



# Seller Guide Update



SEL-2022-014: IRS Tax Liabilities and Tax Transcript Updates and Reminder

April 15, 2022

- Correspondent Lending
- Housing Finance Agency (HFA)

## Summary

Underwriting/Delivery	
<input checked="" type="checkbox"/>	Corr. Delegated
<input checked="" type="checkbox"/>	Corr. Non-Delegated
<input type="checkbox"/>	Corr. EZD
<input checked="" type="checkbox"/>	Corr. Mandatory
<input checked="" type="checkbox"/>	HFA Delegated
<input checked="" type="checkbox"/>	HFA Non-Delegated
Products	
<input checked="" type="checkbox"/>	Conv. (Freddie)
<input checked="" type="checkbox"/>	Conv. (Fannie)
<input checked="" type="checkbox"/>	Conv. (Portfolio)
<input checked="" type="checkbox"/>	FHA
<input checked="" type="checkbox"/>	VA
<input checked="" type="checkbox"/>	Rural Development

**Effective Date:** Immediately

U.S. Bank is amending our Underwriting Guidelines for Current IRS Tax Liabilities and Tax Transcript Requirements – Post Funding as follows:

### Current IRS Tax Liabilities

Underwriters must consider the outstanding IRS tax liability against the available assets and reserves to cover the tax liability. If the assets and reserves are not enough to cover the liability a repayment agreement with the IRS along with documentation of at least one payment made will be required.

For Government loans, any Federal debt that is not in a repayment plan is not eligible.

### Tax Transcript Requirements - Post funding

Investor guidelines require U.S. Bank to review borrower tax transcripts during the Post-funding quality control process. This will require submitting the signed and fully completed IRS Form 4506-C to the IRS to obtain tax transcripts for all loans that do not already contain the required tax transcripts.

Each borrower whose income (regardless of income source) is used to qualify for the loan must complete and sign a separate IRS Form 4506-C for each source of income at or before closing. It may be necessary to have the borrower(s) complete and sign multiple IRS form 4506-Cs depending on the transcripts required to validate income. Transcripts must be obtained for all income types used in the underwriting process (Personal and business, if applicable.) If tax returns were required in the underwriting of the loan, transcripts for the same years as documented by the borrower's tax returns must be obtained.

U.S. Bank must reconcile the transcript information received from the IRS with the income documents in the loan file.

**Guide Updates:** 711.2.1 FHA - Tax Transcripts/Income Reverification, 712.2.1 VA - Tax Transcripts/Income Reverification, 713.2.1 Agency - Tax Transcripts/Income Reverification, 713.9 Agency - Credit/Debt Underwriting, 714.1.3.1 Portfolio - Tax Transcripts/Income Reverification, 715.2.1 RD - Tax Transcripts/Income Reverification

## Reminder: Tax Filing Extensions

Delegated Lenders can use their own process to manage income validation risk for W2 and self-employed borrowers.

**For loans underwritten by U.S. Bank:** Often, borrowers have filed for an extension of tax filing (this won't ever impact W2s). The extension period goes up to October 15th. In essence, this means that for applicants that file extensions, we will be limited to viewing tax transcripts for the previous year's filing. For instance, if someone filed an extension for 2021 taxes, during 2022 we would be limited to requesting and reviewing 2020 transcripts. These transcripts should then be used as an income reasonableness test for the more recent income documents.

**Guide Section:** 713.2.1: Tax Transcripts/Income Reverification

## Questions



**Correspondent:** Please contact your Account Executive or the Client Support Area at 800.200.5881, option 1.

**HFA:** Please contact the Housing Finance Agency Hotline at 800.562.5165, option 1 for the HFA Customer Care Team.

