

Your Information and Privacy

Limits on What CPAs Can Share about You



When applying for a loan, it is not uncommon for a lender to request additional financial information about you from your CPA. Your CPA values you as a client, so it is important that you understand what he or she can share about you with a third party based upon legal and ethical requirements.



The "Comfort Letter," CPA Code of Conduct, and Ethics

A lender or mortgage broker may contact your CPA to get a more detailed picture of your financial background so they feel more secure in granting you a loan. The lender will request what is commonly called a "comfort letter." Most lenders ask the CPA to write a letter indicating that you are either self-employed or employed in a certain profession, but there are other types of information requests too. It's important that you understand that in many cases the CPA cannot comply with these requests.

Your CPA is bound by the requirements of the State Board of Accountancy as well as professional and ethical standards. Lenders are looking to the CPA to verify solvency information, which is strictly prohibited by professional and ethical standards. An assessment of your company would require the CPA to perform a compilation, review, or audit, depending upon the needs of the lender. This can be costly for you and extremely time-consuming for the CPA. CPAs are, however, able to provide limited types of correspondence that do not entail the abovementioned services.

What Your CPA Can Share

CPAs can provide a copy of your tax return and verify that it was prepared by your CPA. The CPA, however, must have written consent from you, the client, before sending this information to the lender. Consent is required under the Gramm-Leach-Bliley Act, the Internal Revenue Code, and federal and state privacy statutes and regulations. Tax consent must be received from all parties of the return, and the consent must be as prescribed by your CPA and include specific language as dictated by these statutes and regulations. For a joint 1040, both spouses must consent; for a business return, all participating owners may be required to consent.

The tax return would accompany a

letter from your CPA that includes the following points:

- Confirmation that the CPA prepared your federal income tax return and delivered this return to you for filing with the IRS. If the return was filed electronically, the CPA may provide a signed copy of IRS Form 8879, which includes a declaration that the taxpayer has examined a copy of their electronic individual income tax return and accompanying schedules and statements for that tax year and declared that it is true, correct, and complete to the best of his or her knowledge.



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- Acknowledgment that the return was prepared in accordance with IRS rules and that it does not include an assessment as to creditworthiness, nor does it include a statement of the client's financial position or income.
- A reminder that the credit decision should be based on the lender's due diligence considering multiple sources of information, and that the CPA does not intend on establishing a client relationship with the lender or provide further information about you.

If the lender requires more information, your CPA will speak to you about the limited scope of services he or she can provide in this matter, and why/how the nature of contact with your lender is limited. You should know that it is the lender's responsibility to underwrite a loan, not your CPA's.

More Information

PICPA's Professional and Technical Standards Team works with CPAs on ethics and standards requirements. If you need further clarification on what your CPA can share with a third party, contact your CPA or the PICPA at (888) 272-2001 or ethics@picpa.org.

A HIGHER STANDARD

PICPA members must comply with both AICPA's and PICPA's codes of professional conduct, which require adherence to the Statements on Auditing Standards. PICPA members must exercise professional judgment and due care in the selection and application of a financial statement service.



The Pennsylvania Institute of Certified Public Accountants, with more than 22,000 members, advocates to strengthen the accounting profession and serve the public interest.



The PICPA offers resources for a variety of financial topics.

- ▶ Personal Finance
- ▶ Small Business
- ▶ Tax Help
- ▶ Fraud Prevention
- ▶ Retirement

Visit www.picpa.org/resources to learn more.