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To: Clients and Friends

From: David F. Dulock

Subject: Mortgagee Letter 2022-09 Update for COVID-19 Related Economic Event

On July 7, 2022, the Federal Housing Administration (FHA) issued updated Mortgagee Letter 2022-09 ([ML 2022-09](#)) that will allow FHA lenders to utilize flexible underwriting guidance to qualify borrowers for home ownership using FHA-insured mortgage financing if those borrowers experienced previous employment gaps or loss of income due to a COVID-19 Related Economic Event by instructing FHA lenders how to calculate Effective Income for those borrowers.

ML 2022-09 defines a COVID-19 Related Economic Event as a temporary loss of employment, temporary reduction of income, or temporary reduction of hours worked during the Presidentially Declared COVID-19 National Emergency.

ML 2022-09 updates the calculation of a borrower’s Effective Income when that income has been affected by a COVID-19 Related Economic Event for the following sections of the FHA Single Family Housing Policy Handbook 4000.1:

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

ML 2022-09 applies to all FHA Title II Single Family forward mortgage programs. It is effective for all case numbers assigned on or after September 5, 2022; however, FHA lenders may begin using the policies announced in ML 2022-09 immediately.

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