



Announcement 15-32

Date: June 26, 2015

Topic: USDA Rural Housing Tax Transcript Rejection Requirements

Effective immediately, for all USDA Rural Housing loans that require transcripts, PennyMac is aligning with USDA Rural Housing's Single Family Housing Origination Update emailed June 18, 2015, regarding tax transcript rejections from the IRS.

Tax return transcripts assist lenders in validating the income documentation submitted by household members that is used to determine eligibility for the Single Family Housing Guaranteed Loan Program (SFHGLP). Due to a recent IRS data breach, the IRS is rejecting some lender requests for tax return transcripts in order to deter fraud.

When tax transcripts are not available, there are additional ways to assess the credibility of the income documentation. USDA Rural Housing will consider these instances 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," with another similar code, or the message "Due to limitations, the IRS is unable to process this request. The IRS will mail a notification to the borrower to explain this reason; please contact your borrower." These guidelines do not apply to "rejected" requests from the IRS due to misspelled names or incorrect/transposed data.; and
- The borrower must request the previous two years of complete tax return transcripts from the IRS. If the borrower has not filed their 2014 taxes, the lender must retain:
 - Tax transcripts for tax years 2012 and 2013,
 - Evidence of the borrower's request for an extension,
 - Verification of 2014 earnings and
 - Current income verifications as required by the USDA Rural Housing Technical Handbook.

As a reminder, when lenders receive the above notifications, PennyMac will continue to require the following:

- Bank statement or copy of check evidence tax payment made or refund received for the applicable years that matches the 1040 amount, and
- Signed 4506-T for the applicable years.

In addition to providing the above, it is recommended for lenders to use discretion when assessing income credibility. This could include items such as police report, institutional written VOEs, bank statements supporting payroll deposits or any other documentation deemed supportive, based upon the specific situation.

Please contact your Sales Representative with any questions.