Announcement 16-16W

Guideline Updates and Changes

Effective Immediately for all loans:
The following areas of Mortgage Solutions' guidelines have been updated. All changes and additions appear in **red**.

CONVENTIONAL GUIDELINES

4506T

- A fully executed IRS Form 4506T must be included in all loan files except for non-credit qualifying streamline/IRRRL refinance transactions
- ~~1040~~ Transcripts are required to verify all W-2 and/or tax return income submitted and/or used for qualifying per published guideline
  - If non-taxable income is a source of income, and cannot be validated through 4506T transcripts, then the following must be provided:
    - Tax transcript(s) showing "No Record of Return Filed", and,
    - Alternative validation documentation such as, but not limited to, 1099 transcripts, award letters or bank statements
- If corporate or partnership business income is used for qualifying, a separate fully executed IRS Form 4506-T for that business must be included in all loan files except for non-credit qualifying streamline refinance transactions
  - Transcripts are required to verify all income submitted and/or used for qualifying per published guideline
  - Transcripts are required to verify business tax returns and subsequent amendments
- If transcripts reflect any tax amount due and owing, evidence paid in full or payment plan to include in debt ratios may be required at underwriter discretion
- If a loan is closed between January 1st and May 31st of the calendar year AND the most recent year tax return is being used to qualify BUT the tax transcripts are not yet available, the following must be provided:
  - Most recent year tax transcript showing "No Record of Return Filed" and,
  - Copy of the most recent year tax return, and,
  - Evidence of e-filing or stamped tax returns for most recent year, and,
  - Copy(s) of W-2's/1099's (as applicable), and,
  - Previous year(s) transcripts per published guidelines
    - NOTE: If a loan closes on or after June 1st of the calendar year, transcripts must be received by MSF
- If the borrower has filed an extension

- If an extension has been filed for the current tax year and the loan is closing prior to the extension deadline (October 15th for most taxpayers), all of the following must be provided:
  - Evidence of filed extension (IRS Form 4868) & of tax payment made (if applicable),
  - Most recent year tax transcript showing "No Record of Return Filed" and,
  - One of the following:
    - Previous year(s) transcripts per published guidelines, or
    - Evidence of e-filing or stamped tax returns for most recent year
- Loans with an extension filed that are closing after the extension deadline (October 15th for most taxpayers) for the current tax year, must provide evidence of filed tax returns
  - NOTE: If a loan closes after December 1st of the calendar year, transcripts are required for all loans

- If the borrower has filed their most recent year tax returns and the IRS flag for identity theft is returned, the following must be provided:
  - Request tax transcripts through normal means and acquire documentation showing the transcripts are not available due to the above IRS privacy/identity theft issues and,
  - Borrower orders the tax transcripts directly and provides them to MSF, and,
  - The file contains the most recent W-2(s), and,
  - A verbal verification of employment is performed to confirm the W-2 and income used for qualifying

FHA GUIDELINES

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USDA GUIDELINES

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VA Guarantee

- VA guaranty plus cash/equity must be equal to at least 25% of the purchase price or Notice of Value (NOV), whichever is less, on purchase and non-IRRRL refinance transactions