



Bulletin 14-17

2013 Tax Returns and Tax Transcripts

HomeBridge is updating its tax return and tax transcript requirements as the 2013 tax filing deadline approaches. This policy applies to both conventional and government transactions, including manually underwritten loans **and to loans currently in the pipeline.**

Loans funding on or after April 16, 2014 will require the following:

- Evidence the borrower filed their 2013 tax return, **or**
- Evidence that an extension has been filed. A copy of the extension is required. Self-employed borrowers will require proof that any taxes due were paid.

As a reminder brokers are responsible for ordering tax transcripts from RealEC[®] by using the Express 4506 link on the HomeBridge website.

NOTE: The 2013 transcript must be ordered and the transcript result showing “No Record Found” is **required** even when the 2013 income was not used for qualifying

The following chart provides guidance on HomeBridge policy.

Income Documentation Used to Qualify the Borrower	Requirement
Tax Returns - Self-Employed Borrowers	Conventional/FHA/VA Tax transcripts consistent with the number of years used by the underwriter for loan qualification. If business funds used for qualifying, transcripts for business tax returns are also required.
DU Finding for Tax Returns (1 or 2 years)	<ul style="list-style-type: none"> • 2 years required: 2013 and 2012 tax returns • 1 year required: 2013 tax return Evidence the borrower has filed their tax return. If recently filed and the TRV is not available, refer to Sections 2 & 3 on page 2 for policy.
DU Findings require 1 or 2 years W-2s (No tax returns to qualify)	<ul style="list-style-type: none"> • W-2s consistent with DU Findings required (1 or 2 years) • W-2 transcripts are required when the 1040 transcript results indicate “No Record Found”. A copy of the “No Record Found” and the W-2 transcripts must be included in the loan file. • No W-2 transcripts are required when the 1040 tax transcripts is in the loan file.
Un-reimbursed Business Expenses	Two (2) year’s 1040s and tax transcripts required
2013 YTD P&L Requirement	FHA transactions require an un-audited P&L if required if more than one calendar quarter has passed since the last tax filing.

When the tax transcripts differ from the tax documentation provided, HomeBridge policy is the following:

	Situation	Policy
1.	Transcript shows no record because the borrower did not file a tax return and the borrower is required to file.	File is not eligible.
2.	<p>Transcript shows no record because the borrower recently filed their 2013 return but the borrower was not qualified using the 2013 returns.</p> <p>(i.e. borrower filed their 2013 tax return but borrower was qualified using income from their 2012 and/or 2011 return)</p>	<p>Copy of the 2013 filed tax return is required and the 2013 transcript must indicate "No Record Found".</p> <p>NOTE: The tax transcripts for 2012 and/or 2011 will be required depending on which tax returns were used to qualify.</p> <p>Additionally:</p> <ul style="list-style-type: none"> If the borrower owed taxes with the filing, evidence that the amount owed was paid is required. Acceptable evidence includes, cancelled check, bank statement, credit card statement, etc. The amount of the tax payment must be deducted from the assets used to qualify. If the borrower is receiving a refund, evidence the refund was received, OR validate the refund amount from the IRS at: Where's My Refund
3.	<p>Transcript shows no record because the borrower has recently filed their 2013 return and the borrower was qualified using income from the 2013 tax return.</p> <p>(i.e. borrower filed 2013 tax return and income from the 2013 tax return was used to qualify)</p>	<p>Copy of the 2013 filed tax return is required.</p> <ul style="list-style-type: none"> The loan cannot fund until the transcript for 2013 is received. <p>NOTE: Tax transcripts take approximately 6-8 weeks to become available. If the return was filed within 6-8 weeks, an exception to fund without the return may be granted by management. Documentation required to request an exception:</p> <ul style="list-style-type: none"> Evidence of "No Record Found" on the tax return verification order for 2013. Evidence that any tax due was paid If borrower receiving a refund, evidence the refund was received or validate from IRS website directly (see "Where's my Refund" above)
4.	<p>Transcript shows no record for 2013 because the borrower is on extension (generally extensions expire at the end of October for the current tax reporting year)</p> <p>(i.e. 2013 tax return has not been filed; only the extension for 2013)</p>	<ul style="list-style-type: none"> Evidence the extension was properly filed, including payment of the estimated tax due at time of extension, must be provided. Adjusted gross income reported on the tax return must be reviewed by the underwriter. Any declining income from the prior year's return must be satisfactorily explained and increased income cannot be used to qualify.
5.	Borrower was qualified using W-2's	<ul style="list-style-type: none"> 2 or 1 year 1040 transcripts (based upon number of years W-2s required by DU) 2013 "No Record Found" : require W2 transcripts consistent with # of years W2s DU requiring

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	Situation	Policy
6.	Transcript reflects a discrepancy because the borrower has filed an amended return and the loan qualifies on the lowest income (original or amended return).	<ul style="list-style-type: none"> • Satisfactory explanation is required. • Loan will be qualified at the lowest reported income. Loan will not be qualified using the higher amended income.
7.	Transcript reflects a discrepancy because the borrower has filed an amended return and the loan qualifies with the highest income (original or amended return)	<ul style="list-style-type: none"> • Satisfactory explanation is required. • In order to use the higher/amended income, evidence must be provided that the amended return was filed 6 months prior to the application date. • If the return was not filed 6 months prior to the application date, the lower income from the original or amended return will be used.

If you have any questions, please contact your Account Executive.