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OVERVIEW

Land Home Financial Services, Inc. (LHFS) does not require a processed 4506C to be obtained on every loan transaction; however, a properly executed 4506C form is required in all loan files.

THE POLICY

Transcripts are to be obtained, when required, per program or income type, and in certain instances where specifics to a transaction warrant the additional due diligence. Transcripts are to be conditioned by the Underwriter as applicable. With the introduction of Fannie Mae’s Day 1 Certainty, AUS documentation requirements are stated as applicable to the transaction. Documentation relief and warranties may be provided for certain transactions which will supersede LHFS policy, except for specifics Day 1 Certainty could not account for (i.e., W2 employee working for family). Underwriters are required to read and comply with the findings to determine exact requirements.

DAY 1 CERTAINTY

Day 1 Certainty files where the income from employment has been validated by the AUS and the validation was unexpired at the time of closing, do not require tax transcripts. A copy of the corresponding, unexpired electronic Written Verification of Employment (i.e., Work Number) used, must be retained in the loan file.



W2 AND/OR 1099 TRANSCRIPTS

When W2(s) and/or 1099(s) are required but not available, transcripts can be used in lieu of the actual W2(s) and/or 1099(s). LHFS will remain responsible for validating that the income shown on the W2 Transcript corresponds with the employer shown on the paystub and loan application. Transcripts printouts will not reflect the employer's name and will only reflect the last 4 digits of the Employer Identification Number (EIN).

Below are some suggestions to find a Company's EIN:

- Search for records in the U.S. Securities and Exchange Commission (SEC) database, EDGAR.
- Search the IRS Exempt Organizations database to find an EIN for a nonprofit organization.
- Call or email the company's accounting department.

REQUIREMENTS

The AUS findings will determine the income documentation required per program unless it is manually underwritten**. The information input into the employment section impacts the outcome of the transcript requirements. It is imperative that the data entered is accurate (i.e., self-employed marked, years on job/in business).

Transcripts will generally be requested as an Underwriter to Review (UTR) item prior to final approval under the following circumstances:

- Applicants employed by family members
- Underwriter's discretion during the analysis of the income documentation or AUS requirement
- Program specific requirements
 - Examples include Jumbo, ARM, Within Reach™, Community Lending Programs, etc.
- Amended tax returns
 - When present, Record of Account from the IRS along with the original and amended Tax Returns are required
- Government loans (except Within Reach™, Non-Credit Qualifying FHA Streamlines and VA IRRRLs)
 - Only when Tax Returns are required for the loan file (i.e., Self-Employed Borrower, REO's)
- Conventional (Conforming, High Balance, and Super Conforming)
 - Only when Tax Returns are required for the loan file (i.e., Self-Employed Borrower, REO's)

**Manually Underwritten Conventional loans are allowed for Fannie Mae only and require additional documentation standards and review.



BORROWER OBTAINED TRANSCRIPTS

LHFS may accept borrower obtained transcripts direct from the Internal Revenue Service on a case-by-case basis.

For consideration, the following applies:

- Transcripts faxed to the borrower require a copy of the fax cover sheet and should contain a fax header/banner indicating sent by the Internal Revenue Service (IRS).
- Transcripts obtained directly from IRS by the borrower require a letter signed by an IRS employee stating the borrower obtained from the local office or provide IRS stamped transcripts.

WHEN TRANSCRIPTS ARE NOT AVAILABLE

If tax transcripts are not available (due to recent filing of most current tax year only) and program allows, all the following must be provided:

- Copy of IRS transcript return showing “no record of return filed”
- Documented acknowledgement receipt (such as IRS stamped, or proof return was electronically received) from the IRS
- Previous year’s tax transcripts
- Evidence taxes owed have been paid or proof of refund due was received

TAX RETURN FRAUD POLICY

Borrowers that have been a victim of IRS Tax Return Fraud (includes identity theft or refund theft), require the following:

- The borrower must provide a letter from the IRS notifying him/her of fraud in the tax filing; if a response from the IRS has not yet been received by the borrower, the borrower may provide a copy of a police report as well as a copy of completed and signed IRS form 14039 “Identity of Theft Affidavit”
- The borrower must provide stamped and signed tax returns or verification of electronic filing
- Transcripts from the prior two (2) years must be validated

TRANSCRIPT POLICY FOR FRAUDULENT TAX RETURNS

In some instances, the IRS will no longer provide tax return transcripts to third parties when the borrower is the victim of tax-related identity theft.

In these cases, the following must occur:

- LHFS must have attempted to order transcripts through a third party and received a rejection notice typically with one of the following reasons:
 - Rejection code 10
 - “Due to limitations, the IRS is unable to process this request”
 - other verbiage related to a “limitation” precluding completion of the request

The following are acceptable alternatives when the acceptable rejection error messages are received:

- Borrower must contact the IRS by calling 1-800-829-1040 and speak with the Identity Protection Security Unit and request the necessary transcripts or, if possible, the IRS may lift a restriction for a 3rd party vendor to then request transcripts. Due to heightened sensitivity surrounding fraudulent tax matters, the IRS may continue to restrict access to the borrower only.
- The borrower to provide a copy of the transcripts that the IRS mailed along with documentation to support sent by the IRS. (Letter mailed with transcripts or copy of envelope transcripts received)
- If transcripts are faxed to borrower, a copy of accompanying fax cover sheet and the transcripts should contain a fax header/banner indicating they were sent by the IRS.
- If borrower visits a local IRS office to obtain transcripts, he/she should provide a copy of the transcript(s) with a signed letter from the IRS stating the borrower obtained from the local office or provide IRS stamped transcripts.

