

EMPLOYMENT VERIFICATION

To substantiate employment and income for a salaried or commissioned borrower, confirmation of the borrower's earnings for the current year (including the most recent 30-day period) and, if applicable, earnings over the past two years, must be provided. Some forms of salaried earnings require confirmation the borrower's employment and income over the past two years directly from the IRS. To substantiate employment and income for a self-employed borrower, confirmation of the borrower's personal and business directly from the IRS is required.

If a verification of employment (Form 1005) is provided, white-outs and uninitialed corrections are not acceptable. Flagstar Bank requires a signed 4506-T with all VOEs (Form 1005). Additionally, we require a signed 4506-T on all files where tax returns are required for any reason. Flagstar Bank will independently verify the information on a VOE (Form 1005) with the borrower's employer.

When working with a loan in conjunction with Loan Prospector® (LP) and/or Desktop Underwriter® (DU), please follow the documentation requirements as outlined on the FEEDBACK/FINDINGS reports generated by LP and DU. Loans eligible for Accept Plus documentation from LP or only requiring a verbal verification from DU will require at least a current year to date pay stub for wage earning borrowers and the most recent tax returns for self employed borrowers. If the most recent 1040 results are not available, then evidence of an extension will be required along with filed prior year returns. Additional conditions may apply based on the income documentation submitted.

Alternative documentation may include:

- most recent two years W-2's (employee copy)
- computer generated copies of paystubs for the most recent 30 day period (a single year to date paystub is acceptable as long as it covers at least a 30 day period) that displays:
 - the borrower's name or social security number
 - total current and year-to-date earnings
 - employer's name
- If the borrower receives handwritten or non-computer generated paystubs, a VOE and signed 4506-T are required prior to closing.
- telephone confirmation from the borrower's employer from the Human Resources or Personnel Department, or, if the company doesn't have such a department, from the borrower's supervisor. The processor's certification must be for all employers for the previous two years employment.

When supplied income documentation (paystub, W-2s, and/or VOE) shows "rounded" earnings, we may require 1040s to support the income figures provided.

All submitted 4506-Ts will be executed. If any material misrepresentations are found, the purchase commitment will become null and void. A fully executed 4506-T is required on all full documentation loans with an LTV of 95% or greater. 4506-T results must show that borrowers requiring a tax return for qualification have filed tax returns for the previous tax year(s) or show evidence of a valid filing extension to be eligible.

For FNMA and FHLMC, paystubs or payroll earning statements that the borrower downloads from the internet are also acceptable.

You must independently confirm by using the telephone book, calling directory assistance, etc., the telephone number that the borrower provided. You must, at a minimum, obtain the employer's confirmation that the borrower is employed by the firm. You must attempt to verify earnings and probability of employment. If they will not respond, you must state so. The confirmation must state the employer's name, title of the person, the lender employee's name (other than the commissioned loan officer), the date verified and the employer's response to date of hire, salary, and probability of continued employment.

FNMA and FHLMC generally require verification of the borrower's employment for the two full years that precede the mortgage application. However, when a borrower who is new to the workplace cannot document income and employment for this length of time, the documentation should relate to the length of time that he or she has been employed. For borrowers whose income source is less predictable, such as self-employment or commissions, bonuses, or overtime, the guidelines in DOC 6111 should be followed.

The borrower must explain any employment gaps that extend beyond one month. When a borrower is employed by a relative or closely held family business, a 4506-T will be required. A statement from the accountant or owner to state the purchaser does not have 25% or more interest in the company may be required.

4506-T Requirements

A signed executed 4506T is to be obtained at time of underwriting and at closing for all loans. 4506T transcript results must be obtained at time of underwriting for all loans closing under the multi property program. For all other transactions, underwriting reserves the right to wait for the transcript results if tax returns were recently filed. For any transaction where transcript results are not yet available, proof of tax filing will always be required. Originators must ensure all sections (including checkboxes) are completed prior to having the borrower sign the document. Information that is missing or incorrect could delay processing. For detailed instructions on how to properly complete a 4506-T please reference the [Preparing Your 4506-T guide](#) by Equifax.

All Brokers and Correspondents are required to obtain a verbal VOE for all borrowers within 10 business days from the note date for employment income and within 30 days for self-employment income. The verification must be delivered with the closing package.

Verbal VOE requirements for hourly, salary, and commission income:

- The Broker/Correspondent must independently obtain a phone number and, if possible, an address for the borrower's employer. This can be accomplished by using a telephone book, the internet, or directory assistance, or by contacting the applicable licensing bureau.
- The Broker/Correspondent must contact the employer, verbally or in writing, and confirm the borrower's current employment status within 10 days prior to the closing date.
- If the contact is made verbally, the conversation must be documented. It should include the name and title of the person who confirmed the employment, the date of the call, and the source of the phone number. The written documentation should also include the name and title of the person who performed the verification for the Broker/Correspondent.

Note: If a borrower is in the military, a military Leave and Earnings Statement (LES) dated within 30 days of closing is acceptable in lieu of a verbal or written VOE.

Verbal VOE requirements for self-employed income:

- The Broker/Correspondent must verify the existence of the borrower's business within 30 days prior to the note date – from a third party, such as a CPA, regulatory agency, or the applicable licensing bureau, if possible; and by verifying a phone listing and address for the borrower's business using a telephone book, the internet, or directory assistance.
- If the contact is made verbally, the Broker/Correspondent must document the source of the information obtained and the name and title of the lender's employee who obtained the information.