



- If the use of higher 2020 income, averaged with 2019 income, is needed to qualify, proof that 2020 returns were filed must be obtained (evidence of paid tax liability or refund received) and management review is required (See [Non-Agency Guidelines](#) for Jumbo transaction tolerances).

**Note:** tax transcripts may not be available until 2 to 8 weeks after filing. Refer to <https://www.irs.gov/individuals/transcript-availability> for IRS average turntimes. COVID-19 may result in additional delays.

### ALLOWABLE AGE OF TAX RETURNS- CONVENTIONAL ONLY

The [Conventional Underwriting Guidelines](#) will be updated to reflect the most recent requirements by Fannie Mae and Freddie Mac as indicated below

#### FANNIE MAE

The following table describes which tax-related documentation to obtain, for Fannie Mae (DU) on the application date and disbursement date of the mortgage loan **for the year of 2021**

Application Date	Disbursement Date	Documentation Required
October 15 <sup>1</sup> , [current year minus 1] to May 17 <sup>2</sup> , current year	October 15 <sup>1</sup> [current year minus 1] to May 17 <sup>2</sup> , current year	The most recent year's tax return is required. The use of a Tax Extension (IRS Form 4868) is not permitted.
	May 17 <sup>1</sup> , current year to June 30, current year	The previous year's tax return (the return due in May of the current year) is recommended, but not required.  The originator must ask the borrower whether he or she has completed and filed his or her return with the IRS for the previous year. If the answer is yes, a copy of the return must be provided. If the answer is no, provide a signed letter from the borrower stating they have not yet filed and provide tax returns for the prior two years.  Completed and signed IRS Form 4506-C for transcripts of tax returns provided by the borrower.
	July 1, current year to October 14 <sup>2</sup> , current year	<ul style="list-style-type: none"> <li>• The most recent year's tax return</li> </ul> <b>OR</b> all of the following: <ul style="list-style-type: none"> <li>• A copy of IRS Form 4868 (Application for Automatic Extension of Time to File U.S. Individual Income Tax Return) filed with the IRS,</li> <li>• The underwriter must review the total tax liability reported on IRS Form 4868 and compare it with the borrower's tax liability from the previous two years as a measure of income source stability and continuance. An estimated tax</li> </ul>
May 17 <sup>1</sup> , current year to October 14 <sup>2</sup> , current year	May 17 <sup>1</sup> , current year to December 31, current year	<ul style="list-style-type: none"> <li>• A copy of IRS Form 4868 (Application for Automatic Extension of Time to File U.S. Individual Income Tax Return) filed with the IRS,</li> <li>• The underwriter must review the total tax liability reported on IRS Form 4868 and compare it with the borrower's tax liability from the previous two years as a measure of income source stability and continuance. An estimated tax</li> </ul>

Application Date	Disbursement Date	Documentation Required
		liability that is inconsistent with previous years may make it necessary for the lender to require the current returns in order to proceed. <ul style="list-style-type: none"> <li>• IRS Form 4506–C transcripts confirming “No Transcripts Available” for the applicable tax year, and</li> <li>• Returns for the prior two years</li> </ul>
	January 1, [current year plus 1] to April 14 <sup>2</sup> , [current year plus 1]	The most recent year’s tax return is required. The use of a Tax Extension (IRS Form 4868) is not permitted.

1. Or the April/October filing dates for the year in question as published or extended by the IRS.
2. Or the day prior to the April/October filing dates for the year in question as published or extended by the IRS.

### FREDDIE MAC

The following table describes which tax-related documentation to obtain, for Freddie Mac (LPA) on the application date and disbursement date of the mortgage loan **for the year of 2021**.

Application Date	Note Date	Documentation Required
Prior to <b>May 17</b> of the current year <sup>3</sup>	Before <b>June 30</b> of the current year <sup>4</sup>	The most recent year’s tax return is required. The use of a Tax Extension (IRS Form 4868) is not permitted.
On or after <b>May 17</b> of current year <sup>3</sup>	Prior to <b>June 30</b> of the current year <sup>4</sup>	<ul style="list-style-type: none"> <li>• Notation in file that the 2020 returns and/or extension are not present in file due to the borrower exercising the IRS extended deadline of May 17, 2021.</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>• The most recent year’s tax return</li> </ul> <p>OR all of the following:</p> <ul style="list-style-type: none"> <li>• A copy of IRS Form 4868 (Application for Automatic Extension of Time to File U.S. Individual Income Tax Return) filed with the IRS,</li> <li>• Review of self-employed income stability (see below),</li> <li>• IRS Form 4506–C transcripts confirming “No Transcripts Available” for the applicable tax year, and</li> <li>• Returns for the last one or two years, as required</li> </ul>

Application Date	Note Date	Documentation Required
All	On or after <b>June 30<sup>4</sup></b> through October 14 of the current year	<ul style="list-style-type: none"> <li>The most recent year's tax return</li> </ul> OR all of the following: <ul style="list-style-type: none"> <li>A copy of IRS Form 4868 (Application for Automatic Extension of Time to File U.S. Individual Income Tax Return) filed with the IRS,</li> <li>Review of self-employed income stability (see below),</li> <li>IRS Form 4506-C transcripts confirming "No Transcripts Available" for the applicable tax year, and</li> <li>Returns for the last one or two years, as required</li> </ul>
All	On or after October 15 of the current year <sup>5</sup>	The most recent year's tax return is required. The use of a Tax Extension (IRS Form 4868) is not permitted.

- For mortgages in States with IRS filing extensions beyond May 17, the application received date is the IRS income tax filing due date
- For mortgages in States with IRS filing extensions beyond May 17, the Note date is the last day of the month following the IRS income filing due date (e.g. if the tax filing due date is June, the Note date is July 31)
- Flagstar will require the most recent tax returns (e.g. 2020) for Freddie Mac (LPA) loans with a Note date on or after October 15th.

### **SELF-EMPLOYED STABILITY WHEN TAX RETURNS ARE OLDER- FREDDIE MAC**

If the Borrower's federal individual and/or business income tax returns for the most recent calendar year are not available (e.g., Borrower and/or Borrower's business filed an IRS extension or tax returns are not yet filed with the IRS), additional documentation must be provided to document income stability.

Examples of factors and documentation to consider when using older tax returns to determine continued income stability include, but are not limited to, the following:

- Business review and analysis of current business activity through a review of the most recent financial statement(s) that cover the period since the last tax return filing(s)
- Business review and analysis of current business activity through a review of at least the most recent three months of business bank statements
- Signed IRS Form 941, Employer's Quarterly Federal Tax Return, for the prior calendar year and current calendar year quarter(s) that supports wages and other compensation documented on the most recent business tax return
- Review of tax liability reported with IRS tax filing extension(s) (e.g., IRS Form 4868, IRS Form 7004) to determine consistency with tax liability reported on prior year(s) tax return(s)
- Review of W-2s, 1099s and/or K-1s from the most recent calendar year, if available

If the continued stability of the income cannot be determined, then the Borrower's federal individual and/or business income tax returns from the most recent calendar year may need to be obtained to make the determination.



See Flagstar's [Underwriting Guidelines](#) for complete details which may supersede investor guides.

This guidance does not replace any [Temporary COVID Guidelines](#) currently in place for Self-Employed borrowers which remains in effect until further notice

#### ADDITIONAL RESOURCES

- Freddie Mac: [Bulletin 2021-2](#)
- Freddie Mac: [Bulletin 2021-16](#)
- Fannie Mae: [SEL-2021-04](#)