the ML updates the borrower’s effective income calculation guidelines for the following sections in the Single Family Housing Policy Handbook 4000.1 (Handbook 4000.1):

- Sections II.A.4.c.iii and II.A.5.b.iii – Primary Employment
- Sections II.A.4.c.iv and II.A.5.b.iv – Part-Time Employment
- Sections II.A.4.c.v and II.A.5.b.v – Overtime, Bonus or Tip Income
- Sections II.A.4.c.viii and II.A.5.b.viii – Employed by Family-Owned Business
- Sections II.A.4.c.ix and II.A.5.b.ix – Commission Income
- Sections II.A.4.c.x and II.A.5.b.x – Self-Employment Income
- Sections II.A.4.c.xi and II.A.5.b.xi - Additional Required Analysis of Stability of Employment Income

The policies in this ML are effective for case numbers assigned on or after September 5, 2022; however, mortgagees may begin implementing immediately.

These updates will be incorporated in a future version of Handbook 4000.1.

For more information, read today’s press release.
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- Visit our knowledge base to obtain answers to frequently asked questions 24/7 at www.hud.gov/answers.
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- Call 1-800-CALLFHA (1-800-225-5342). Persons with hearing or speech impairments may reach this number by calling the Federal Relay Service at 1-800-877-8339.

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