

# *Cipher 1*

Risk Assessments for Fraud, Cash Flow Analysis and IRS Income Verification



# Borrower Income You Can Bank On

## **Cipher 1** Income Analyzer

### INDUSTRY AFFIRMED

- ◆ Computes qualifying income to FHA, FannieMae and FreddieMac guidelines
- ◆ Automatically populates FannieMae Cash Flow Analysis Form 1084
- ◆ Conforms with Chapter 37 of the FreddieMac Seller/Servicer Guide

### CONSISTENTLY ACCURATE

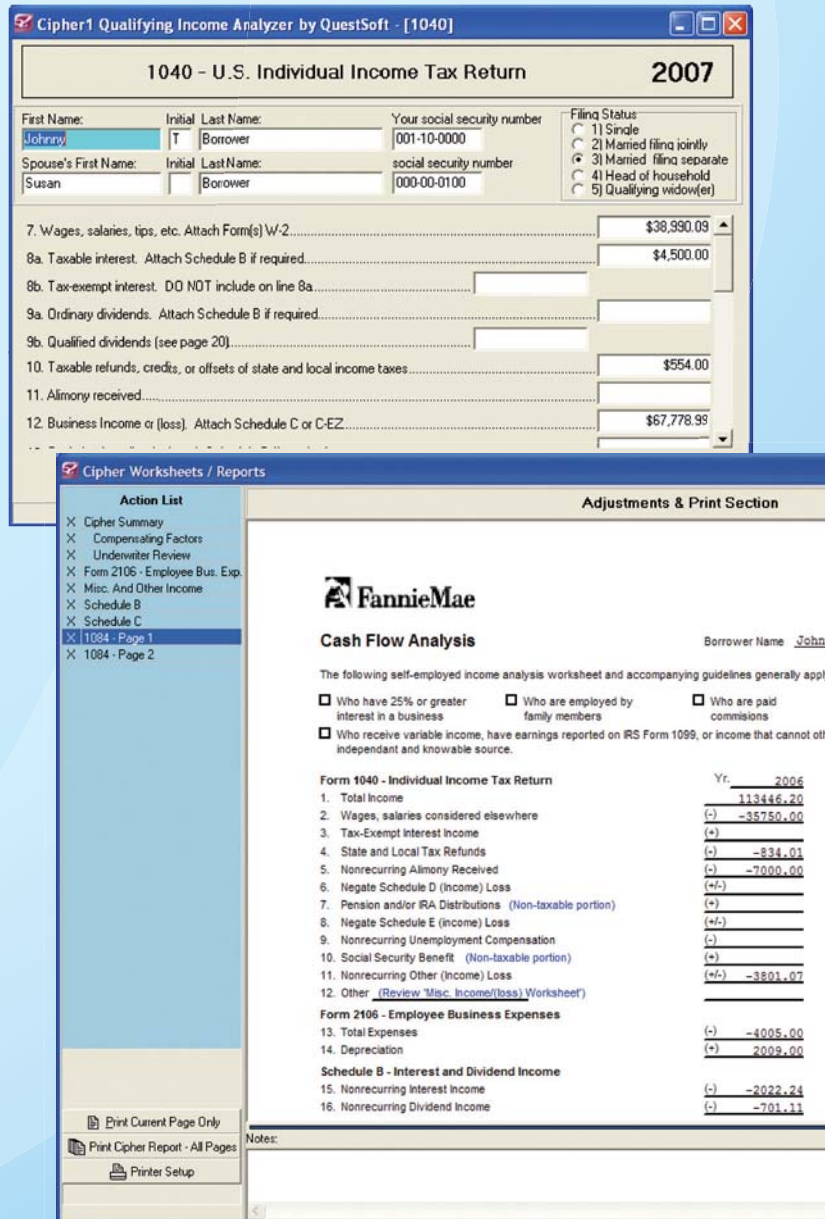
- ◆ Analyzes any Federal, Individual, Corporate or Partnership tax return
- ◆ Computes Compensating Factors for quick Underwriter Review
- ◆ Prepares Underwriter Summary and Adjustment Worksheets
- ◆ Applies Consistent Income Calculations to avoid Fair Lending mishaps.
- ◆ Places your company in compliance with "Ability to Pay" state regulations
- ◆ Updated to the rules of each Tax Year to compute FNMA/FHLMC calculations
- ◆ Cipher1 reports replace hand written worksheets for fast compliance review.conditions

### NO TAX ANALYSIS EXPERIENCE REQUIRED

- ◆ Walks the user step-by-step through all returns and supporting schedules
- ◆ Allows processors to enter information to reduce underwriter review time
- ◆ Automatically adds schedules as entries are made from primary return

### HIGHLY EFFECTIVE ANTI-FRAUD TOOL

- ◆ Detects and alerts to mathematical and data entry inconsistencies
- ◆ Verifies that all data on supporting schedules is appropriate
- ◆ Provides instant comparison to official IRS transcripts when combined with Cipher1 4506-T services to detect even the slightest possibility of tax fraud



Line	Description	Amount
7	Wages, salaries, tips, etc. Attach Form(s) W-2	\$38,990.09
8a	Taxable interest. Attach Schedule B if required	\$4,500.00
8b	Tax-exempt interest. DO NOT include on line 8a	
9a	Ordinary dividends. Attach Schedule B if required	
9b	Qualified dividends (see page 20)	
10	Taxable refunds, credits, or offsets of state and local income taxes	\$554.00
11	Alimony received	
12	Business Income or (loss). Attach Schedule C or C-EZ	\$67,778.99

Form	Description	Yr.	2006
1040 - Individual Income Tax Return	1. Total Income		113446.20
	2. Wages, salaries considered elsewhere		(-) -35750.00
	3. Tax-Exempt Interest Income		(+)
	4. State and Local Tax Refunds		(-) -834.01
	5. Nonrecurring Alimony Received		(-) -7000.00
	6. Negate Schedule D (Income) Loss		(+)
	7. Pension and/or IRA Distributions (Non-taxable portion)		(+/-)
	8. Negate Schedule E (Income) Loss		(+/-)
	9. Nonrecurring Unemployment Compensation		(-)
	10. Social Security Benefit (Non-taxable portion)		(+)
	11. Nonrecurring Other (Income) Loss		(+/-) -3801.07
	12. Other (Review Misc. Income/Loss Worksheet)		
2106 - Employee Business Expenses	13. Total Expenses		(-) -4005.00
	14. Depreciation		(+) 2009.00
Schedule B - Interest and Dividend Income	15. Nonrecurring Interest Income		(-) -2022.24
	16. Nonrecurring Dividend Income		(-) -701.11

The Cipher1 Qualifying Income Analysis Program saves underwriters up to 90% of the time it takes to determine income and make a more rapid determination on the loan file.

# Documented Qualifying Income in Minutes

**Adjustments & Print Section**

**Cipher 1**

S.S.N.: 001-10-0000 Borrower: Borrower, Johnny Property Address: 124 Anywhere Place City, State, Zip: Anytown, PA 11111	Loan Number: DEMO-20060221 Report Date: 03/27/2008 10:10pm Loan Processor: SUE WORKTOOMUCH Underwriter: KELLY APPROVED
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<b>Cipher Summary Report</b> <i>Tax Analysis Report</i>	Gross Up: 100%	<b>Cipher Adjusted Report (C.A.R.)</b> <i>Recurring Gains or Losses</i>		
<b>1040 Income/(Loss)</b>	Tax Year <b>2006</b>	Tax Year <b>2007</b>	Tax Year <b>2006</b>	Tax Year <b>2007</b>
★ W2 Wages	\$35,750	\$38,990	\$35,750	\$38,990
<i>Tax Exempt Interest</i>				
★ Alimony Received	\$7,000			
★ Taxable refunds, credits..taxes..	\$834	\$554	-----	-----
★ Other gains or (losses) (Attach Form 4797)				
★ Unemployment Income				
★ I.R.A. Distributions				
			\$4,005	(\$3,500)
			\$2,009	\$2,437

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**Adjustments & Print Section**

**Cipher 1**

SSN: 001-10-0000 Borrower: Borrower, Johnny Property Address: 124 Anywhere Place City: Anytown, PA 11111	Loan Number: DEMO-20060221 Report Date: 04/23/2008 10:11am Loan Processor: SUE WORKTOOMUCH Underwriter: KELLY APPROVED
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Tax Year <b>2006</b>	Tax Year <b>2007</b>	Tax Year <b>2007</b>
Filing Status: Married filing jointly	Filing Status: Married filing separately	

**Compensating Factors**

- 1) Schedule A [2007] - Borrower had substantial allowable IRS medical/dental expenses.
- 2) Schedule C [2006, 2007] - Car and truck expense may be a compensating factor.
- 3) Schedule C [2006, 2007] - Home expenses may be a compensating factor.
- 4) Schedule C [2006, 2007] - Pension and profit sharing expenses may be a compensating factor.

Notes:

**Adjustments & Print Section**

**Underwriter Review**

SSN: 001-10-0000 Borrower: Borrower, Johnny Property Address: 124 Anywhere Place City: Anytown, PA 11111	Loan Number: DEMO-20060221 Report Date: 04/23/2008 10:03am Loan Processor: SUE WORKTOOMUCH Underwriter: KELLY APPROVED
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Tax Year <b>2006</b>	Tax Year <b>2007</b>	Tax Year <b>2007</b>
Filing Status: Married filing jointly	Filing Status: Married filing separately	

- 1) Form 1040 [2006] ) Borrower(s) paid 'alimony'.
- 2) Form 1040 [2006] Borrower(s) contributed to 'Self-Employed' SEP, SIMPLE & Qualified Plans.
- 3) Form 1040 [2007] Borrower(s) contributed to 'Self-Employed' SEP, SIMPLE & Qualified Plans.
- 4) Form 1040 [2007] Borrower(s) paid 'Self-Employed' Health Insurance premiums.
- 5) Form 1040 [2006] Borrower(s) paid 'Self-Employed' Health Insurance premiums.
- 6) Form 1040 [2006] Borrower(s) paid Self Employment Tax.
- 7) Form 1040 [2007] Borrower(s) paid Self Employment Tax.
- 8) Schedule A [2006, 2007] - Borrower reported home mortgage interest or points paid.
- 9) Schedule A [2006, 2007] - Borrower reported real estate taxes paid.

**COMPENSATING FACTORS**

Allowable factors for adjustments are clearly documented.

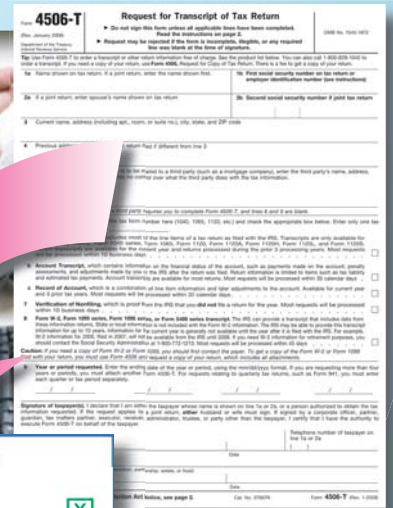
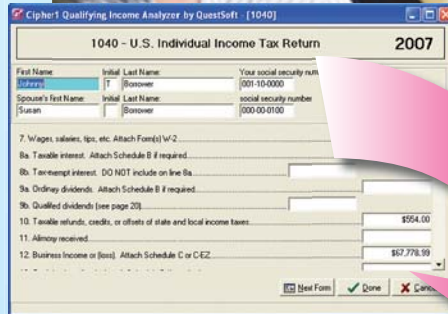
**UNDERWRITING REVIEW**

Cipher1 immediately identifies the income areas to focus upon, question or consider for adjustments.

# Get Complete Tax Fraud Protection

# Cipher 1 4506-T Services

Catch income fraud in seconds.  
With the Cipher1 suite, you can quickly compare the borrower supplied tax return to information directly received from the IRS.



**Summary**

Business Income:	<input checked="" type="checkbox"/>
Corporate Income:	<input type="checkbox"/>
Real Estate Income:	<input checked="" type="checkbox"/>
1099-INT Income:	<input checked="" type="checkbox"/>
1099-DIV Income:	<input type="checkbox"/>
Business Deductions:	<input checked="" type="checkbox"/>
Automobile Expense:	<input checked="" type="checkbox"/>
Depreciation Claims:	<input type="checkbox"/>

## USE CIPHER1 4506-T SERVICES & QUALIFYING INCOME ANALYSIS SOFTWARE TO:

- Instantly Detect Tax Fraud!**  
 Compare line by line results of your borrower supplied tax return to the numbers submitted to the Internal Revenue Service. If one line is different, you know you might have a borrower that demands further scrutiny.
- Be Compliant with New "Ability to Repay" State Laws**  
 Many states now require that you document the borrower's ability to repay the loan, especially for high cost or unique loan programs. Using Cipher1, you demonstrate that you are a responsible lender that takes fair lending and repayment regulations seriously.
- Significantly Reduce the Likelihood of Buybacks**  
 A major source of buybacks is failure to accurately disclose and document the borrower's sources of income (income fraud). By accurately computing to Fannie Mae and Freddie Mac guidelines you protect both your company reputation and loan revenue.
- Protect Yourself from Predatory Lawyers**  
 Politicians talk a lot about predatory lending. But what about the lawyers that wait until you start making money and then swoop down to destroy your business? Cipher1 guards your business by documenting your compliance and reducing the likelihood for legal action profit.

## 4506-T TRANSCRIPT SERVICES

Cipher1 4506-T can provide any of the following within our 24-48 hour processing service:

- W2 – Wage and Tax Statement
- 1099 – Misc Income
- 1120 – US Corporation Income Tax Return
- 1120S - U.S. Income Tax Return for an S Corporation
- 1065 – US Return of Partnership Income
- 1040 – US Individual Tax Returns

NOTE: Reports are available for the four most recent tax years (for current year requests, the IRS makes tax returns available within 30 days after the April 15th filing deadline).

[www.questsoft.com/c1/](http://www.questsoft.com/c1/) | 800-575-4632, x212

