

# 4506 Transcript Job Aid

W-2 Wage Earner and 1099 FIXED Income	Policy Clarifications
<p><b>Verification of Income</b></p> <ul style="list-style-type: none"><li>• If the borrower's income is base, overtime and/or bonus, only the paystub and the number of years W-2's as required by AUS are needed along with a WVOI from the employer. <b>OR</b> you can provide the <b>Alternative Documentation</b> as listed below.</li><li>• If commission income is being used to qualify, and the amount of commission income is <b>LESS THAN 25%</b> of the total qualifying income, only the paystub, W-2 and a Written VOI from the employer is required. <b>NO W-2 or TAX RETURN TRANSCRIPTS ARE REQUIRED.</b></li><li>• If the commission income is <b>EQUAL TO OR GREATER THAN 25%</b> of the qualifying income, then the tax returns and transcripts for those tax returns as indicated by AUS findings must be provided.</li><li>• If the borrower's income is fixed in nature IE: Retirement, Pension, Social Security, <b>1099 transcripts ARE NOT required</b></li><li>• If the borrower is a 1099 Contractor, they are considered <b>Self Employed</b> and documentation as listed in the Self Employed section below should be followed.</li></ul>	<p><b>Policy Clarifications</b></p> <ul style="list-style-type: none"><li>• If only base, overtime or bonus income and/or commission income are being used to qualify, <b>NO W-2 TRANSCRIPTS ARE REQUIRED.</b></li><li>• This policy <b>DOES NOT</b> apply to USDA or Jumbo loans.</li><li>• This policy <b>DOES</b> apply to all Conventional FHA and VA financing.</li><li>• W-2 Transcripts are required on all USDA and Jumbo Loans.</li><li>• Rule of thumb; if you are required to provide a tax return, then the tax return transcripts must be provided. <b>HOWEVER, we still do not need W-2 transcripts.</b></li><li>• A signed 4506T Authorization form is required to be signed at application and again at closing.</li><li>• If the <b>FIXED</b> income is being grossed up for qualifying purposes, we <b>MUST</b> have a copy of the 1040 tax transcripts along with the actual 1040 tax return to determine what portion of the fixed income can be grossed up.</li><li>• If you are using a State Housing DPA Program, you must either provide a copy of the most recent tax return or the most recent year 1040 transcript.</li></ul>

## Alternative Documentation

- Last paystub received for the most recent 2 years as well as a YTD paystub – to establish history and break out the bonus and/or OT (in addition to W2)
- If the borrower hasn't been with the same employer for the past 2 years but still has a history of OT/bonus borrower can still provide last paystubs from previous employers for review if usable income

## 4506 Transcript Job Aid

<u><b>Self Employed, Dividend &amp; Interest, Notes Receivable or Rental Income</b></u>	<u><b>Policy Clarifications</b></u>																				
<p><b>Verification of Income</b></p> <ul style="list-style-type: none"> <li>When tax returns are required to document any income type, we must also provide IRS transcripts for the corresponding number of years.</li> <li>AUS findings dictate the number of years of tax returns that are required to document these income types.</li> </ul>	<table border="1"> <thead> <tr> <th style="text-align: center;"><b>Income Type</b></th><th style="text-align: center;"><b>Transcripts Require</b></th></tr> </thead> <tbody> <tr> <td>Self-Employed</td><td>1040</td></tr> <tr> <td>Commission greater than 25%</td><td>1040</td></tr> <tr> <td>Commission income less than 25%</td><td>None</td></tr> <tr> <td>Rental Income Documented on Schedule E</td><td>1040</td></tr> <tr> <td>Employed by Family</td><td>1040</td></tr> <tr> <td>Fixed Income documented with tax returns (1040's)</td><td>1040</td></tr> <tr> <td>Fixed Income documented with award letter, 1099, bank statement, etc.</td><td>None</td></tr> <tr> <td>W2 Wage Earner (unless handwritten income documentation then the W2 transcript(s) is required.</td><td>None</td></tr> <tr> <td>Other Income documented with tax returns (1040's) - e.g. Dividend &amp; Interest, Note Receivable Income, etc.</td><td>1040</td></tr> </tbody> </table> <ul style="list-style-type: none"> <li>If the Self Employment income is derived from a Corporation, then the corresponding Corporation Tax Return is required to be provided.</li> <li>If using Corporation Income to qualify, we must have a signed 4506T Authorization signed and dated by the borrower on all JUMBO loans.</li> </ul>	<b>Income Type</b>	<b>Transcripts Require</b>	Self-Employed	1040	Commission greater than 25%	1040	Commission income less than 25%	None	Rental Income Documented on Schedule E	1040	Employed by Family	1040	Fixed Income documented with tax returns (1040's)	1040	Fixed Income documented with award letter, 1099, bank statement, etc.	None	W2 Wage Earner (unless handwritten income documentation then the W2 transcript(s) is required.	None	Other Income documented with tax returns (1040's) - e.g. Dividend & Interest, Note Receivable Income, etc.	1040
<b>Income Type</b>	<b>Transcripts Require</b>																				
Self-Employed	1040																				
Commission greater than 25%	1040																				
Commission income less than 25%	None																				
Rental Income Documented on Schedule E	1040																				
Employed by Family	1040																				
Fixed Income documented with tax returns (1040's)	1040																				
Fixed Income documented with award letter, 1099, bank statement, etc.	None																				
W2 Wage Earner (unless handwritten income documentation then the W2 transcript(s) is required.	None																				
Other Income documented with tax returns (1040's) - e.g. Dividend & Interest, Note Receivable Income, etc.	1040																				