

NOTICE TO ALL CUSTOMERS

Important Freddie Mac Income Guideline Updates

Florida Capital Bank would like to notify customers of a number of Income Requirements updates announced by Freddie Mac via [Bulletin 2024-10](#) these updates are available immediately but are required with loan applications finalized to FLCBank on or after October 15, 2024. Loans currently in the pipeline are not affected by the new income requirements so long they close on or before October 31, 2024.

Self-Employment Income

When self-employment history is less than two (2) years, the lender must consider, evaluate and provide a written analysis justifying the determination of stability of the income:

- The borrower's experience in the business and confirm the borrower has a combined two (2) year history of receipt of income from the current self-employment and the prior job in the same or similar occupation or industry.
- Qualifying income must be determined by using the lesser of the stable monthly income from the new business or the stable monthly income earned in the previous occupation.
- Take into consideration the overall layering of risk, including the borrower's demonstrated ability to repay obligations.

Self-Employment Business Structure Changes

If the borrower changed their business structure from sole proprietorship to S-corporation, or to S-corporation to corporation, the borrower's business ownership interest percentage must not change in order for the current and prior business structure to be considered the same business.

There must be no information or documentation or lender knowledge that other changes occurred in the business such as change of products sold and/or services provided, no changes in the location.

If these requirements are not met, then the current and prior business structures must be treated as different businesses.

Employment by Family or to an Interested Party of the Transactions

Allow the use of the most recent year W-2 Tax Transcript in lieu of the most recent tax return.

The documentation must validate the prior year earnings from current employment and support the current income level. If the current income level is not supported, the validated income amount from the prior year must be used for qualifying income purposes.

Calculation of Income from Fluctuating/Variable Employment Income

With this update, Freddie Mac has provided guidance that in certain instances, the calculation of income from fluctuating/variable hours may be based on a shorter number of months (the total number of months used in the calculation must be at least 12 months) when written justification and/or documentation to support the applicable months used in the calculation is provided in the loan file. Furthermore, the calculated income must be reasonably expected to continue for at least the next 3 years.

Social Security Retirement and Social Security Disability Income

Documentation requirements for Social Security retirement and Social Security disability income has been expanded to now include the use of:

- Form 1099-SSA and
- Pages 1 and 2 of the Borrower's most recent federal individual income tax return or pages 1-3 if the tax return was filed using IRS Form 1040-SR.

However, if using tax returns that were filed jointly with an individual who is not a Borrower on the transaction, documentation supporting the amount of income from the SSA being used to qualify the borrower is required (such as the SSA-1099).

Please refer to our FLCBank's Freddie Mac Conventional Guidelines for details at [FLC Bank Product Guidelines](#)

If you have any questions, please contact your [Account Executive or Client Relations Representative](#).