# Taxpayer First Act Updates; Program and Processing Notes; China's Effect on Our Interest Rates

By: Rob Chrisman | Mon, Dec 30 2019, 8:56 AM

I was telling my cat Myrtle that I have a problem when people ask me what I'll be doing tomorrow after midnight. I don't have 2020 vision! Barring any surprises the Fed has not made it a secret that the FOMC expects to leave short-term rates where they are well into 2020. In other Fed news, thank you to R.C. Whalen who passed along the news that, starting in early 2021, about the same time the QM patch expires, the FedWire will be open until 6PM. And servicers know that the publication of LIBOR is not guaranteed beyond 2021. (And, anecdotally, lenders originating ARM loans have moved away from offering LIBOR as an index. Why run the chance of legal troubles in the coming years by tying a borrower's loan to an index that is likely vanishing?)

### Program and Processing Notes

AFR would like to clarify a 3rd-party post from last Thursday: American Financial Resources continues to offer VA Loans up to $1.5 million. "To simplify and streamline our products, we have consolidated our VA offering into two products; the Standard product which is available up to the county loan limit, and the Jumbo product which is available above the county loan limit (up to $1.5 million). Please consult our lending guidelines for complete details. Note, if you are an Optimal Blue user please reconfigure your eligibility/adjustment sourcing to reflect this change. Click here to email for information on becoming an AFR partner (800-375-6071).

Mountain West Financial implemented a new relock policy for locks that have been expired for less than 60 days. A lock that has been expired for less than 60 days can be relocked for either 15 days or 30 days. Relock pricing shall be calculated as worse case pricing (original lock vs current market) plus a relock fee based on the number of days requested for the relock. Relock Fees: 15 Days = 0.125 and 30 Days = 0.250.

loanDepot Wholesale/Correspondent issued an Announcement describing VA IRRRL/Interest Rate Decrease Requirement, and loanDepot Wholesale's Escrow Policy.

Caliber Home Loans Correspondent Lending is offering price improvements on the Elite Access and Premier Access Caliber Portfolio Lending Products. This pricing special is effective for Best Effort Lock Confirmations issued through December 31. All applicable rate sheets will be updated to incorporate this improvement. Price Improvements Include: 50 bps on Elite Access and 50 bps on Premier Access.

### Taxpayer First Act Updates

As mentioned in this commentary, recall that the IRS posted a clarification regarding the effective date of the new taxpayer consent and disclosure requirements needed to obtain and share IRS tax transcript information with investors, servicers and due diligence firms. The clarification notes that Section 2202 of Taxpayer First Act "applies only to disclosures made by the IRS after December 28, 2019, and any subsequent redisclosures and uses of such information disclosed by the Internal Revenue Service after December 28, 2019." With this clarification, seasoned loans and loans in the pipeline with transcript information received from the IRS prior to December 28 are not covered by the new consent requirement. The MBA expects the GSEs will update their published guidance to reflect this IRS clarification. MISMO, which worked to develop consent language that would meet the requirements of Section 2202, has updated its FAQs page to reflect this much-needed IRS clarification.

How will the December 28th, 2019 effective date of the Taxpayer First Act affect lenders and servicers? Well, the Taxpayer First Act requires taxpayers to provide consent for the express purpose for which their tax return information will be used. And taxpayers must provide their express permission for their tax return information to be shared with any other party.

In practical terms, if a lender or servicer obtains tax return information during the origination or servicing of a mortgage loan, the lender or servicer must obtain express consent from the taxpayer prior to sharing the tax return information with another party. Such sharing would extend to actual or potential owners of the loan, such as Fannie Mae or any other loan participant.

The IRS has indicated that it has no plans at this time to provide a standard form related to disclosing or sharing tax return information with other parties. The Mortgage Industry Standards Maintenance Organization, however, drafted a sample Taxpayer Consent Form designed to allow sellers/servicers to share tax return information with other loan participants (this form is available to organization members). Many document providers have also prepared a consent form which will be added to the early disclosures. Sellers/servicers may also prepare their own taxpayer consent form, as long as the form provides the purpose for which the tax return information will be used and provides the seller/servicer with express permission to share tax return information in accordance with the law.

The Internal Revenue Service has posted new information on its website that helps clarify the application of Section 2202 of the Taxpayer First Act (Act): “Section 2202 of the Taxpayer First Act applies only to disclosures made by the Internal Revenue Service after December 28, 2019, and any subsequent redisclosures and uses of such information disclosed by the Internal Revenue Service after December 28, 2019.” Review the information on this IRS page under the topic “Limit on redisclosures of consent-based disclosures (Section 2202).”

Freddie Mac issued Guide Bulletin 2019-25 reflecting that if a signed consent form is required under the Taxpayer First Act, a signed copy must be maintained in the mortgage file. Whether the Seller is required to obtain the consent form is based on the language in the Act and not on the settlement date of the mortgage. Freddie Mac has updated its FAQs related to borrower consent under the Act for additional information.

Fannie Mae issued an Updated Notice, replacing its November 6th Notice, regarding a provision of the Taxpayer First Act.

loanDepot Wholesale/Correspondent issued an Announcement that speaks to State Required Disclosure Matrix, Sallie Mae Credit Card Liabilities, Freddie Mac Bulletin 2019-20 and the Taxpayer First Act.

AmeriHome added new Seller Guide section, 10.1.8: Foreign Language and Foreign Currency Loan File Documentation. It clarifies AmeriHome requirements when loan file documentation is provided in a foreign (non-English) language or in foreign (non-U.S. dollar) currency. In addition,

Seller Guide Section 10.5.6: Tax Return and W-2 Transcripts has been updated to include the Taxpayer First Act requirements.

There is a lot of buzz with regards to the Taxpayer First Act (TFA), especially as implementation deadlines are approaching that will affect lenders—in particular Sect 2201/2202. Although the IRS has not made a formal announcement on the new rollout date, here is a recent update to Section 2201 regarding the additional user fee to process 4506Ts: The IRS has delayed the January 1, 2020 rollout date for the new additional 4506-T user fee until further notice.

Click here to learn more on the IRS transaction fee increase from $2.00 per each tax year to $3.00 per each tax year mandated by the Taxpayer First Act, Section 2201. The IRS will issue a formal announcement to IVES vendors when an implementation date has been decided.

The PennyMac Correspondent Group has posted a new announcement: 19-70: Updated Taxpayer First Act Consent Form.

Effective December 28th, Wells Fargo Funding will require the taxpayer consent on all Loans, regardless of whether tax return information is required. This applies to Delegated and Non-Conforming Correspondent Credit Underwrite (CCU) Loans with Notes dated on and after December 28, 2019 and Prior Approval Credit Packages received on and after December 28, 2019.

Effective for loans with a Note date on or after December 18th, to conform to the Act and Agency requirements Fifth Third will require a signed borrower consent form on all loan files. Usage of a specific form is not required, however the form provided must include the borrower’s name and signature along with a statement giving express permission to share their tax information. Additionally, for loans selected for either a pre-purchase or post-purchase quality control review with a Note date prior to December 18th the borrower consent must be provided if not already in the file.

**Capital Markets**

Markets around the globe breathed a sigh of relief with positive November PMI readings out of China but have been **holding their breath awaiting any positive news on the trade front**, as the well-being of the second largest economy in the world (behind the U.S.) has serious implications on the global financial landscape. China’s importance in the global economy has risen significantly over the past few decades. In 1988, China took in less than 2 percent of the world’s exports, and was responsible for producing only 2 percent of the world’s imports. In 2018, China’s absorption of the rest of the world’s exports grew to 10 percent and it supplied around 14 percent of the goods that the rest of the world imported, becoming a significant player in global trade flows in a relatively short period of time.

Although the country’s financial interactions with the rest of the world have also grown meaningfully, China does not have the same heft in the global financial system as it does in the global economic system. Its use of capital controls has restrained its financial integration with the rest of the world, limiting foreign amounts of direct financial exposure to China. From the earliest available data in 2004, foreign holdings of Chinese assets have grown from less than $700 billion to more than $5 trillion in 2018. But compare that with China’s ownership of foreign assets, more than $7 trillion last year versus foreigners owning $35 trillion worth of American assets (American’s alone hold more than $25 trillion of foreign assets), and you get a sense of the discrepancy. Foreigners also have more exposure to the assets of the United Kingdom, Luxembourg, the Netherlands, France, Germany, Ireland and Japan than they do to China. In short, China's economic heft, via its effect on global trade flows, is significantly greater than its global financial heft.

An economic downturn in China likely would cause prices of Chinese assets to plunge, which could lead to significant financial losses for foreign investors with meaningful amounts of financial exposure to the country. Additionally, Chinese investors may need to sell their foreign assets, which could lead to additional weakness in the prices of those assets, if an economic downturn in China were severe enough. The limited exposure of foreign economies to Chinese assets can be explained by the capital controls that have historically dominated the Chinese financial system. A financial meltdown in China would probably cause a painful economic downturn in that country, **which would impart a significant shock to global growth via the exports that China takes in from the rest of the world.**

If anyone is locking loans, turning to this country, U.S. Treasuries & Agency MBS ended last week slightly rallying, despite investors not receiving any domestic or overseas economic data of note. The NY Fed did release a new two-week FedTrade schedule for December 30 through January 14 which totaled $2.7 billion, as expected, in four operations. The first operation is this Friday, January 3, with the Desk scheduled to buy a maximum of $793 million UMBS 2.5 percent ($257 million) and 3.0 percent ($536 million).

Today marks the start of the **final full trading session for 2019,** which should see some additional month-end index buying given the early close tomorrow for New Year's Eve. The economic calendar is already underway with International Trade in Goods (-$3.6 billion to $63.2 billion), and Retail & Wholesale Inventories (-.7% and flat, respectively). Later this morning brings December Chicago PMI, November Pending Home Sales, and the December Dallas Fed Manufacturing Index. Tomorrow sees the October S&P Case-Shiller Home Price Index, October FHFA Housing Price Index, and December Consumer Confidence before the early close at 2ET/11PT.

With bond and equity markets closed for New Year's Day on Wednesday, releases pick back up Thursday with jobless claims, before the week closes with the December ISM Manufacturing Index, November construction spending, and final December Markit manufacturing PMI on Friday. Also on Friday, the Fed will release minutes from the December 10-11 meeting, delayed from the normal Wednesday release due to the New Year's Day holiday. We start the week with Agency MBS prices -.125-.250 and the 10-year yielding 1.93 percent after closing last Friday at 1.87 percent due to concerns in the European bond market and general illiquidity.

View this Article: https://www.mortgagenewsdaily.com/opinion/12302019-taxpayers-first-act