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Preview

Federal Tax Installment Plans within Key Loan Standard

Truist Bank (Truist) announces guidance to address Federal Tax Installment Plans within the Key Loan Standard of the *Correspondent Seller Guide*.

Effective Dates

Effective for existing and new applications on or after May 12, 2023.

Background Information

A tax installment payment plan is an agreement with the IRS to pay the taxes owed within an extended timeframe. Truist requires that all liens be paid in full prior to or at closing. However, requirements have not specifically stated how to approach scenarios where the IRS has not issued a levy or lien and the borrower has entered a repayment/installment plan.

Bulletin Details

Federal Tax Installment Plans

Guidance for Federal Tax Installment Plans has been added to the Key Loan Standard. Standard, as follows:

- When a borrower has entered into an installment agreement with the IRS to repay delinquent federal income taxes, the monthly payment amount may be included as part of the borrower's monthly debt obligations (in lieu of requiring payment in full) if:
 - There is no indication that a Notice of Federal Tax Lien has been filed against the borrower in the county in which the subject property is located.
 - The following documentation is required:
 - 12-month pay history on the plan reflecting zero 30-day late payments on the installment plan (if plan is less than 12-months old, pay history must indicate zero 30-day late payments since inception of the installment plan),
 - an approved IRS installment agreement with the terms of repayment, including the monthly payment amount and total amount due; and
 - evidence the borrower is current on the payments associated with the tax installment plan. Acceptable evidence includes the most recent payment reminder from the IRS, reflecting the last payment amount and date and the next payment amount owed and due date. At least one payment must have been made prior to closing.

Bulletin Details, continued

- The payments on a federal income tax installment agreement can be excluded from the borrower’s DTI ratio if the agreement meets the terms outlined within the following liabilities subtopics in the Key Loan Standard of the Seller Guide:
 - “Debts Paid by Others / Contingent Liabilities”, or
 - “Installment Debt”
- If any of the above conditions are not met, the borrower must pay off the outstanding balance due under the installment agreement with the IRS. See the subtopic presented within the Key Loan Standard of the Seller Guide titled “Collections, Judgments, Garnishments, Liens, and/or Charge Offs”.

Co-Signed Debt

The Liabilities subtopic formerly titled as “Co-Signed Debt” within the Key Loan Standard has been renamed as “Debts Paid by Others / Contingent Liabilities.”

Before and After Matrix

[Click here](#) to see the before and after matrix that provides a detailed overview of all standard revisions.

Revised Material

Click [Section 2.06: Key Loan Standard](#) to review the revised material.

Former Standards

See the before and after matrix provided in the Bulletin Details section of this bulletin to access the former standards.

Other Resources

Support Group	Description and Contact Information:
Correspondent Relations Coordinator	Specific questions on applying this procedure to specific loan files. Contact Correspondent Relations Coordinators at 800.382.2111, Option 1.
Product Support	Provides phone and email support on products, policies, and procedures as well as new product rollout and existing product enhancement. Contact Product Support at 800.382.2111, option 3.

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