

This reference document is updated to coincide with changes to requirements to automated income assessment with Loan Product Advisor using tax data related to the borrower's **self-employed** income. Recent changes include:

## Revision History

February 2025	
Guide Bulletin 2025-1	Updates to the age of tax return requirements.

**Note:** Vertical revision bars " | " are used in the margin of this quick reference to highlight new requirements and significant changes

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This reference is intended to assist you with using our automated income assessment with Loan Product Advisor® (LPA<sup>SM</sup>) using tax data (formerly known as “AIM for self-employed”), a part of asset and income modeler (AIM) – our solution for automating the manual processes of assessing borrower assets and income, and provides the following information:

<b>Table of Contents</b>	<b>Pages</b>
Introduction	<a href="#">PG 3</a>
How it Works (high-level overview)	<a href="#">PG 3</a>
Eligibility Requirements	<a href="#">PG 4</a>
Tax Return/Tax Transcript Documentation Requirements	<a href="#">PG 5</a>
Age of Tax Data Requirements	<a href="#">PG 6</a>
Tax Extensions	<a href="#">PG 7</a>
Income Calculation Documentation	<a href="#">PG 7</a>
<b>Representation and Warranty Relief Eligibility and Loan Product Advisor Results</b>	
Income Representation and Warranty Relief	<a href="#">PG 9</a>
Data Representation and Warranty Relief Using Tax Transcripts	<a href="#">PG 13</a>
Data Representation and Warranty Relief Using Tax Returns and Tax Transcripts	<a href="#">PG 15</a>
Getting Started	<a href="#">PG 16</a>
Seller’s In-House Quality Control Program Impacts	<a href="#">PG 22</a>

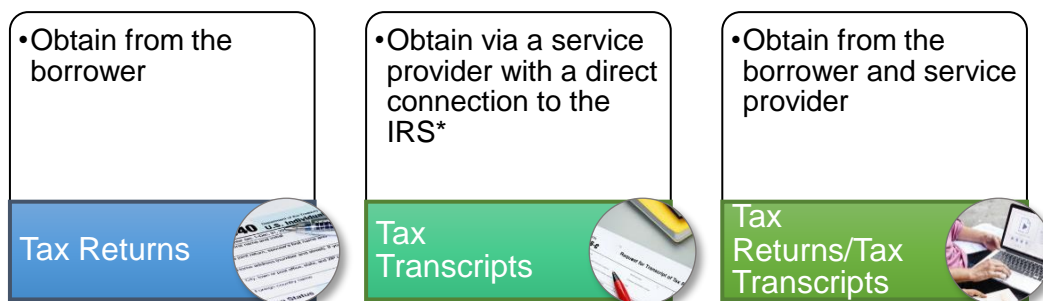


## Introduction

Automated income assessment with LPA using tax data related to the borrower's **self-employed** income (formerly "AIM for Self-Employed") is a capability within LPA that leverages access to optical character recognition (OCR) technology from third-party service providers (service provider) or tax transcripts, via a service provider, to help enable the automation of certain income calculations for self-employed borrowers; this allows LPA to determine whether you are eligible for relief from enforcement of certain representations and warranties (referred to as "rep and warranty") related to the borrower's self-employed income using tax data.

### How does it work?

*You have options based on your processes and service provider,*



\*Currently supported by Halcyon

### To make it easier to,

- Grow your business: Simpler underwriting helps you take on loans with self-employed income you might have had to commit greater time and resources to previously.
- Close loans faster: Automation speeds up income assessment and creates efficiency.
- Get immediate representation and warranty relief: Related to the eligible self-employed income.

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To participate in using this capability, you must first have an agreement with a third-party service provider designated by Freddie Mac. Refer to the [AIM webpage](#) for getting started with a service provider.

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**NOTE:** Freddie Mac does not endorse, or make any representations or warranties regarding, any service provider. Each lender is solely responsible for the decision of whether to engage a given provider, and on what terms, and for ensuring that the providers it engages have in place and maintain controls, processes, and procedures that satisfy the lender's business, operational, risk, legal and regulatory requirements.








## Eligibility Requirements

Loans must be submitted to LPA and must meet the following requirements outlined in Guide Chapter [5903](#):

Topic	Requirements
<b>Eligible Mortgages</b>	Conventional Mortgages (conforming and super conforming) delivered through Loan Selling Advisor® as a Loan Product Advisor Mortgage
<b>Loan Product Advisor Risk Class</b>	Risk Class of “Accept”
<b>Loan Purpose</b>	<ul style="list-style-type: none"><li>▪ Purchase</li><li>▪ Refinance</li></ul>
<b>Eligible Income</b>	<p>Self-employed income is eligible if it is derived from the following business structures:</p> <p><b>Using tax returns obtained from the borrower:</b></p> <ul style="list-style-type: none"><li>▪ Sole Proprietorships reported on Internal Revenue Service (IRS) Schedule C</li><li>▪ S Corporations reported on IRS Form 1120S (including compensation of officers reported on IRS Form W-2), IRS Form 8825 and IRS Schedule K-1 (Form 1120S)</li><li>▪ Partnerships reported on IRS Form 1065, IRS Form 8825 and IRS Schedule K-1 (Form 1065)</li></ul> <p><b>Using tax transcripts obtained from a service provider:</b></p> <ul style="list-style-type: none"><li>▪ Sole Proprietorships reported on IRS Schedule C</li></ul> <p><b>Note:</b> If other self-employed income is reflected on other tax schedules (e.g., Schedule E or Schedule F), the mortgage is not eligible for the automated assessment using tax transcripts.</p>
	<p>Tax returns <b>must not</b> be:</p> <ul style="list-style-type: none"><li>▪ Filed on a fiscal year basis</li><li>▪ Handwritten</li><li>▪ An amended return</li><li>▪ From a U.S. Territory</li></ul>
	<p><b>Note:</b> For borrowers with business ownership interest(s) &lt; 25% refer to Guide Section <a href="#">5303.2(d)</a> and Guide Chapter <a href="#">5304</a>.</p>



Topic	Requirements		
<b>Federal Tax Return and Tax Transcript - Documentation Requirements</b>	<b>Business Structure</b>	<b>Business in existence <math>\geq</math> 5 years</b>	<b>Business in existence &lt; 5 years</b>
	Sole Proprietorship	Complete signed federal individual (form 1040) income tax return or tax transcript for the most recent year.	Complete signed federal individual (form 1040) income tax returns or tax transcripts for the most recent two years.
	Partnership	Complete signed federal individual and partnership (Form 1065) income tax returns, including the Schedule K-1(s) for the most recent year.	Complete signed federal individual and partnership (Form 1065) income tax returns, including the Schedule K-1(s) for the most recent two years.
	S-Corporation	Complete signed federal individual and S-Corporation (Form 1120S) income tax returns, including the Schedule K-1(s), Form 1125-E and W-2(s) if applicable, for the most recent year.	Complete signed federal individual and S-Corporation (Form 1120S) income tax returns, including the Schedule K-1(s), Form 1125-E and W-2(s) if applicable, for the most recent two years.
	<b>Check the tax returns uploaded to the service provider for the following to confirm:</b>		
	<b>IRS Filing:</b> Are they the borrower's most recent return(s) filed with the IRS? We encourage you to always confirm with the borrower that the tax return(s) or tax transcripts obtained by the service provider are the most recent filed with the IRS. In addition, the individual tax return year most recently filed must correspond to the business tax return year most recently filed with the IRS for all businesses (e.g., when the most recently filed individual tax return year is 2024, the most recently filed business tax return year must also be 2024). Refer to the <a href="#">Age of Tax Data Requirements</a> .		
	<b>History of receipt:</b> If the borrower's business has been in existence, or the borrower has owned the business <u>for less than five years</u> , does the borrower's federal income tax returns or tax transcripts reflect at least <u>two years of receipt of income</u> and/or losses from the business?		
	<b>Same business type:</b> Is the income and/or loss reflected in the tax returns or tax transcripts reported for the <b>same</b> business on the <b>same</b> tax form structure for the <b>most recent two years</b> ? For example, the business cannot be reported as a sole proprietorship and then converted to a partnership.		
	<b>Business tax returns:</b> Income reported on the business tax returns but not on the personal tax returns must not be considered as stable monthly income.		
<b>Note:</b> For a sole proprietorship you must document on the loan application the number of years the business has been in existence. The length of time must not contradict the borrower's federal individual income tax return(s) or tax transcripts, and any other documentation or information received.			



Topic	Requirements		
<b>Age of Tax Data Requirements</b>  <b>(Guide Section 5903.6(c))</b>	The following date and documentation requirements for 2023 and 2024 federal income tax return(s) or tax transcripts must be met:		
	<b>Application Received Date</b>	<b>Note Date</b>	<b>Age of tax return(s) and other documentation requirements</b>
	<b>Before:</b> April 15, 2025	<b>Before:</b> May 31, 2025	<ul style="list-style-type: none"> <li>▪ Most recent federal income tax return(s) or tax transcript(s) filed with the IRS.</li> <li>▪ The most recent tax return(s) or tax transcripts must be no older than 2023.</li> </ul>
	<b>On or after:</b> April 15, 2025	<b>Before:</b> May 31, 2025	If the borrower has not filed the 2024 tax return(s) with the IRS: <ul style="list-style-type: none"> <li>▪ The most recent tax return(s) must be no older than 2023.</li> <li>▪ You must obtain:               <ul style="list-style-type: none"> <li>– IRS confirmation verifying transcript(s) are not yet available for the tax returns (individual, and business as applicable) from the 2024 tax year<sup>1,2</sup>, and</li> <li>– Evidence of completed IRS tax filing extension(s) for 2024 tax year<sup>3</sup>.                   <ul style="list-style-type: none"> <li>○ IRS Form(s) 4868 for the individual tax return, and</li> <li>○ Documented IRS tax filing extension for the business tax return, if applicable (e.g., IRS Form 7004).</li> </ul> </li> </ul> </li> </ul>
	All	<b>On or after</b> May 31, 2025 <b>Before</b> November 1, 2025	<ul style="list-style-type: none"> <li>– Evidence of completed IRS tax filing extension(s) for 2024 tax year<sup>3</sup>.               <ul style="list-style-type: none"> <li>○ IRS Form(s) 4868 for the individual tax return, and</li> <li>○ Documented IRS tax filing extension for the business tax return, if applicable (e.g., IRS Form 7004).</li> </ul> </li> </ul> <p><b>Note:</b> If tax transcripts are used to calculate income, transcripts from previous years cannot be used for the automated assessment. The most recent year must be obtained.</p>
All	<b>On or after:</b> November 1, 2025	<ul style="list-style-type: none"> <li>▪ The most recent tax return(s) or tax transcripts must be no older than 2024, regardless of other factors such as tax filing extension status or IRS tax filing deadline relief status.</li> </ul>	
<p><sup>1</sup> If the IRS extends the tax filing due date, the IRS confirmation is required for Mortgages with Application Received Dates on or after the IRS income tax filing due date, or May 31, 2025, whichever occurs first; and Note Dates on or after the last day of the month following the IRS income tax filing due date, or June 30, 2025, whichever occurs first.</p> <p><sup>2</sup> Alternative documentation is acceptable in lieu of the IRS confirmation that tax transcript(s) are not yet available for the business tax return(s) as follows:</p> <ul style="list-style-type: none"> <li>• Confirmation business tax returns were filed after IRS filing due date for the prior year(s) (e.g., 2023 business tax return in file was signed later in the year (e.g., October)) or documentation from third-party tax return preparer confirming 2024 business return has not yet been filed; and</li> <li>• Documented evidence of continued income stability using at least one of the examples listed in Section 5304.1(g) in the row labeled “Business and/or individual tax return(s) – most recent calendar year not yet available.” Note: If income representation and warranty relief is granted, evidence of continued income stability has been met.</li> </ul> <p><sup>3</sup> If the IRS extends the tax filing due date, evidence of the completed IRS tax filing extension is required for Mortgages with Application Received Dates on or after the IRS income tax filing due date and Note Dates on or after the last day of the month following the IRS income tax filing due date.</p>			



Topic	Requirements
<b>Tax Extensions</b>	<p><b>How it works:</b></p> <p>Automated income assessment with LPA using tax data includes the ability to perform a personal tax liability analysis when a tax return extension has been filed. An analysis is performed to determine continued income stability by comparing the estimated tax liability for the 2023 tax year to prior year(s) tax liability for consistency. If consistency is confirmed, the automated income assessment will continue using the older tax return(s) to assess income. The results of the assessment will be displayed on the Feedback Certificate, including income representation and warranty relief eligibility.</p> <p><b>Note:</b> Available service providers: CoreLogic, LoanLogics, LoanCraft</p> <div data-bbox="423 667 1507 953" style="border: 2px solid #00AEEF; border-radius: 15px; padding: 10px; text-align: center;"><pre>graph LR; 1((1 Upload 2021 or 2021 &amp; 2020 tax returns to service provider)) --&gt; 2((2 Upload IRS Form 4868 for 2022 tax year to service provider)); 2 --&gt; 3((3 Submit to Loan Product Advisor)); 3 --&gt; 4((4 Review the messages returned*));</pre></div> <p>*Including assessment for income representation and warranty relief eligibility.</p> <p><b>Note:</b> If the loan does not meet the revised age of tax return requirements you may continue to sell these loans if certain requirements are met. Refer to Section 5304.1(g).</p>
<b>Income Calculation Documentation</b>	<p><b>Using Tax Returns Obtained from the Borrower</b></p> <p><b>Income Calculation Report:</b> The document provided by the service provider that you are responsible for reviewing to determine if any adjustments to the income must be made based on information in the mortgage file.</p> <ul style="list-style-type: none"><li>Upload borrower's federal income tax returns to the service provider.</li><li>Service provider generates an Income Calculation Report with a report ID. Retain in the mortgage file.</li></ul> <p>Note: If an Income Calculation Report is not provided, document the calculation of the borrower's self-employed income on Form 91, Income Calculations, or a similar alternative form as described in Section 5304.1.</p> <p><b>Next Steps:</b></p> <ol style="list-style-type: none"><li>Review and verify the Income Calculation Report against information in the mortgage file to determine if any adjustments must be made. If so, you must update the Income Calculation Report and upload it to the service provider, along with any additional documentation necessary to support the update.</li><li>Submit to LPA using the report ID. Refer to the Getting Started Section.</li></ol>



Topic	Requirements
<b>Income Calculation Documentation (cont'd)</b>	<b>Using Tax Transcripts Obtained from a Service Provider</b> <ul style="list-style-type: none"> <li>▪ Request tax transcripts from a service provider.</li> <li>▪ The service provider, using a direct connection to the IRS, will provide the tax transcript to the Seller, along with a report ID.</li> </ul>
	<b>Next Steps:</b> <ol style="list-style-type: none"> <li>1. Review the tax transcripts</li> <li>2. Document the calculation of the borrower's self-employed income on Form 91 or a similar alternative form as described in Section 5304.1(n).</li> <li>3. Submit to LPA using the report ID. Refer to the Getting Started Section.</li> </ol>
<b>Additional Information</b>	
<b>Verification of Current Existence of Business</b>	<ul style="list-style-type: none"> <li>▪ Verification of the current existence of the business is required when positive income from the business is used as stable monthly income.</li> <li>▪ Must be completed prior to the Delivery Date, but not more than 120 days prior to the Note Date.</li> <li>▪ Refer to Section 5903.3(c)(3) for acceptable third-party and alternative sources for verification of existence of the business.</li> </ul>
<b>Internal Revenue Service (IRS) Form 4506-C</b>	<ul style="list-style-type: none"> <li>▪ IRS Form 4506-C signed by the borrower (or alternate form acceptable to the IRS that authorizes the release of comparable tax information to a third-party), or</li> <li>▪ For borrowers with income that is derived from sources in Puerto Rico, Commonwealth of Puerto Rico Form 2907 signed by the borrower for submission to the Puerto Rico Department of Treasury, Internal Revenue Area, or</li> <li>▪ For borrowers with income that is derived from sources in Guam or the U.S. Virgin Islands, Form 4506-C signed by the borrower (or an alternate form that authorizes the release of comparable tax information to a third party) for submission to the Guam Department of Taxation and Revenue or Virgin Islands Bureau of Internal Revenue, as applicable.</li> </ul>
<b>Business Assets</b>	<i>If applicable, Assess Business Assets:</i> If business assets are used for closing, you must meet the requirements in Section 5903.3(c)(4).





# Representation and Warranty Relief Results and Loan Product Advisor Feedback Certificate Results

## Income Representation and Warranty Relief

Loan Product Advisor using tax returns obtained from the borrower assesses the calculation of income and/or losses on an **individual borrower-level** and **individual business-level** basis from the eligible self-employed income based on data from the federal income tax returns and the Income Calculation Report you upload to the service provider.

Loan Product Advisor using tax transcripts obtained from a service provider assesses the calculation of income and/or losses on an **individual borrower-level** and **individual business-level** basis from the eligible self-employed income reported on IRS Form Schedule C based data from the federal income tax transcripts.


On a loan-level basis, LPA returns one of the following income rep and warranty results on the Feedback Certificate using an “Income R&W Relief” indicator of: Eligible, Partial, Not Eligible, or Unavailable in the **Assessment Summary** section of the Loan Product Advisor Feedback Certificate. The Feedback Certificate also provides additional messages associated with the income rep and warranty relief result in the **Employment and Income Messages** section of the Loan Product Advisor Feedback Certificate. Review the messages and reconcile them against the information in the Income Calculation Report, Form 91 Income Calculations or similar alternative form. Keep in mind, after you review the messages and determine what, if any action is needed, you may choose to resubmit the loan.

To obtain relief, the data on the last complete Loan Product Advisor Feedback Certificate must be consistent with the data delivered to Freddie Mac.



Terms	
Loan-level representation and warranty relief	All income assessed and used for qualification purposes is from eligible self-employed income on the Income Calculation Report, Form 91 or similar alternative form and receives income representation and warranty relief as described in Section 5903.5(a)(i).
Partial representation and warranty relief	Multiple sources of income are used for qualification purposes. Eligible self-employed income on the Income Calculation Report, Form 91 or similar alternative form is eligible for income representation and warranty relief as described in Section 5903(a)(i).



The following chart provides a summary of income assessment results and the messages returned to confirm income representation and warranty relief eligibility and documentation requirements.





Eligibility Result	Representation and Warranty Relief	Income Documentation Requirements
<p><b>Income R&amp;W Relief Indicator:</b></p> <p> <b>ELIGIBLE</b></p> <p><b>Eligible for Income Representation and Warranty Relief</b></p>	<p>You are relieved from enforcement of the following representation and warranties:</p> <ol style="list-style-type: none"> <li>1. Accuracy of the income calculation for the <a href="#">eligible self-employed income</a> shown on the Income Calculation Report, or Form 91 (or a similar alternative form as described in Section 5304.1) and</li> <li>2. The business and income analysis described in Section 5304.1(d), including the analysis of the eligible self-employed income to support that the business has sufficient liquidity and is financially capable of producing stable monthly income for the borrower.</li> </ol>	<p>For eligible <a href="#">self-employed income</a>:</p> <ol style="list-style-type: none"> <li>1. The Income Calculation Report or Form 91, Income Calculations (or similar alternative form as described in Section 5304.1) must be used to document the income.</li> <li>2. The requirements of Section 5903.6 must be met.</li> </ol> <p>When there are multiple income sources and one or more receives income representation and warranty relief, for the income source(s) not eligible for representation and warranty relief, you must either:</p> <ol style="list-style-type: none"> <li>1. Verify and document the income as required by the Guide, or</li> <li>2. Remove the income and resubmit the mortgage to LPA.</li> </ol>

**Example:**

**Assessment Summary**

Details		Affordable P
BORROWER NAME	NUMBER OF SUBMISSIONS	AREA MEDIAN
JOHN FREDDIE	7	\$150,400.0

Assessment Summary		Representation & Warranty Relief	
PURCHASE ELIGIBILITY	RISK CLASS	COLLATERAL R&W* RELIEF	INCOME R&W* RELIEF
 <b>ELIGIBLE</b>	 <b>ACCEPT</b>	 <b>NOT ELIGIBLE</b>	 <b>ELIGIBLE</b>


**Employment And Income Messages**

CODE	MESSAGES
FEI0030	The loan is eligible for loan-level income representation and warranty relief.


Eligible for income rep and warranty relief at the loan-level


Borrower's income source is an eligible income type and assessed by LPA which is sufficient to support the loan.



Eligibility Result	Representation and Warranty Relief	Income Documentation Requirements
<p><b>Income R&amp;W Relief Indicator:</b></p> <p> <b>PARTIAL</b></p> <p><b>Partial income representation and warranty relief message is returned</b></p>	<p>When partial income representation and warranty relief is received for a source(s), you are relieved from:</p> <ol style="list-style-type: none"> <li>1. The accuracy of the income calculation for the <a href="#">eligible self-employed income</a> shown on the Income Calculation Report or Form 91 (or a similar alternative form as described in Section 5304.1), and</li> <li>2. The business and income analysis described in Section 5304.1(d), including the analysis of the eligible self-employed income to support that the business has sufficient liquidity and is financially capable of producing stable monthly income for the borrower.</li> </ol> <p>Note: You are relieved from enforcement of representations and warranties related to the borrower's income confirmed by LPA feedback messages.</p>	<p>For eligible <a href="#">self-employed income</a>:</p> <ol style="list-style-type: none"> <li>1. The Income Calculation Report or Form 91, Income Calculations (or similar alternative form as described in Section 5304.1) must be used to document the income.</li> <li>2. The requirements of Section 5903.6 must be met.</li> </ol> <p>When the loan has multiple income sources and one or more income sources are needed to qualify the borrower, document the income source(s) as required by the feedback message.</p>

**Example: Using Tax Return Data**




 **Loan Product Advisor® Feedback Certificate**

**Assessment Summary**


Details

BORROWER NAME	NUMBER OF SUBMISSIONS	LP KEY NUMBER
ANDY FREDDIE	7	


Assessment Summary

PURCHASE ELIGIBILITY  **ELIGIBLE**

RISK CLASS


 **ACCEPT**

Representation & Warranty Relief


COLLATERAL R&W\* RELIEF  **NOT ELIGIBLE**

N/A

INCOME R&W\* RELIEF

 **PARTIAL**

ASSET R&W\* RELIEF

 **NOT ELIGIBLE**

**Employment And Income Messages**

CODE	MESSAGES
FEI0295	The loan is eligible for partial income representation and warranty relief.
FEI0225	Andy FREDDIE's submitted self-employed income of \$11,240.00 is relieved of representations and warranties for the accuracy of the income calculation and the business and income analysis. This income was assessed using the Vendor Name report dated 3/24/2020 07:00 PM; the report must be retained in the loan file. No further documentation is required for this income.
FEI0093	Dividend or interest income for Andy Freddie must be supported by signed, complete individual federal tax returns for the most recent two-year period OR year-end asset account statements for the most recent two years evidencing all dividend and interest income for each year for the income producing asset(s). Evidence of sufficient assets to support the qualifying income is required.

Not eligible at the loan-level. Review messages to determine if eligible for partial income rep and warranty relief.

Eligible self-employed income documented on an Income Calculation Report is eligible for income rep and warranty relief, as long as, the other income is documented per the Guide.



Eligibility Result	Representation and Warranty Relief	Income Documentation Requirements
<b>Income R&amp;W Relief Indicator:</b> <b>NOT ELIGIBLE</b>  <b>Not Eligible for Loan-level or Partial Income Representation and Warranty Relief</b>	You are not eligible for relief from enforcement of representations and warranties related to the borrower's income. LPA did not return a feedback message indicating representation and warranty relief was received.	The income must be verified and documented as required by the Guide.

**Example**

**Assessment Summary**

**Details**

BORROWER NAME	NUMBER OF SUBMISSIONS	LP KEY NUMBER
ANDY FREDDIE	7	


**Affordable Product Information**

PURCHASE ELIGIBILITY	RISK CLASS	COLLATERAL R&W* RELIEF	INCOME R&W* RELIEF	ASSET R&W* RELIEF
ELIGIBLE	ACCEPT	NOT ELIGIBLE	NOT ELIGIBLE	NOT ELIGIBLE

**Employment and Income Messages**

CODE	MESSAGES
FEI0029	The loan is not eligible for income representation and warranty relief.
FEI0219	Self-employment income for ANDY FREDDIE from Partnership named TNT PARTNERSHIP could not be derived because of insufficient documentation. Submit complete signed individual and business returns for most recent 2 years if business in existence less than 5 years; most recent year return if in existence for at least 5 years.
FEI0171	For ANDY FREDDIE, the total Loan Product Advisor derived self-employed income is \$3,004.41 using tax return data provided by Vendor Income Calculation Report #102398 dated 03/25/2019 07:00 PM).
FEI0172	For ANDY FREDDIE, self-employed income of \$2,876.00 from SoleProprietorship named AAA INC was derived using tax return data provided by Vendor (Income Calculation Report #102398 dated 03/25/2019 07:00 PM).
FEI0172	For ANDY FREDDIE, self-employed income of \$128.41 from SCorporation named ENBC CORPORATION was derived using tax return data provided by Vendor (Income Calculation Report #102398 dated 03/25/2019 07:00 PM).
FEI0174	Please retain in the loan file all documentation uploaded Vendor and the Income Calculation Report #102398 dated 03/25/2019 07:00 PM.
FEI0183	If the Borrower's sole proprietorship(s) has been in existence for less than five years, complete signed income tax returns reflecting at least two years of receipt of income from the business must be uploaded to Vendor.
FEI0068C	File must contain verification of current existence of each business through a third-party source for ANDY FREDDIE dated no more than 120 days prior to the Note Date or after the Note Date but prior to the Delivery Date.
FEI0034	Signed IRS Form 4506: Any borrower whose income is used to qualify is required to sign IRS Form 4506 no later than the note date.
FEO0070	Self-employed income for ANDY FREDDIE must be supported by signed complete federal individual and business tax returns as applicable. If business in existence five years or more, provide personal and business tax returns for the most recent year. If the business has been in existence for less than five years provide personal and business tax returns for the most recent two years. File must contain Form 91 or equivalent.



Eligibility Result	Representation and Warranty Relief	Income Documentation Requirements
<p><b>Income R&amp;W Relief Indicator</b></p> <p> UNAVAILABLE</p> <p><b>Unable to Assess for Income Representation and Warranty Relief</b></p>	<p>You are not eligible for relief from enforcement of representations and warranties related to the borrower's income.</p> <p>LPA was unable to assess the borrower's income. This could be due to missing or incomplete information from the service provider or a system being down.</p>	<p>The income must be verified and documented as required by the Guide.</p>

## Data Representation and Warranty Relief Using Tax Transcripts

In addition to income representation and warranty relief, LPA also determines eligibility for tax transcript data representation and warranty relief. Automated income assessment with LPA using tax data includes the ability to request a tax transcript from the IRS through a service provider that has a direct connection to the IRS. Once you receive the tax transcript data, submit the mortgage to LPA with the report ID. LPA assesses the tax transcript data for income reported on IRS form Schedule C. If LPA is able to assess the income, you may be eligible for relief of representations and warranties related to the accuracy and integrity of the tax transcript data.

Halcyon is currently the only service provider supporting this capability.

Tax Transcript Data Representation and Warranty Relief Eligibility Result	Representation and Warranty Relief
Eligible	<p>You are relieved from enforcement of representations and warranties related to:</p> <ul style="list-style-type: none"> <li>The accuracy and integrity of the <b>data from tax transcripts</b> obtained from the service provider for Schedule C income (as described in Section 5903.2(b)(ii)).</li> </ul> <p><b>Note:</b> For all other income types, you do not receive data representation and warranty relief and must follow the requirements in Section 5302.5.</p>
Not Eligible	<p>You are not eligible for relief from enforcement of representations and warranties related to the accuracy and integrity of the data from the tax transcripts obtained from the service provider.</p>
Unavailable	<p>LPA was unable to assess the accuracy and integrity of the data. This could be due to a system being down.</p> <p>You are not eligible for relief from enforcement of representations and warranties related to the accuracy and integrity of the data from the tax transcripts obtained from the service provider.</p>



### Example: Using Tax Transcript Data - Eligible

**FreddieMac** Loan Product Advisor® Feedback Certificate

#### Assessment Summary

Details			Affordable Product Information	
BORROWER NAME	NUMBER OF SUBMISSIONS	LP KEY NUMBER	AREA MEDIAN INCOME	AREA MEDIAN INCOME (%)
JOHN FREDDIE	7	[REDACTED]	\$150,400.00	100.54%

Assessment Summary		Representation & Warranty Relief		
PURCHASE ELIGIBILITY	RISK CLASS	COLLATERAL R&W* RELIEF	INCOME R&W* RELIEF	ASSET R&W* RELIEF
<span style="color: green;">✓</span> ELIGIBLE	<span style="color: green;">✓</span> ACCEPT	<span style="color: red;">✗</span> NOT ELIGIBLE	<span style="color: green;">✓</span> ELIGIBLE	<span style="color: red;">✗</span> NOT ELIGIBLE

Eligible for income rep and warranty relief at the loan-level

Borrower's self-employed income reported on Schedule C is an eligible income type for using tax transcripts

Income and the accuracy and integrity of the tax transcript data representation and warranty relief message

#### Employment And Income Messages

CODE	MESSAGE
FEI0030	The loan is eligible for loan-level income representation and warranty relief.
FEI0300	AIM for self-employed using tax transcript data can assess income only from sole proprietorships reported on IRS Schedule C. If JOHN FREDDIE reports self-employed income on Schedule E or F or has ownership in a corporation, the loan is not eligible for automated income assessment using the [XYZ: 1234] report. Income from other types of businesses may be eligible for AIM for self-employed using tax return data.
FEI0301	JOHN FREDDIE's submitted self-employed income of \$8,852.63 is relieved of representations and warranties for the accuracy of the income calculation and integrity of the tax data. This income was assessed using the [XYZ:1234] report dated 06/08/2023 02:38 PM. Form 91 or similar alternative form, tax data, and all other documentation must be retained in the loan file.
FEI0183	If sole proprietorship 123 Company has been in existence for less than five years, two years of tax returns or transcripts are required. This income was assessed using [XYZ: 1234] report dated 06/08/2023 02:38 PM.
FEI0068	File must contain verification of current existence of each business through a third-party source for JOHN FREDDIE dated no more than 120 days prior to the Note Date or after the Note Date but prior to the Delivery Date.

### Example: Using Tax Transcript Data – Not Eligible

**FreddieMac** Loan Product Advisor® Feedback Certificate

#### Assessment Summary

Details			Affordable Product Information	
BORROWER NAME	NUMBER OF SUBMISSIONS	LP KEY NUMBER	AREA MEDIAN INCOME	AREA MEDIAN INCOME (%)
JOHN FREDDIE	7	[REDACTED]	\$150,400.00	100.54%

Assessment Summary		Representation & Warranty Relief		
PURCHASE ELIGIBILITY	RISK CLASS	COLLATERAL R&W* RELIEF	INCOME R&W* RELIEF	ASSET R&W* RELIEF
<span style="color: green;">✓</span> ELIGIBLE	<span style="color: green;">✓</span> ACCEPT	<span style="color: red;">✗</span> NOT ELIGIBLE	<span style="color: red;">✗</span> NOT ELIGIBLE	<span style="color: red;">✗</span> NOT ELIGIBLE

Not Eligible for income or tax transcript data representation and warranty relief due to insufficient income and insufficient liquidity

#### EMPLOYMENT AND INCOME MESSAGES

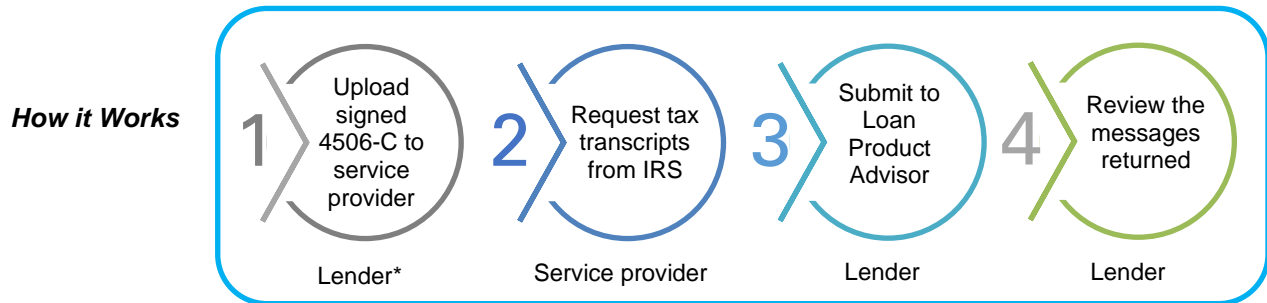
Code	Message Text
FEI0029	The loan is not eligible for income representation and warranty relief.
FEI0172	Unable to offer income representation and warranty relief for John Freddie's income from AAA Inc Sole Proprietorship. The derived \$2,000 from [Halcyon: 123456] report dated 08/02/2023 12:00AM is insufficient.
FEI0218	Self-employment income for John Freddie from BBB Inc Sole Proprietorship could not be derived because the business does not have sufficient liquidity and/or is not financially capable of producing stable monthly income. This income was assessed using [Halcyon: 123456] report dated 08/02/2023 12:00AM.



## Data Representation and Warranty Relief Using Tax Returns

In addition to income representation and warranty relief, LPA also determines eligibility for tax return data representation and warranty relief. Automated income assessment with LPA using tax data includes the ability to request a tax transcript from the IRS through a service provider. If a tax transcript is provided by the IRS, LPA will perform a comparison of data from the borrower’s uploaded tax return(s) to the data from the tax transcript, assess for data representation and warranty relief eligibility, and return related messages on the Feedback Certificate. This capability will help with automating the manual process further up in the origination process.

**Note:** Eligibility for each type of representation and warranty relief is determined separately.



\*Previously uploaded borrowers tax returns

The following chart provides the **tax return data** representation and warranty relief results.

Tax Return Data Representation and Warranty Relief Eligibility Result	Representation and Warranty Relief
Eligible	<p>You are relieved from enforcement of representations and warranties related to:</p> <ul style="list-style-type: none"> <li>The accuracy and integrity of the data from tax return(s) uploaded to the service provider for eligible income (as described in Section 5903.2(b)(i)) that is on the Income Calculation Report.</li> </ul> <p><b>Note:</b> You do not receive data representation and warranty relief for all other income types and must follow the requirements in Section 5302.5. LPA Feedback Message (FEI0240): Loan Product Advisor has confirmed a match between the data on the tax return(s) uploaded to the service provider and the RS tax transcript data, related to the eligible income types.</p>
Not Eligible**	<p>You are not eligible for relief from enforcement of representations and warranties related to the accuracy and integrity of the data from the tax return(s) uploaded to the service provider.</p>
Unavailable	<p>LPA was unable to assess the accuracy and integrity of the data. This could be due to a system being down.</p> <p>You are not eligible for relief from enforcement of representations and warranties related to the accuracy and integrity of the data from the tax return(s) uploaded to the service provider.</p>

\*\*If the “Not Eligible” is due to inconsistencies between the tax transcript returned by the IRS via the service provider and the tax return(s) uploaded to the service provider, you must resolve the discrepancy. If you find discrepancies, you must update the information in LPA and/or the Income Calculation report and resubmit the data, as necessary.

**Note:** You must maintain in the loan file the tax transcript received from the IRS via the service provider.



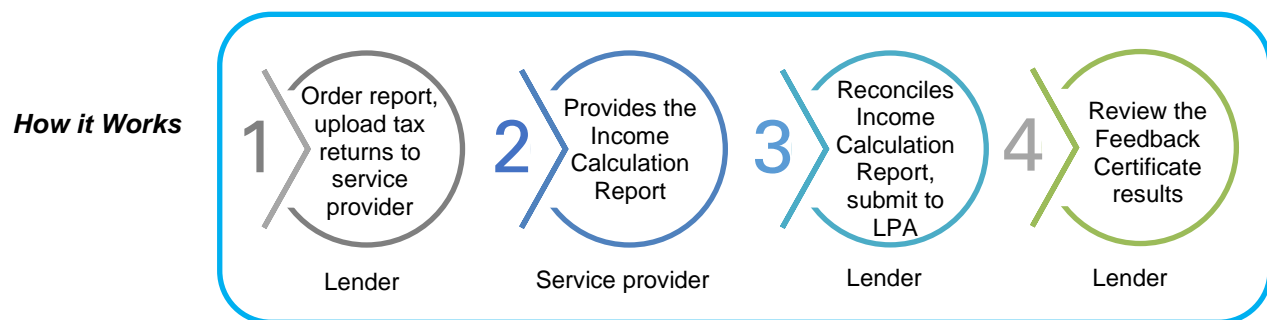
## Getting Started

The next several sub-sections provide helpful tips for originating loans using tax data.

### Steps for Originating Loans: Using Tax Returns Obtained from the Borrower

Operational, Loan Origination System (LOS), and service provider system impacts must be taken into consideration before implementing this capability. Once you are ready to begin using this service, follow and complete the steps outlined below. Based on your organization's business processes, the order in which you complete the steps may vary.

#### *Using tax returns obtained from the borrower process steps*



\*If using LoanLogics as your service provider you must select the "Freddie Mac Form 91" file format.

#### **Step 1: Order the Income Calculation Report from the Service Provider**

As part of your process for gathering loan application data and authorizations, also obtain the borrower's authorization to share their tax returns and other relevant income information with the service provider and Freddie Mac. After you have obtained the borrower's authorization, upload the required tax documents and order the service provider's Income Calculation Report.

#### **Step 2: Service Provider Returns the Income Calculation Report**

The service provider completes the report request and returns the Income Calculation Report to you. After you receive the report, capture the unique identifier (Report ID). The report ID issued by the service provider will apply to a maximum of one IRS Form 1040 for each applicable calendar year, for up to two years, with no more than two borrowers on the same 1040 when filed jointly.





### Importance of the Report ID (Reference Number)

The service provider assigns a unique Report ID to the Income Calculation Report. This number is associated with an application ID at the service provider. Identifying and using the correctly formatted report ID is critical for LPA to access the Income Calculation Report. The following are items to keep in mind with regards to the report ID:

1. The report ID is located in a field in the report provided by the service provider.
2. If there are multiple versions of the report, there is still only one report ID. The report ID plus the applicable date and time makes each report version unique.
3. Based on the report ID provided to Loan Product Advisor, LPA will receive the latest version of the report that you send back to or update with the service provider.
4. If you did not make any changes to the report, LPA will receive the original version generated by the service provider.
5. If you don't want LPA to use the report provided by the service provider, omit the report ID from your LPA request.
6. Ensure you are requesting the correct report when submitting the loan to LPA.
7. The original report ID must be used with all subsequent submissions to the service provider to update information (if applicable) and with all loan data submissions to LPA.

### Step 3: Reconcile the Income Calculation Report

Next, review the Income Calculation Report to determine if any adjustment to the income must be made based on the information in the mortgage file and, if so, update the Income Calculation Report accordingly.

*For example:*

1. Are the income calculations acceptable or do manual changes need to be made to the report?
2. Is there non-continuing income, or income that should be excluded (e.g., the business is no longer in operation)?
3. Are there technical issues that may require help from the service provider support team to resolve?

#### Tips!

##### Uploading Additional Income Documentation

If you need to upload additional income documentation to the service provider, edit your previous request so you are uploading documentation to the service provider's existing application ID. Request an updated Income Calculation Report from the service provider. The service provider will return an updated Income Calculation Report to you with the same report ID.

##### Updates to the Income Calculation Report

If you need to make manual updates to the Income Calculation Report, follow your service providers process for manually updating an Income Calculation Report. Confirm you are using the same Report ID so LPA can access the updated Income Calculation Report.



### Step 3(a): Complete Loan Product Advisor Loan Data Entry

Once you have reviewed the Income Calculation Report and made any applicable adjustments, submit the loan with the stable monthly income amount and complete loan data entry in your loan origination system. Keep the following requirements in mind when entering data:

- Select the applicable service provider:
  - Use the following enumeration to Unique ID 431.80 –  
lpa:RequestedDocumentVendorIdentifier, as applicable:
    - ➔ “HLCN”: Halcyon
    - ➔ “CRLC”: CoreLogic
    - ➔ “LNBM”: LoanLogics
    - ➔ “LCFT”: LoanCraft
- Include the report ID assigned by the service provider in the **Report ID** field with the submission for LPA to assess the report.
- “Yes” **must be selected** for the **Self-Employed** indicator field in the Borrower Employment and Income section if the borrower is self-employed, and the amount of self-employed income you used to underwrite the loan entered in the Monthly Income (or Loss) field.
- You may enter income types for a borrower in LPA even if the income is from income types other than eligible self-employed income which is not currently assessed under the automated income assessment with LPA using tax data capability (for example, employed income).

### Step 3(b): Submit the Loan to Loan Product Advisor

From your system, submit the loan to Loan Product Advisor. LPA sends a request with the report ID to the service provider. The service provider must match the information provided in the request to release the report data to LPA.

If a match is not made, (for example, an invalid report ID or invalid report) messages are returned indicating LPA was unable to process the report for an individual borrower.

### Step 4: Review the Loan Product Advisor Feedback Certificate

LPA provides the Income Representation and Warranty Relief result in the *Assessment Summary section* and applicable messaging in the *Employment and Income* section of the Feedback Certificate.

Review the messages and reconcile them against the information in the Income Calculation Report. Also, verify that the report date and time on the Income Calculation Report matches the report date and time in the LPA message(s). Keep in mind, after you review the messages and determine what, if any action is needed, you may choose to resubmit the loan.

If, for any reason, you update the Income Calculation Report, or provide additional income documentation, you must upload the updated report and/or income documentation to the service provider and resubmit the loan with the same report ID to LPA.

**Note:** On resubmissions, maintain the same report ID in the **Report ID** field.

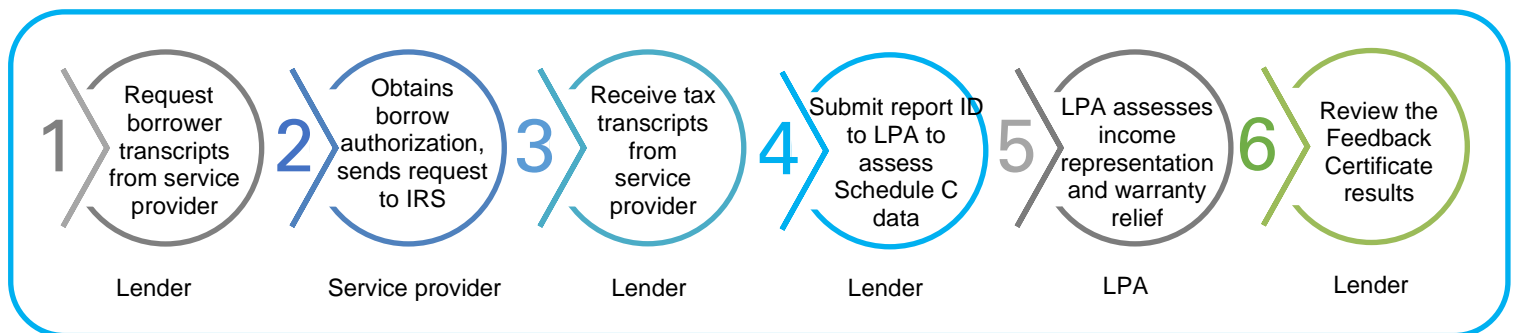


## **Steps for Originating Loans: Using Tax Transcripts from a Service Provider Using a Direct Connection to the IRS**

Operational, Loan Origination System (LOS), and service provider system impacts must be taken into consideration before implementing this capability. Once you are ready to begin using this service follow and complete the steps outlined below. Based on your organization's business processes, the order in which you complete the steps may vary.

### ***Obtaining tax transcripts from a service provider\* process steps***

#### **How it Works:**



\*Halcyon is currently the only service provider supporting this capability.

### **Step 1: Request borrower tax transcripts**

Request the borrower's tax transcripts from a service provider.

### **Step 2: Initiate Requests**

The service provider initiates the authorization for IRS tax transcripts with the borrower. The borrower authorizes the request, and the service provider submits a tax transcript request through a direct connection to the IRS.

### **Step 3: Receive tax transcripts**

Once you receive the tax transcripts, review the information and document the calculation of the borrower's self-employed income on Form 91 or a similar alternative form as described in Section 5304.1.

### **Step 4: Complete Loan Product Advisor Loan Data Entry**

Submit the loan to LPA with the stable monthly income amount and complete loan data entry in your loan origination system.



Keep the following requirements in mind when entering data:

- Select the service provider
  - ➡ Use the following enumeration to Unique ID 431.80 –  
lpa:RequestedDocumentVendorIdentifier: "HLCN": Halcyon
- Include the report ID assigned by the service provider in the **Report ID** field with the submission for LPA to assess Schedule C tax transcript data. Refer to "Importance of the Report ID".
- "Yes" **must be selected** for the **Self-Employed** indicator field.

### Step 5: LPA Assess Income Representation and Warranty Relief Eligibility

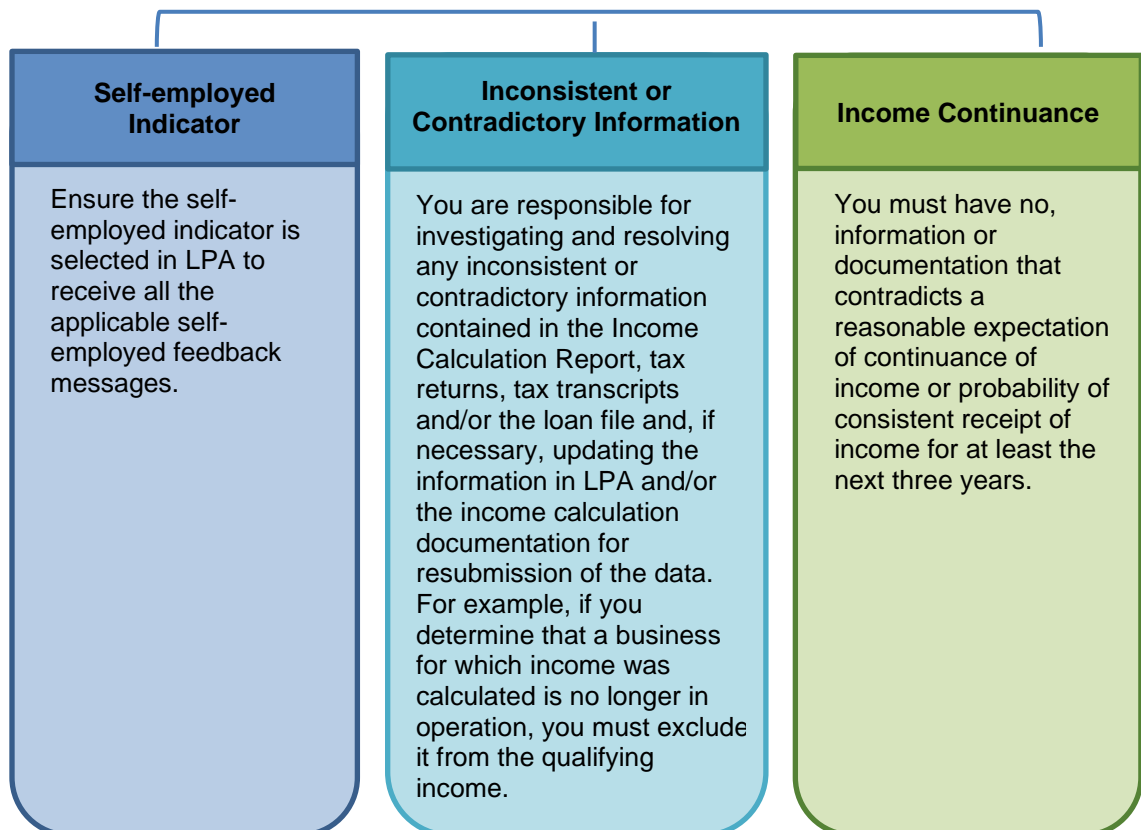
If LPA is able to assess the income, you may be eligible for relief of representations and warranties related to the accuracy and integrity of the tax transcript data.

### Step 6: Review the Loan Product Advisor Feedback Certificate

LPA provides the Income Representation and Warranty Relief result in the *Assessment Summary* section and applicable messaging in the *Employment and Income* section of the Feedback Certificate. Review the messages returned.

**Note:** On resubmissions, maintain the same **report ID**.

## Important Reminders





### Ineligible Income Types for LPA Assessment

All income used to qualify the borrower must meet the requirements of the Guide. Income not included under this capability for LPA assessment may be used to qualify the borrower, provided the income meets Guide requirements. For instance, the following income types may be shown on the tax returns but are not included under the AIM for income using tax data capability for LPA assessment; however, these income types may still be used to qualify the borrower for the loan:

- Wages, Salaries, Tips, etc.
- Dividends
- Capital Gains
- IRA distributions
- Rental income (IRS Form 8825)\*
- Social Security
- Corporation income
- Taxable and non-taxable interest
- Alimony
- Royalties
- Other gains/losses
- Pensions/annuities
- Unemployment Compensation
- Other income
- Farm income

\*For rental income assessment reported on Schedule E (IRS Form 1040) refer to the [AIM Enhancement – Rental Income Assessment](#) job aid. **Reminder:** Rental income is not eligible for income representation and warranty relief assessment.



## Seller's In-House Quality Control Program

For mortgages selected for Seller's in-house pre-closing and/or post-closing quality control review that receive an income rep and warranty relief message on the Last Feedback Certificate of either "Eligible" for loan-level or "Eligible" for partial income representation and warranty relief with a feedback message indicating that no further documentation is required for the eligible self-employed income reflected on the Income Calculation Report, Form 91 or similar form, you are not required to do the following

- Recalculate income for eligible self-employed income described in Section 5903.2(b) that is on the Income Calculation Report, Form 91 or alternative form, and
- Perform the business and income analysis described in Section 5304.1(d) for eligible self-employed income that is on the Income Calculation Report, Form 91 or alternative form.

For mortgages that receive an "Eligible" for **tax transcript data** representation and warranty relief message on the last Feedback Certificate, the Seller is not responsible for the accuracy and integrity of the data from tax transcripts obtained from the service provider for Schedule C income (as described in Section 5903.2(b)(ii)).

For mortgages that receive an "Eligible" for **tax return data** representation and warranty relief message on the last Feedback Certificate, the Seller is not responsible for the accuracy and integrity of the tax data for eligible income described in Section 5903.2(b) that is on the Income Calculation Report.

If IRS income information was received during the origination process, then Form 4506-C is not required.

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## Where to Get Help



For questions related to the automated income assessment with LPA using tax data, please contact your Freddie Mac representative or Freddie Mac's Customer Support Center at 800-FREDDIE. Also, visit [Freddie Mac Learning](#) for additional AIM resources. For questions related to a specific service provider, refer to the [AIM webpage](#).

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