

## FHA Derogatory Credit With No Waiting Period Requirements Quick Reference Guide

(Case Numbers assigned on or after September 14, 2015)

Event Type	DU/TOTAL	Manual Underwrite
<b>Charge-off</b>	Not included in the borrower's debt. No additional documentation is required	<p>Not included in the borrower's debt. The following is required:</p> <ul style="list-style-type: none"> <li>A letter of explanation from the borrower for each account and documentation that supports the explanation</li> <li>The underwriter must determine if the collection account is the result of:               <ul style="list-style-type: none"> <li>- The borrower's disregard for financial obligations, <b>or</b></li> <li>- The borrower's inability to manage debt, <b>or</b></li> <li>- Extenuating circumstances</li> </ul> </li> </ul> <p>If the loan is approved the underwriter must provide documentation to justify the approval</p>
<b>Collections</b> <b>(Medical collections excluded)</b>	<p>When the cumulative outstanding balance is <math>\geq</math> \$2,000 (including any accounts of the non-borrowing spouse in a community property state unless excluded by state law) the following is required:</p> <ul style="list-style-type: none"> <li>Obtain documentation the account has been paid in full using funds from an acceptable source, <b>or</b></li> <li>A payoff statement if the account is paid through the new loan, <b>or</b></li> <li>Verify the borrower is in a payment plan with the creditor and include the payment in the borrower's DTI calculation and obtain documentation of the repayment agreement. If the payment amount is not available calculate the monthly payment using 5% of the outstanding balance and include in the borrower's DTI calculation</li> <li>Collection accounts with an outstanding cumulative balance <math>&lt;</math> \$2,000 <b>no action required</b>.</li> </ul> <p>NOTE: Accounts <b>cannot</b> be paid down to <math>&lt;</math> \$2,000.</p>	<p><b>Additional requirements for manual underwrite collection accounts:</b></p> <ul style="list-style-type: none"> <li>A letter of explanation from the borrower for each account and documentation that supports the explanation</li> <li>The underwriter must determine if the collection account is the result of:               <ul style="list-style-type: none"> <li>- The borrower's disregard for financial obligations, <b>or</b></li> <li>- The borrower's inability to manage debt, <b>or</b></li> <li>- Extenuating circumstances</li> </ul> </li> </ul> <p>If the loan is approved the underwriter must provide documentation to justify the approval</p>

Refer to the FHA program guides for complete details and guidelines.

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Consumer Credit Counseling	No action or documentation is required	<ul style="list-style-type: none"> <li>One year of payout under the plan has elapsed</li> <li>All payments have been made on time</li> <li>The Counseling Agency has provided written permission for the borrower to enter into a mortgage transaction</li> </ul>
Delinquent Child Support	Delinquent child support must be paid current or in a payment plan. On a case-by-case basis this requirement may be waived subject to HomeBridge Management approval	
Delinquent Federal Non-Tax Debt	<ul style="list-style-type: none"> <li><b>CAIVRS</b> <ul style="list-style-type: none"> <li>- If CAIVRS indicates <b>any</b> delinquent federal non-tax debt the underwriter <b>must verify</b> the validity and status of the delinquency <b>with the agency to whom the debt is owed using the contact phone number and debt reference number identified in CAIVRS.</b></li> <li>- If it is determined the debt is valid the borrower is ineligible <b>unless</b> the federal non-tax debt is resolved in accordance with the <a href="#">Debt Collection Improvement Act</a>.</li> <li>- A clear CAIVRS is required to document the resolution.</li> </ul> </li> <li><b>Credit Report/Public Record</b> <ul style="list-style-type: none"> <li>- If the credit report/public record indicates delinquent federal non-tax debt the underwriter <b>must verify</b> the validity and status of the delinquency <b>with the agency to whom the debt is owed.</b></li> <li>- If it is determined the debt is valid the borrower is ineligible <b>unless</b> the federal non-tax debt is resolved in accordance with the <a href="#">Debt Collection Improvement Act</a>.</li> <li>- CAIVRS will be re-run prior to funding to verify the CAIVRS report is still clear.</li> </ul> </li> </ul>	
Disputed Accounts	<p><b>Derogatory</b></p> <ul style="list-style-type: none"> <li><b>Disputed Accounts &lt; \$1,000 (cumulative for all borrowers) – TOTAL Scorecard</b> <ul style="list-style-type: none"> <li>- A downgrade to a manual underwrite is <b>not</b> required if the cumulative total of all disputed accounts is &lt; \$1,000</li> </ul> </li> <li><b>Disputed Accounts ≥ \$1,000 (cumulative for all borrowers) – TOTAL Scorecard</b> <ul style="list-style-type: none"> <li>- Loans with an “Approve/Eligible” Finding must be <b>downgraded to a manual underwrite</b> if the credit report indicates there are disputed accounts with a cumulative total (includes disputed accounts for <b>all</b> borrowers) is ≥ \$1,000.</li> <li>- If the cumulative balance is ≥ \$1,000 and the underwriter does not require the account to be resolved the monthly payment must be included in the DTI calculation.</li> </ul> </li> </ul> <p><b>Non-Derogatory</b></p> <p>Non-derogatory accounts are <b>not</b> included in the cumulative total, however the underwriter must address when considering the borrower’s ability to repay the loan including the impact to the DTI.</p> <p style="background-color: yellow;"><b>NOTE: Accounts cannot be paid down to &lt; \$1,000</b></p>	

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<b>Judgments</b>	<p>Judgments are required to be paid off, <b>including</b> judgments against a non-purchasing spouse in community property states (unless excluded by state law) <b>and</b> medical judgments. The payment requirement may be waived if the borrower is currently in a payment plan with the creditor subject to:</p> <ul style="list-style-type: none"> <li>- A copy of the agreement is provided, and</li> <li>- The borrower has made a minimum 3 months of the scheduled payments as agreed prior to credit approval. Supporting documentation is required.</li> <li>- Payments must be included in the DTI calculation</li> </ul> <p>NOTE: The borrower <b>cannot</b> prepay scheduled payments to satisfy the 3 month requirement.</p>	
<b>Tax Liens</b>	<p><b>Delinquent</b> Borrowers with delinquent tax debt are ineligible unless currently in repayment plan.</p> <p><b>Repayment Plan</b> Tax liens are not required to be paid in full if documentation is provided indicating the borrower is in a valid payment plan. The following is required:</p> <ul style="list-style-type: none"> <li>• The borrower must have made a minimum of 3 months of scheduled payments at time of case number assignment and documentation of the payments is required.</li> <li>• The payment must be included in the DTI calculation.</li> <li>• The borrower <b>cannot</b> prepay the payments to meet the 3 month payment requirement</li> </ul> <p>NOTE: Borrowers with delinquent taxes may or may not have a tax lien.</p> <p><b>Borrowers with Taxes Due</b> Borrowers who owe taxes and the loan is closing prior to the tax deadline of April 15<sup>th</sup> the following is required:</p> <ul style="list-style-type: none"> <li>• Proof the borrower has already paid the tax liability, or</li> <li>• Deduct the amount of monies owed from the qualifying income.</li> </ul> <p>Reminder: Borrowers in this situation are <b>not</b> delinquent</p>	