

Redwood Compliance Announcement

Taxpayer First Act and Borrower Consent Regarding Use of Tax Return Information

The Taxpayer First Act became law on July 1, 2019. One of the provisions in this act is that persons receiving borrower tax return information¹ must obtain the express permission of the taxpayers prior to disclosing the tax information to any other person. This new requirement goes into effect on December 28, 2019. It has been determined that the current Form 4506-T does not provide express consent as required by the Act. Please also refer to Fannie Mae Selling and Servicing Notice Dated November 6, 2019.

As a result, if a lender obtains tax information during the origination of a mortgage loan, the lender must obtain express consent from the taxpayers in order to share the tax information with another party. It is our interpretation that this would apply to the tax information collected by the lender and sent to Redwood in the loan documentation for purchase review and/or exception review. Model consent language has been developed by MISMO. Please see sample language on page two (2). These consent forms must be signed and dated by each borrower whose tax return information is being reviewed.

Effective with loan purchase requests delivered to Redwood on or after December 28, 2019, Redwood will expect to see consent forms in the loan files submitted for purchase review. If the consent form is missing, Redwood will condition for the document before acquisition of the loan. On occasion an exception review request will contain tax return information documentation. In these cases, if not already included, the seller will need to provide the executed consent before the review can be completed.

If you have any questions, please contact James Ferrol by email at james.ferrol@redwoodtrust.com.

¹ Tax return information is defined under the IRS Code 26 U.S.C. §6103

