Freddie Mac Announces New Capabilities to Expand Income Data Sources Using Tax Transcripts

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Tax data will help lenders calculate income quickly and precisely

MCLEAN, Va., Aug. 02, 2023 (GLOBE NEWSWIRE) -- Freddie Mac (OTCQB: FMCC) today announced enhancements to its automated income assessment tool to include tax transcripts as a new data source. This enhancement will give lenders another tool that automates income assessments with speed and accuracy, opening the door to homeownership for more qualified self-employed borrowers who report income on IRS Form Schedule C (sole proprietors).

The new capability is available to mortgage lenders nationwide through Freddie Mac's Loan Product Advisor ® (LPA℠) asset and income modeler (AIM). By offering a direct connection to tax transcript data, lenders can simplify and speed up the assessment while saving applicants time and reducing associated costs. Additionally, AIM helps minimize risk, giving lenders confidence they are delivering loans that align with Freddie Mac's strong purchase eligibility requirements and credit underwriting standards.

"The traditional underwriting process for self-employed individuals is a pain point for lenders and borrowers as it can be more complex and time-consuming," said Kevin Kauffman, Single-Family Vice President of Seller Engagement at Freddie Mac. "The incorporation of verified tax transcript data into Loan Product Advisor's automated assessment for these individuals will help reduce risk and provide a fast, convenient and precise method to expand access to credit in this tight purchase market."

In 2019, Freddie Mac pioneered the automation of assessing a self-employed individual's tax returns. Today's latest advancement with tax transcripts will help lenders close loans faster and simplify lender underwriting for an important sector of the U.S. workforce. Approximately 16.6 million Americans are self-employed.

Freddie Mac digital tools and solutions offer lenders cost-effective ways to enhance their quality control operations. Analysis shows that loans originated by lenders leveraging Freddie Mac's automated offerings are four times less likely to produce defects than loans without these technology offerings. Process automation is especially beneficial for documenting income, both in the collection and assessment process. That's vitally important because income verification issues account for nearly one-third of all purchase transaction defects.

This new AIM capability will be available to Freddie Mac-approved Sellers using Loan Product Advisor beginning August 2, 2023. Halcyon is the initial service provider supporting Freddie Mac's AIM for income using tax transcripts. Freddie Mac's privacy policy is available online.

About Freddie Mac
Freddie Mac's mission is to make home possible for families across the nation. We promote liquidity, stability, affordability and equity in the housing market throughout all economic cycles. Since 1970, we have helped tens of millions of families buy, rent or keep their home. Learn More: Website | Consumers | Twitter | LinkedIn | Facebook | Instagram | YouTube

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