

7 CFR Part 3555

Subpart D: Underwriting the Applicant

- .151: Eligibility requirements
- .152: Calculation of income and assets

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7 CFR Part 3555: 3555.151(i)

credit qualifications satisfactory to Rural Development.

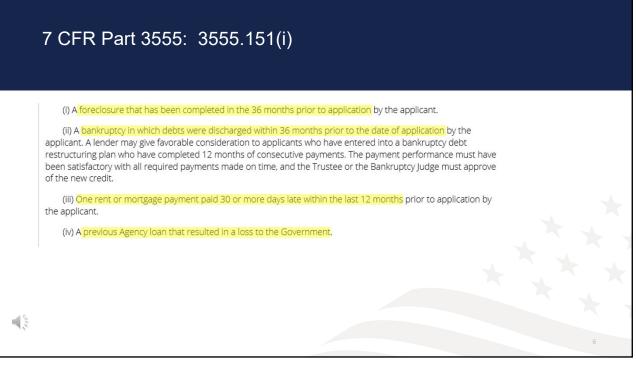
(i) *Credit qualifications*. Applicants generally must have a verifiable credit history that indicates a reasonable ability and willingness to meet their debt obligations as evidenced by an acceptable credit score, a credit report from a recognized credit repository meeting the requirements of Fannie Mae, Freddie Mac, FHA or VA, and other

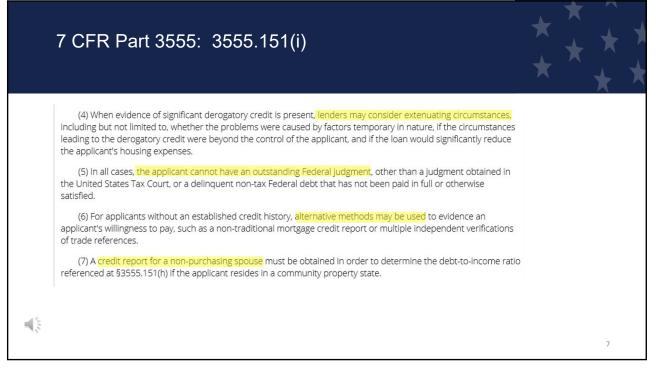
(1) Except as provided in paragraph (i)(6) of this section, the applicant's credit history must demonstrate a past willingness and ability to meet credit obligations to enable the lender to evaluate each applicant and draw a logical conclusion about the applicant's commitment and ability to handling financial obligations successfully and ability to make payments on the new mortgage obligation.

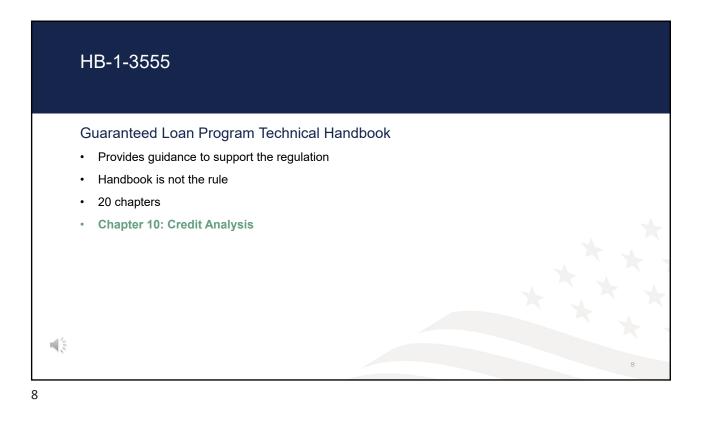
(2) A loan's acceptance by an Agency approved automated underwriting system eliminates the need for the lender to submit documentation of the credit qualification decision as loan approval requirements will be incorporated in the automated system.

(3) For manually underwritten loans, lenders must submit documentation of the credit qualification decision. Lenders will use credit scores to manually underwrite loan mortgage requests. Lenders are required to validate the credit scores utilized in the underwriting determination. Indicators of significant derogatory credit will require further review and documentation of that review. Indicators of significant derogatory credit include, but are not limited to:

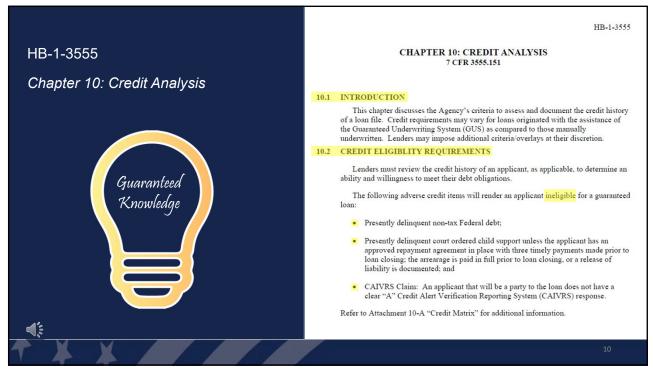
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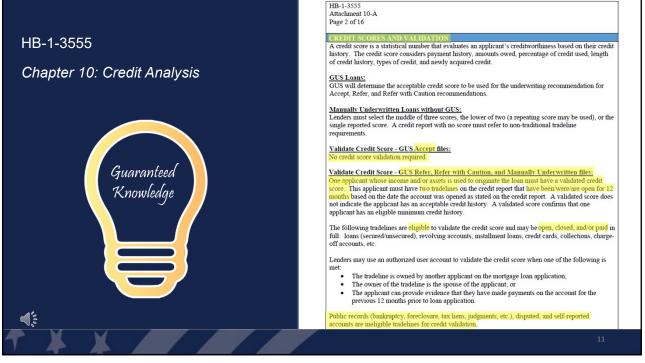


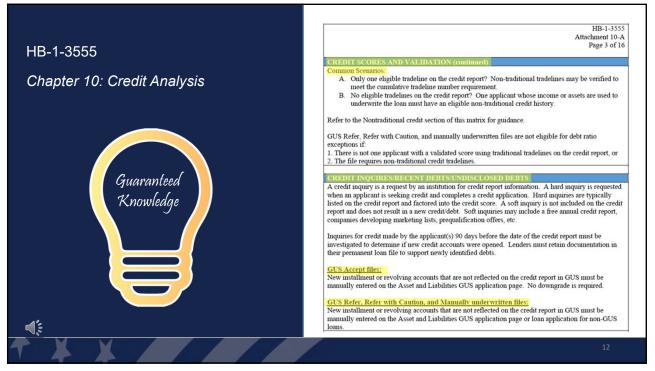


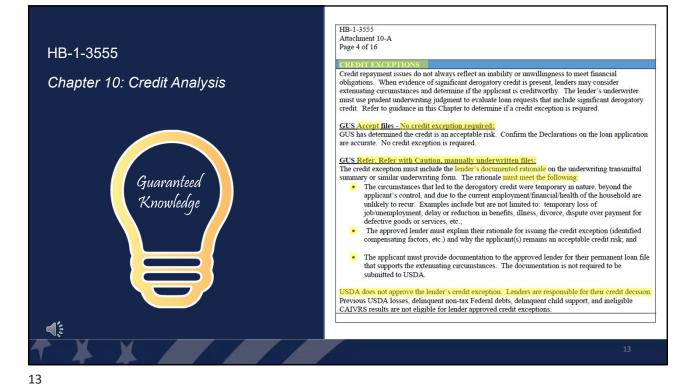




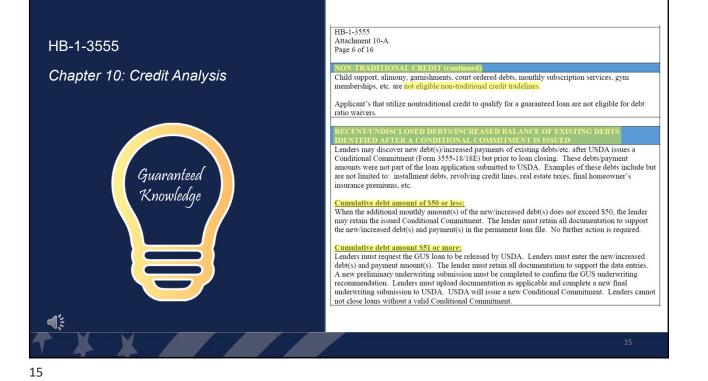


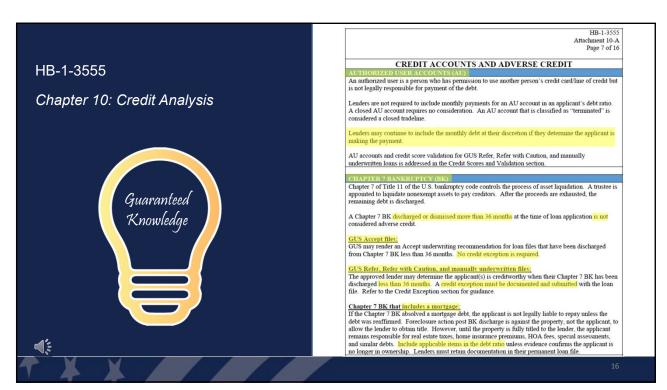


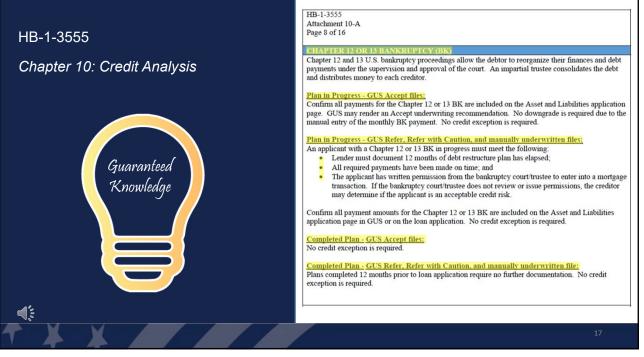


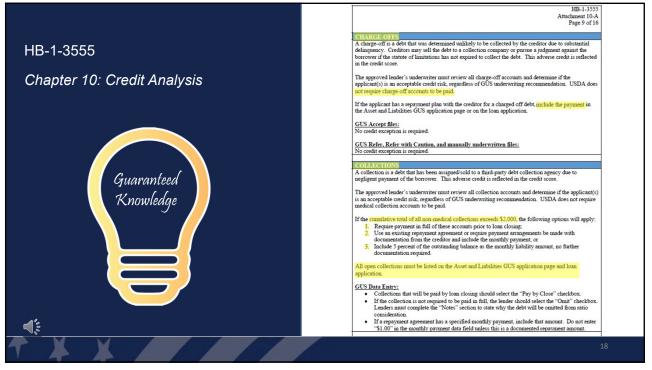


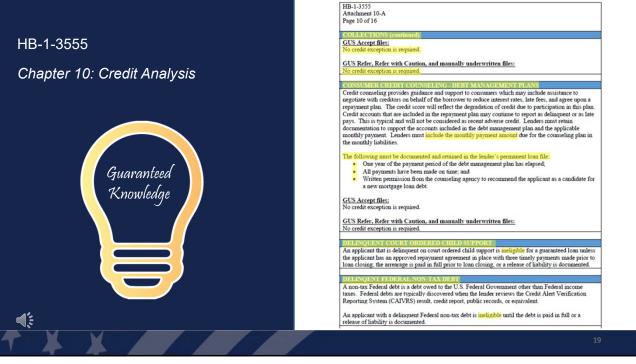
HB-1-3555 Attachment 10-A Page 5 of 16 Applicants that do not have the required traditional credit history, a validated credit score, or no credit score may document their willingness to pay debt obligations through alternate sources. The use of a non-traditional credit history is not a reason to demy a loan. HB-1-3555 Applicants with a 12-month Verification of Rent (VOR): Two tradelines are required: The VOI plus one additional tradeline. This tradeline must be an eligible traditional tradeline from the credit report with a 12-month history or an eligible non-traditional tradeline. Chapter 10: Credit Analysis Applicants with no rent history: Three tradelines are required. Tradelines may be a combination of traditional tradelines from the credit report with 12-month history or eligible non-traditional tradelines. Non-traditional credit may be documented as 1. A Non-Traditional Mortgage Credit Report (NTIMCR), 2. Self-Reported tradelines on a traditional credit report, or 3 Evidence from third party verifications, canceled check, money order receipts, electronic payments, payment thistories from the creditor/company, bank statements that clearly identify debit payments for the service/product, etc. al tradeline must l man 6 months prior to loan applica but are not limited to: tion. Examples of acceptable non-traditional credit sources include enot limited to: Rent or housing payments Utility services: gas, electric, water, land-line telephone service, or cable TV (services should not be included in rent payments) Insurance payments: automobile, fife, household, renter's insurance, medical supplements. Premiums paid attricuing payroll deduction for employee offered coverage of plans are ineligible. Premiums paid quarterly or annually are acceptable when the payment(s) provide 12 months of coverage. Childcare: licensed childcare provides may provide documentation to support the date of encollineart, dates of fees paid, etc. Bank statements to support cash withdraws or handwritten receipts are not acceptable. School tution Payments to local stores (car dealerships, department/furniture/appliance stores, specially stores) Guaranteed Knowledge Payments to local stores (car dealerships, department/firmiture/appliance stores, specialty stores) Payments for uninsured portions of medical bills Internet or cell phone services Automobile leases Personal loans with repayment terms in writing, supported with canceled checks, money order receipts, or electronic payment receipts 12 month documented history of savings that demonstrate regular deposits which equal three months of proposed mortgage (PITI) payments that will be retained as cash reserves post-closing • Any other reference that gives insight into the applicant's willingness to make periodic payments on a regular basis for recurring credit obligations.

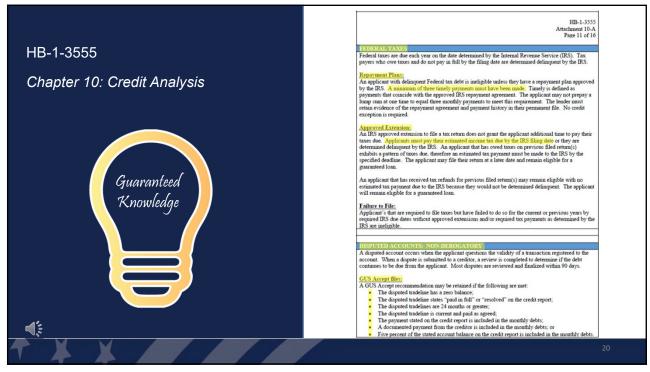


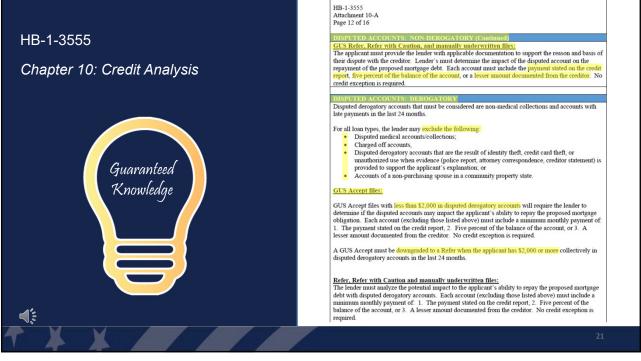


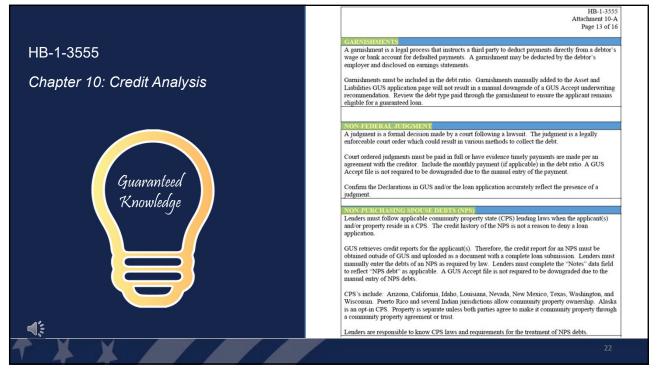


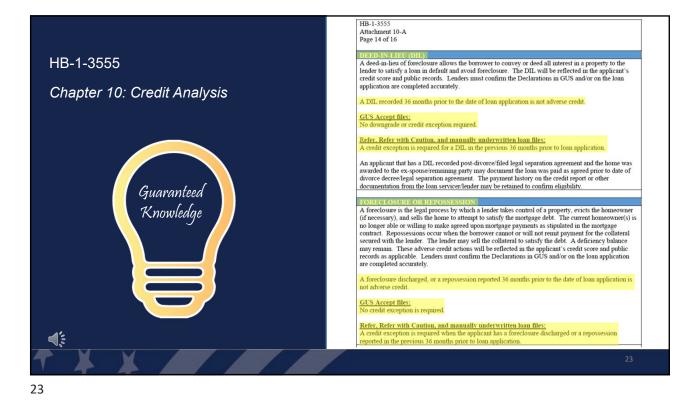












HB-1-3555 Attachment 10-A Page 15 of 16 HB-1-3555 FORECLOSURE OR REPOSSE An applicant that has a foreclosure discharged or a repossession reported post-divorce/filed legal separation agreement and the home was awarded to the ex-spouse/remaining party may document the loan was paid as agreed prior to date of divorce decree/legal separation agreement. The payment Chapter 10: Credit Analysis history on the credit report or other documentation from the loan servicer/lender may be retained to confirm eligibility. USDA considers the loss of a timeshare adverse credit of a long-term obligation and not a foreclosure. This loss will be reflected in the credit score. Lenders must review the applicant's credit history to determine if they are an acceptable credit risk. No credit exception is required for the loss of a timeshare. A short sale allows a homeowner to sell their property for less than the balance due on the mortgage. All sales proceeds go to the lender. The lender will either forgive the difference owed or a deficiency judgment may be obtained to require the borrower to repay the lender all or part of the remaining balance. The short sale will be reflected in the applicant's credit score and public records. Lenders must confirm the Declarations in GUS and/or the loan application are completed accurately. Guaranteed Knowledge A short sale closed 36 months prior to the date of loan application is not adverse credit. GUS Accept files No credit exception is required. Refer, Refer with Caution, and manually underwritten loan files A credit exception is required when the applicant has a short sale closed 36 months prior to loan application. An applicant that has a short sale closed post-divorce/recorded legal separation agreement and the home was awarded to the ex-spouse/remaining party may document the loan was paid as agreed prior to date of divorce decree/legal separation agreement. The payment history on the credit report or other documentation from the loan servicer/lender may be retained to confirm eligibility.

