



Income & Transcripts

2016 W-2's Required-February 1, 2017

W-2's for 2016 should have been issued by employers by 1/31/17. Should your borrower not yet have one, we will accept the 12-31-16 paystub that shows all YTD income (for another 30 days)

The IRS will not begin verifying 2016 W-2's until at least May- possibly June. Until that time, we will require that the most recent income document required by AUS (either 1 year or 2) have transcripts ordered. If 1 year required, 2015 transcript will be required. if 2 years, 2014 and 2015 will be required.

Effective with loans closed on or after June 15, 2017, 2016 tax transcripts will be required.

If a borrower has filed an extension, Essex will require:

- Evidence in the file that the extension was filed
- A 2016 Tax Transcript showing "No record of return filed"
- For salaried borrowers:
 - A 2015 transcript; a current paystub; and 2016 W-2
- For self-employed borrowers:
 - At minimum a 2015 transcript and a P & L for 2016*
- For retired borrowers:
 - In cases where the borrower is not required to file, transcripts are still required. If "No Results" feedback is received, provide a copy of the feedback in the file with supporting income documentation.
- If 2016 income is being used to qualify (or prove no 2106 expenses, etc.) 2016 transcripts must be obtained- No exceptions.

Note: Loans not requiring income such as non-credit qualifying FHA Streamlines and VA IRRRLs do not require tax transcripts.

IRS Rejection of Tax Transcripts

Essex is aware of an increase in the IRS rejection rate of tax transcript requests due to suspected identity theft or other concerns. While tax transcripts remain a requirement on all credit-qualifying products, we also acknowledge that when tax transcripts are not available, there are additional ways to assess the credibility of the income documentation. Essex will consider these instances and will not require an exception as long as all of the following documentation is included in the file:

* Evidence the IRS has rejected the 4506-T as “unprocessable” or “limitation” or with another similar code **and not a “no record found” or data mismatch response, and**

* Bank statement or copy of check evidence tax payment made or refund received for that year matches the 1040 amount, and

* Signed 4506-T for that year(s). ** Borrower should contact the IRS directly and request the transcripts(W-2 or 1040)for the required years. Inaccurately completing the 4506T resulting in a rejection, no record found, or data is match” is not acceptable & must be rectified. We will not be able to accept transcripts obtained by the borrower in these instances.*

In addition, the underwriters will use their discretion when assessing income credibility & may require additional information (including, but not limited to: prior year transcripts, VOE’s bank statements supporting payroll deposits, etc.)

2/1/17