

Tax Lien Repayment Requirements

Conventional—Fannie

All outstanding liens must be paid off at or prior to closing.

When a borrower has entered into an installment agreement with the IRS to repay delinquent federal income taxes, as long as 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, in lieu of requiring payment in full, we may include the monthly payment amount in the DTI. We must obtain the documented payment plan agreement with the terms of repayment, payment amount, total amount due, and proof the borrower is current on payments. At least one payment must have been made prior to closing.

Conventional—Freddie

A borrower with delinquent federal tax debt is ineligible.

When a borrower has entered into an installment agreement with the IRS to repay delinquent federal income taxes, as long as the lien will not affect our mortgage's first lien position, we may accept the agreement and include the monthly payment amount in the DTI. We must obtain the documented payment plan agreement with the terms of repayment, payment amount, total amount due, and proof the borrower is current on payments. No minimum number of payments required.

FHA

A borrower with delinquent federal tax debt is ineligible.

A tax lien may remain unpaid if the borrower has entered into a valid repayment plan and they have made timely payments for at least three months of scheduled payments. The borrower cannot prepay scheduled payments in order to meet the required minimum of three months of payments. We must obtain the documentation from the IRS evidencing the repayment agreement and verification of payments made. The payment amount must be included in the DTI. An estimate is not acceptable. The borrower must have a clear CAIVRS. ***If a borrower has federal tax debt but not a "tax lien" do they still need 3 months of payment history?*** No, a repayment agreement is required, but the three months of payment history is only required if there is a lien.

USDA

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VA

A borrower with delinquent federal tax debt is ineligible.

When a borrower has a payment plan and has been paying as agreed, unless there is potential for it to affect our lien position, the tax lien isn't typically an issue. Additionally, the tax lien monthly payment must be considered in the liabilities/ratios. The borrower must have a clear CAIVRS.