

Clarification of Income Verification Guidelines

1. Purpose. This Circular discusses the impact of the Government shutdown as it relates to verifying a borrower's income. It clarifies Department of Veterans Affairs (VA) income verification guidelines for both W-2 wage earners and self-employed borrowers.
2. Issues. Lenders have raised concerns regarding the inability to obtain Form 4506-T, *Request for Transcript of Tax Return*, from the Internal Revenue Service (IRS) during the Government shutdown. Lenders typically submit this form to the IRS in order to verify information provided by a Veteran-borrower before closing a mortgage loan.
3. VA Requirements. Requirements for verifying income are found in Chapter 4 of the VA Lender's Handbook (http://benefits.va.gov/warms/pam26_7.asp). VA guidelines for standard and alternative documentation do not include a requirement to obtain IRS Form 4506-T. This applies to both W-2 wage earners and self-employed borrowers. The Lender's Handbook references IRS Form 4506-T in Topic 8 of Chapter 4, *Documentation for Automated Underwriting Cases (AUS)*. The IRS Form 4506-T requirement is sometimes listed as a condition on the AUS feedback certificate, or imposed during a manual underwrite by the lender. It is important to note that even if this condition exists, it would be considered an investor or lender overlay exceeding the guidelines established by VA.
4. Rescission: This Circular is automatically rescinded January 1, 2014.

By Direction of the Under Secretary for Benefits

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