



WHOLESALE ANNOUNCEMENT 2020-27 May 27, 2020

Guideline Update

FHA

*****Effective with new applications taken on or after June 1, 2020, the current UDM (Undisclosed Debt Monitoring) Policy and Practice will also include all FHA loans, excluding streamlines.*****

RD

FCM accepts the updates USDA made to the 3555 Handbook. The following changes were made to the guidelines.

1.06.04 Credit Eligibility Requirements

The following adverse credit items will render an applicant ineligible for a guaranteed loan:

- Presently delinquent non-tax Federal debt (must be paid in full or release of liability);
- Presently delinquent court ordered child support unless the applicant has an approved repayment agreement in place with three timely payments made prior to loan closing; the arrearage is paid in full prior to loan closing, or a release of liability is documented; and
- CAIVRS Claim: An applicant that will be party to the loan does not have a clear “A” Credit Alert Verification Reporting System (CAIVRS) response.

1.06.10 Collections/Charge-offs

GUS Data Entry:

- Collections that will be paid by loan closing should select the “Pay by Close” check box.
- If the collection is not required to be paid in full, select the “omit” checkbox. The “Notes” section must be completed to state why the debt will be omitted from ratio consideration.

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- If a repayment agreement has a specified monthly payment, include that amount. Do not enter \$1.00 in the monthly payment data field unless this is a documented repayment amount.

1.06.13 Federal Taxes

Federal taxes are due each year on the date determined by the IRS. Taxpayers who owe taxes and do not pay in full by the filing date are determined delinquent by the IRS.

Repayment Plans:

An applicant with delinquent federal tax debt is ineligible unless they have a repayment plan approved by the UIRS. A minimum of three timely payments must have been made. Timely is defined as payments that coincide with the approved IRS repayment agreement. The applicant may not prepay a lump sum at one time to equal three monthly payments.

Approved Extension:

An IRS approved extension to file a tax return does not grant the applicant additional time to pay their taxes due. Applicants must pay their estimated income tax due by the IRS filing date or they are determined delinquent by the IRS. An applicant that has owed on a previous filed return (s) exhibits a pattern of taxes due therefore an estimated tax payment must be made to the IRS by the specified deadline. The applicant may file their return at a later date and remain eligible for a guaranteed loan.

An applicant that has received tax refunds for previous filed return (s) may remain eligible with no estimated tax payment due to the IRS.

Failure to File:

Applicants that are required to file taxes but have failed to do so for the current or previous years by required IRS due dates without approved extensions and/or required tax payments as determined by the IRS are ineligible.



1.06.14 Disputed Accounts

Non-Derogatory:

GUS Accept:

- the tradeline has a zero balance,
- the tradeline is marked “paid in full” or “resolved” on the credit report
- the tradelines are 24 months or greater
- the tradeline is current and paid as agreed
- the payment stated on the credit report is included in the monthly debts;
- A documented payment from the creditor is included in the monthly debts; or
- 5% of the stated account balance on the credit report is included in the monthly debts.

GUS Refer, Refer with Caution, and manually underwritten file:

The applicant must provide applicable documentation to support the reason and basis of their dispute with the creditor. Underwriters must determine the impact of the disputed account on the repayment of the proposed mortgage. Each account must include the payment stated on the credit report, 5% of the balance of the account or a lesser amount documented from the creditor. No credit exception is required.

Derogatory:

Non-medical collections and accounts with late payments in the last 24 months.

- For all loan types, the following may be excluded:
- Disputed medical collections
- Charged off accounts



- Disputed derogatory accounts that are the result of identity theft, credit card theft or unauthorized use when evidence is provided to support the applicant's explanation; or
- Accounts of a non-purchasing spouse in a community property state.

GUS Accept:

GUS Accept files with less than \$2,000 in disputed derogatory accounts will require the lender to determine if the disputed accounts may impact the applicant's ability to repay the proposed mortgage obligation. Each account (excluding those listed above) must include a minimum monthly payment of:

1. The payment stated on the credit report, 2. Five percent of the balance of the account, or 3. A lesser amount documented from the creditor. No credit exception is required.

A GUS Accept must be downgraded to a Refer when the applicant has \$2,000 or more collectively in disputed derogatory accounts in the last 24 months.

Refer, Refer with Caution and manually underwritten files:

The lender must analyze the potential impact to the applicant's ability to repay the proposed mortgage debt with disputed derogatory accounts. Each account (excluding those listed above) must include a minimum monthly payment of:

1. The payment stated on the credit report, 2. Five percent of the balance of the account, or 3. A lesser amount documented from the creditor. No credit exception is required.

1.06.15 Authorized User Accounts

Authorized user accounts may be used to validate the credit score when one of the following is met:

- The tradeline is owned by another applicant on the mortgage loan application;
- The owner of the tradeline is the spouse of the applicant; or



- The applicant can provide evidence that they have made payments on the account for the previous 12 months prior to the loan application.

1.06.16 Rent History

GUS Accept:

No VOR is required.

GUS Refer:

A VOR may be required. Refer to the GUS Underwriting Findings Report to determine if a VOR is required for a complete loan application. If a full 12-month VOR is not available, lenders may verify the amount of rental history that has been paid. One rent or mortgage payment paid 30 or more days past due in the previous 12 months is significant derogatory credit and will require a credit exception

1.06.19 Chapter 12 or 13 Bankruptcy

Chapter 12 Bankruptcy was added to this section.

1.07.06 Delinquent Court Ordered Child Support

An applicant that is delinquent on court ordered child support is ineligible for a guaranteed loan unless the applicant has an approved repayment agreement in place with three timely payments made prior to loan closing, the arrearage is paid in full prior to the loan closing, or a release of liability is documented.