



Bulletin 17-03

2016 Tax Forms, Returns and Transcripts

The Tax Documentation and Transcript Policy matrix has been updated; refer to the highlighted information.

HomeBridge is providing guidance on W-2/1099 forms and tax return requirements for loans funding after January 31, 2017. The following policy applies to conventional, government, (including manually underwritten loans), Jumbo, and Expanded Plus (as applicable).

W-2 and/or 1099 Forms

Federal law requires employers to issue Wage and Tax Statements (W-2) and Form 1099-Misc for the previous year to employees/individuals no later than January 31st of the current year.

Loans Funding on or after February 1, 2017 through March 31, 2017

When the AUS (DU/LP) Findings report or loan program requirements on manually underwritten loans require a W-2 and/or 1099 to support the income used to qualify the loan the following applies:

- The 2016 W-2 and/or 1099, as applicable, will be required for one or two years as determined by DU/LP:
 - 1 year W-2/1099 per DU/LP the 2016 W-2 is required. Transcript **not** required.
 - 2 years W-2/1099 per DU/LP W-2 requirements are as follows:
 - 2016 W-2/1099, **and**
 - 2015 W-2/1099 and 2015 W-2/1099 transcript required

Loans Funding on or after April 1, 2017

- **One Year W-2/1099 Required**
 - If 1 year W-2/1099 required the following applies:
 - The 2016 W-2/1099, **and**
 - The 2016 W-2/1099 transcript, **or**
 - A 2016 "No Record Found".
- **Two Years W-2/1099 Required**
 - If 2 years W-2/1099 required the following applies:
 - The 2016 W-2/1099, **and**
 - The 2016 W-2/1099 transcript, **or**
 - A 2016 "No Record Found", **and**
 - The 2015 W-2/1099 and W-2/1099 transcript is required.

AUS (DU/LP) and Manually Underwritten Loans (Government, Jumbo, Expanded Plus) – Tax Return Requirements

When DU/LP requests either one or two year's tax returns or when tax returns are required to document income on manually underwritten government or Jumbo transactions, HomeBridge requirements are determined by loan funding date as detailed below.

Loans Funding February 1, 2017 through February 28, 2017

- **One Year Tax Return Required**
 - **2016 Tax Return Not Filed**
 - If the borrower has **not** filed their 2016 tax return the borrower will be required to sign HomeBridge's Tax Return Affidavit that states, as of the date of loan funding, the borrower has not filed their 2016 tax return. The borrower must sign the Affidavit with closing docs, **and**
 - A copy of the borrower's 2015 tax return **and** 2015 tax transcript required.
 - **2016 Tax Return Filed**
 - If the borrower has filed their 2016 return the borrower will be required to provide the fully executed 2016 return.
- **Two Year's Tax Returns Required**
 - **2016 Tax Return Not Filed**
 - If the borrower has **not** filed their 2016 tax return the borrower will be required to sign HomeBridge's Tax Return Affidavit that states, as of the date of loan funding, the borrower has not filed their 2016 tax return. The borrower must sign the Affidavit with closing docs, **and**
 - A copy of the borrower's 2015 tax return **and** the 2015 tax transcript, **and**
 - A copy of the borrower's 2014 tax return **and** 2014 tax transcript.
 - **2016 Tax Return Filed**
 - If the borrower has filed their 2016 return the borrower will be required to provide the fully executed 2016 return, and
 - A copy of the borrower's 2015 tax return **and** the 2015 tax transcript

If 2 years tax returns are required, and the 2016 tax return is provided and reflects a lower income than 2015 tax return the file will be subject to additional underwriter review and may require additional documentation.

A quick reference chart of the above policy is provided on page 4.

Loans Funding on or after March 1 through April 17, 2017

- **One Year Tax Return Required**
 - **2016 Tax Return Not Filed**
 - If the borrower has **not** filed their 2016 tax return the borrower will be required to sign HomeBridge's Tax Return Affidavit that states, as of the date of loan funding, the borrower has not filed their 2016 tax return. The borrower must sign the Affidavit with closing docs, **and**
 - A copy of the borrower's 2015 tax return **and** 2015 tax transcript required.
 - **2016 Tax Return Filed**
 - If the borrower has filed their 2016 return the borrower will be required to provide the fully executed 2016 return, **and**
 - A copy of the 2016 transcript **or** the 2016 transcript with "No Record Found" result, **and**
 - Evidence any money owed has been paid (e.g. cancelled check, bank statement, credit card statement, etc.), **or**
 - Evidence of a refund has been/or will be received. Acceptable evidence includes a copy of bank statement evidencing deposit if received or, if the refund has not been received, verify refund at [Where's My Refund](#)
- **Two Year's Tax Returns Required**
 - **2016 Tax Return Not Filed**
 - If the borrower has **not** filed their 2016 tax return the borrower will be required to sign HomeBridge's Tax Return Affidavit that states, as of the date of loan funding, the borrower has not filed their 2016 tax return. The borrower must sign the Affidavit with closing docs, **and**
 - A copy of the borrower's 2015 tax return **and** the 2015 tax transcript, **and**
 - A copy of the borrower's 2014 tax return **and** 2014 tax transcript.
 - **2016 Tax Return Filed**
 - If the borrower has filed their 2016 return the borrower will be required to provide the fully executed 2016 return, **and**
 - A copy of the 2016 transcript or the 2016 transcript with "No Record Found" result, **and**
 - Evidence any money owed has been paid (e.g. cancelled check, bank statement, credit card statement, etc.), **or**
 - A copy of the 2016 transcript with "No Record Found" **and** evidence of a refund has been/or will be received. Acceptable evidence includes a copy of bank statement evidencing deposit if received or, if the refund has not been received, verify refund at [Where's My Refund](#), **and**
 - A copy of the borrower's 2015 tax return **and** the 2015 tax transcript.

If 2 years tax returns are required, and the 2016 tax return is provided and reflects a lower income than 2015 tax return the file will be subject to additional underwriter review and may require additional documentation.

A quick reference chart of the above policy is provided on page 4.

The chart below applies to loans funding February 1, 2017 through February 28, 2017.

Loans funding February 1, 2017 through February 28, 2017	
One Year Tax Return Required	
If	Then
2016 tax return not filed	<ul style="list-style-type: none"> • Borrower signs Tax Return Affidavit, and • Copy of 2015 tax return and 2015 transcript
2016 tax return filed	<ul style="list-style-type: none"> • Copy of 2016 tax return
Two Years Tax Returns Required	
If	Then
2016 tax return not filed	<ul style="list-style-type: none"> • Borrower signs Tax Return Affidavit, and • 2015 tax return and transcript and 2014 tax return and 2014 transcript
2016 tax return filed	<ul style="list-style-type: none"> • Copy of 2016 tax return, and • Copy of 2015 tax return and 2015 transcript

The chart below applies to loans funding March 1, 2017 through April 17, 2017

Loans funding March 1, 2017 through April 17, 2017	
One Year Tax Return Required	
If	Then
2016 tax return not filed	<ul style="list-style-type: none"> • Borrower signs Tax Return Affidavit, and • Copy of 2015 tax return and 2015 transcript
2016 tax return filed	<ul style="list-style-type: none"> • Copy of 2016 tax return, and • Copy of transcript or transcript with “No Record Found” result, and • If a tax payment was DUE with filing, evidence that the tax has been paid (e.g. cancelled check, bank statement and/or credit card statement) is required. The amount of the tax payment must be deducted from the assets used to qualify, or • If a refund is due, verify the refund on the IRS website at “Where’s my Refund
Two Years Tax Returns Required	
If	Then
2016 tax return not filed	<ul style="list-style-type: none"> • Borrower signs Tax Return Affidavit, and • 2015 tax return and transcript and 2014 tax return and 2014 transcript
2016 tax return filed	<ul style="list-style-type: none"> • Copy of 2016 tax return, and • Copy of transcript or transcript with “No Record Found” result, and • If a tax payment was DUE with filing, evidence that the tax has been paid (e.g. cancelled check, bank statement and/or credit card statement) is required. The amount of the tax payment must be deducted from the assets used to qualify, or • If a refund is due, verify the refund on the IRS website at “Where’s my Refund, and • Copy of 2015 tax return and 2015 transcript

Refer to the Tax Documentation and Transcript Policy chart on the following page to reference HomeBridge’s W-2 and 1040 tax documentation/transcript requirements.

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

Tax Documentation and Transcript Policy

Tax Documentation Used to Qualify Loan	Number of Years and Type of Transcript Required
<p>W-2 and/or 1099 Forms</p> <p>Fannie Mae, Freddie Mac, FHA, VA, and Expanded Plus loans where the income used to qualify was:</p> <ul style="list-style-type: none"> • Base wages • Overtime wages • Commission and bonus income represents less than 25% of income • Social security, pension, retirement income when not "grossing up" 	<p>W-2 and/or 1099 transcripts (1040 transcripts not required.)</p> <ul style="list-style-type: none"> • If loan qualified with 1 year W-2/1099, the 2016 transcript is required. • If loan qualified with 2 years W-2/1099, the 2015 and 2016 transcripts are required.
<p>1040s Required:</p> <ul style="list-style-type: none"> • USDA • Jumbo & Jumbo Flex (1040's may/may not be required; 1040 transcripts always required) • All self-employed borrowers (except Expanded Plus Alt-Doc 24 and Alt-Doc 12 – N/A) • Social security, pension, retirement income when "grossing up" • Borrower employed by family member, • Borrower employed by an interested party to the transaction • Any other income types, not meeting the criteria of the W-2/1099 topic. 	<p>1040 Transcripts</p> <ul style="list-style-type: none"> • 1040 transcripts consistent with the tax years used to qualify the loan are required in all instances. • 1120, 1120S or 1065 transcript request must be processed if the following exists: <ul style="list-style-type: none"> – 1120, 1120S or 1065: The borrower is requesting income from the corporation or partnership be used that is not already contained in the 1040. <p>Refer to the Amended Tax Returns and Tax Returns/Extension not Filed by Due Date topics on the following page for requirements in those circumstances</p>
W-2 Transcript & 1040 Requirements	
<p>2016: W-2/1099</p>	<p>Loans funding prior to 3/31/17</p> <ul style="list-style-type: none"> • Transcripts not required <p>Loans funding between 4/1/17 – 4/30/17:</p> <ul style="list-style-type: none"> • 2016 "No Record Found" will be acceptable with no further documentation required or 2016 transcript <p>Loans funding between 5/1/17 – 12/31/17:</p> <ul style="list-style-type: none"> • 2016 W-2/1099 transcripts required
<p>2015: W-2/1099</p>	<p>2015 transcript required</p>
<p>2016: 1040, 1120, 1120s or 1065</p>	<p>Loans funding prior to 2/28/17:</p> <ul style="list-style-type: none"> • A copy of the return is required or a statement from the borrower that the taxes return has not yet been filed. Transcripts not required. <p>Loans funding 3/1 to 4/17/17</p> <ul style="list-style-type: none"> • A statement from the borrower that the tax return has not yet been filed, or • A copy of the tax return and transcript or "No record found" required, and <ul style="list-style-type: none"> - If a tax payment was DUE with filing, evidence that the tax has been paid (e.g. cancelled check, bank statement and/or credit card statement) is required. The amount of the tax payment must be deducted from the assets used to qualify, or - If a refund is due, verify the refund on the IRS website at "Where's my Refund" <p>Loans funding between 4/18/17 – 10/14/17:</p> <ul style="list-style-type: none"> • A copy of the tax return and transcript or "No record found" required, and <ul style="list-style-type: none"> - If a tax payment was DUE with filing, evidence that the tax has been paid (e.g. cancelled check, bank statement and/or credit card statement) is required. The amount of the tax payment must be deducted from the assets used to qualify, or - If a refund is due, verify the refund on the IRS website at "Where's my Refund, or • Evidence of an extension filed and if a tax payment was DUE with filing, evidence that the tax has been paid (e.g. cancelled check, bank statement and/or credit card statement) is required. The amount of the tax payment must be deducted from the assets used to qualify <p>Loans funding on and after 10/16/17* (borrower was on extension):</p> <ul style="list-style-type: none"> • A copy of the tax return is required and transcript or "No record found" **and <ul style="list-style-type: none"> - If a tax payment was DUE with filing, evidence that the tax has been paid (e.g. cancelled check, bank statement and/or credit card statement) is required. The amount of the tax payment must be deducted from the assets used to qualify, or - If a refund is due, verify the refund on the IRS website at "Where's my Refund, <p>NOTES: *See Tax Returns/Extension Not Filed by Due Date topic for exception **Jumbo/Jumbo Flex Loans Only: If "No record found" is received for the most recent year's tax return an additional prior year's transcripts will be required. Large income increases not validated by the transcripts may not be used for qualifying</p>
<p>2015: 1040, 1120, 1120s or 1065</p>	<p>The applicable 2015 return and transcript required.</p>

Amended Tax Returns (1040, 1120, 1120S, and 1065)	
<p>1. Transcript reflects a discrepancy because borrower has filed an amended return and the loan qualifies using the LOWEST income (original or amended return)</p>	<ul style="list-style-type: none"> Satisfactory explanation from the borrower Loan should be qualified at the lowest income reported. Loan should not be qualified using the higher amended income
<p>2. Transcript reflects a discrepancy because borrower has filed an amended return and the loan qualifies using the HIGHEST income (original or amended return)</p>	<ul style="list-style-type: none"> Satisfactory explanation borrower In order to use the higher/amended income, evidence the amended return was filed six (6) months prior to the application date.
Tax Returns/Extension Not Filed by Due Date	
<p>The borrower did not file their personal tax returns or a request for extension by the due date required by the IRS for the applicable year</p> <p>EXCEPTION for Borrowers Impacted by Hurricanes Harvey, Irma, and Maria:</p> <p>The IRS has extended the deadline for borrowers on extension who live in one of the counties designated in the FEMA Disaster Declarations issued for these hurricanes from October 16, 2017 to January 31, 2018</p> <p>To view the counties go to IRS Tax Relief in Disaster Situations and select the link for the applicable hurricane</p>	<ul style="list-style-type: none"> Borrower can only be qualified using the 1040 income if 6 months has passed between the filing date and the loan application date <p>Examples:</p> <ul style="list-style-type: none"> If the borrower filed their tax return by the filing date or by the extension date required by the IRS the 6 month wait period does not apply. If the borrower did not file their tax return by the filing date or by the extension date required by the IRS the 6 month requirement does apply