



4.9 Geographic Restrictions

Geographic Restrictions	<p>The following restrictions apply to transactions secured by properties in Alaska and Hawaii</p> <ul style="list-style-type: none"> • Brokered transactions not permitted in Alaska or Hawaii • Correspondent transactions permitted in Alaska only (Hawaii not permitted) <p>Co-op loans are eligible for Wholesale only and are restricted to the following geographic locations:</p> <ul style="list-style-type: none"> • New York: 5 Boroughs (Bronx, Brooklyn, Manhattan, Queens and Staten Island), Nassau, Suffolk, Westchester and Rockland counties • New Jersey: Bergen, Essex and Hudson County
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Section 5: Income

5.1 Income

Income	<p>Income Documentation: Income documentation requirements are outlined below. Refer to Fannie Mae or Freddie Mac Selling Guides for any areas not addressed</p> <p>Wage Earners:</p> <ul style="list-style-type: none"> • Most recent paystub including all year-to-date earnings dated no earlier than 30 days prior to the initial loan application date and most recent one or two year’s W-2 as required by DU/LPA (W-2 transcripts are permissible in lieu of W-2s); or • income validation obtained through DU Validation Service; or • Written Verification of Employment obtained through a 3rd party vendor such as, but not limited to TALX (The Work Number) except when: <ul style="list-style-type: none"> ○ The borrower works for an interested party to the transaction (Paystub and W-2s required) • Note: For 3rd party verifications, information must be current as of 35 days from the date of the verification <p>Self-Employed:</p> <ul style="list-style-type: none"> • Follow AUS tax return requirements. <ul style="list-style-type: none"> ○ In instances where DU/LPA allows for only 1-year tax returns on a self-employed borrower(s), the tax returns must be for the most recent tax year. A current year extension and the previous year’s tax returns will not be accepted. ○ Documentation or evaluation is not required when a borrower or co-borrower is qualified using only income that is not derived from self-employment and self-employment is a secondary and separate source of income (or loss). <p>Amended Tax Returns- When tax returns are utilized for documenting income: (All Employment/Income Types):</p> <ul style="list-style-type: none"> • Tax returns amended within 90 days prior to the application date or at any time during the loan process with New Penn Financial are not permitted. • Tax returns amended greater than 90 days prior to the application date are permitted however, both the original and amended return must be examined for consistency with the previous filings to determine whether the use of the amended return is warranted. The following documentation will be required: <ul style="list-style-type: none"> ○ A letter of explanation from the borrower detailing the reason for re-filing; ○ Evidence of re-filing via tax transcript of amended return; ○ Payment of and evidence of the ability to pay any applicable tax <p>Borrowers starting New Employment After Note Date: Borrowers who are changing or starting new jobs are permitted to close prior to the start of employment according to Agency requirements.</p>
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[Back to Top](#)

Information is accurate as of the date of publishing and is subject to change without notice. The overlays outlined in this matrix apply to agency loans submitted to DU/LPA. In addition to applying these NPF specific overlays. All loans submitted to DU must comply with the DU Findings and Fannie Mae requirements and that all loans submitted to LPA comply with the LPA Findings and Freddie Mac requirements. This document should not be relied upon or treated as legal advice. Guidelines subject to change without notice; Printed copies may not be the most current version. For the most current version, always refer to the online version.



Refer to FNMA's Employment Offers or Contracts, **Option 1** and Option 2, with the following requirements:

- For **Option 1**, the employment start date as shown on the employment offer or contract must be within 90 days of the Note date.
- For Option 2, Special Feature Code 707 is required.

Refer to FHLMC's Income commencing after the Note Date, Option 1 and **Option 2**, with the following requirement:

- For **Option 2**, start date of the new employment or future salary increase must be no later than 90 days after the Note date.

Corporate Relocation— See [section 9.1](#) for additional documentation allowances or requirements

4506T & Tax Transcript Requirements

- A fully complete 4506T form must be **signed and dated** by each borrower for all loans and must include the number of years of income required
- The 4506T form must be **processed** and transcripts obtained in the following circumstances.
- **Wage Earners:**
 - Handwritten paystubs are used as verification of income (W-2 transcripts acceptable unless other sources of income utilized)
 - There is a relationship between the parties (W-2 transcripts acceptable unless other sources of income utilized):
 - Borrower and Seller are related
 - Borrower/Seller/Loan Originator are related
 - Borrower is employed by the Third-Party Originator Company
 - Any of the following are present (1040 transcripts required):
 - Additional income for qualifying is derived from sources such as rental properties, dividend/interest or other income where tax returns is required; or
 - Tax returns are used to document income; or
 - At the underwriter's discretion
- **Self-Employed:**
 - For self-employed borrowers personal tax transcripts are required. Business tax transcripts must be obtained if income from the business does not flow through to the borrower's personal tax returns or business income appearing on personal transcripts is not consistent with the income on the business tax returns

Borrower Provided Transcripts

In certain cases, such as identification theft, transcripts will not be available directly from the IRS, and the borrower will need to obtain. Additional documentation will be required along with the transcripts:

- Follow the guidelines below when the IRS rejects an IRS Form 4506-T request as unable to process:
 - Evidence the IRS rejected the IRS Form 4506-T request,
 - A borrower-obtained Record of Account Transcript, in pdf format, for all applicable years missing from the www.irs.gov website, and
 - A signed IRS Form 4506-T for the year(s) impacted by the IRS rejection.
- Follow the guidelines below when the IRS rejects an IRS Form 4506-T request for identity theft:

[Back to Top](#)



	<ul style="list-style-type: none"> ○ Proof identification theft was reported to and received by the IRS (IRS Form 14039) or ○ A copy of the notification from the IRS alerting the taxpayer to possible identification theft, and ○ Borrower obtained transcript, in pdf format, for all applicable years missing <ul style="list-style-type: none"> ● In addition to the above, borrower provided transcripts may also be permitted with approval from an underwriting team lead or higher. Comments must be noted in Destiny for the reason borrower provided transcripts required.
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5.2 Verification of Employment

Verification of Employment	<p>Wage Earner: A verbal verification of employment dated within 10 business days of the note date is required for all non-self-employed borrowers. The verification of employment must include the phone number contacted to complete the verbal, which must be documented as associated with the business. In addition, the verification should be completed through the Human Resource Department of the employer, the owner of the company or direct supervisor for small businesses.</p> <p>Self-Employed Borrower: For Self Employed borrowers, the existence of the borrower’s business must be validated within 120 calendar days of the note. This can be accomplished through a third party, such as a CPA, regulatory agency, or the applicable licensing bureau, AND by verifying a phone listing and address for the borrower’s business using a telephone book, the internet, or directory assistance.</p>
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5.3 Assets Used for Qualifying Income

Assets Used for Qualifying Income	<ul style="list-style-type: none"> ● Loan must be DU scored with a recommendation of Approve/Eligible ● Eligible Occupancy/Number Units: <ul style="list-style-type: none"> ○ 1-2 unit primary residence ○ 1 unit second home ● Ineligible property types <ul style="list-style-type: none"> ○ Manufactured homes ● Assets must be liquid and owned individually by the borrower. <ul style="list-style-type: none"> ○ Stocks, bonds and mutual funds must be reduced by 30%. ○ Funds for closing, down payment and reserves must be netted from the assets resulting in a net documented asset amount. ○ The initial minimum account value of the assets used to determine the income stream is \$500,000. ○ Acceptable assets: <ul style="list-style-type: none"> ▪ checking or savings accounts; ▪ investments in stocks, bonds, mutual funds, certificates of deposit, money market funds, and trust accounts; ▪ the amount vested in a retirement savings account (must be of retirement age) ▪ the cash value of a vested life insurance policy ● Monthly Income Stream calculation: To determine the monthly income stream, convert the borrower’s net documented assets by the amortization terms of the mortgage (in months). This amount is entered as ‘other income’ in Destiny. <p>Example:</p>
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[Back to Top](#)