

<p>Debts/Liabilities</p>	<p>General Information Significant debts and obligations of the applicant(s) must be verified.</p> <p>When a paystub or LES statement indicates an allotment or garnishment, the lender must investigate the nature of the allotment to determine whether the allotment is related to a debt.</p> <p>CAIVRS report must be clear.</p> <p>Judgements must be paid in full. Judgments may not be open at closing.</p> <p>Co-Signed installment loans The applicant may have a contingent liability based on co-signing a loan. If:</p> <ul style="list-style-type: none"> • There is evidence that the loan payments are being made by someone else for a period of 12 months • There is no reason to believe that the applicant will have to participate in repayment of the loan, then • The lender may exclude the loan payments from the monthly obligations factored into the net effective income calculation in the loan analysis. <p>Business Debt in Borrower's Name When business debt is reported on the borrower's personal credit report, the debt must be included in the DTI calculation, unless the mortgagee can document that the <i>debt is being paid by the borrower's business</i>, and the <i>debt was considered in the cash flow analysis of the borrower's business</i>. The debt is considered in the cash flow analysis where the borrower's business tax returns reflect a business expense related to the obligation, equal to or greater than the amount of payments documented as paid out of company funds. Where the borrower's business tax returns show an interest expense related to the obligation, only the interest portion of the debt is considered in the cash flow analysis.</p>
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	<ul style="list-style-type: none"> ➤ Mortgagee must document that the debt is paid out of company funds (e.g., 12 months cancelled checks) and that the debt was considered in the cash flow analysis of the borrower's business. <p>30-Day Accounts The mortgagee must verify the borrower paid the outstanding balance in full on every 30-Day Account each month for the past 12 months. 30-Day Accounts that are paid monthly are not included in the borrower's DTI. If the credit report reflects any late payments in the last 12 months, the mortgagee must utilize 5 percent of the outstanding balance as the borrower's monthly debt to be included in the DTI.</p> <ul style="list-style-type: none"> ➤ Use the credit report to document the balance and document that funds are available to pay off the balance in excess of the funds and reserves required to close the mortgage. <p>Liabilities – General Guidelines True co-signed (guarantor) accounts do not have to be included in the debt if underwriter verifies both 12 months on time history and that the payments are being made by the primary obligor.</p> <p>If the credit report does not reflect a monthly payment on any open revolving account, then mortgagee must use the payment shown on the current account statement or 5% of the outstanding balance.</p> <p>Lease payments (particularly auto leases) should typically be included in the DTI regardless of the remaining term</p> <p>Authorized User Accounts for which the borrower is an authorized user must be included in a borrower's DTI ratio unless the mortgagee can document that the primary account holder has made all required payments on the account for the previous 12 months. If less than three payments have been required on the account in the previous 12 months, the payment amount must be included in the borrower's DTI.</p> <p>Delinquent Federal Tax Debt Borrowers with delinquent Federal Tax Debt are ineligible.</p> <ul style="list-style-type: none"> ➤ Tax liens may remain unpaid if the borrower has entered a valid repayment agreement with the federal agency owed to make regular payments on the debt ➤ The borrower has made timely payments for at least three months of scheduled payments ➤ The borrower cannot prepay scheduled payments to meet the required minimum of three months of payments ➤ Mortgagee must include the payment amount in the agreement in the calculation of the borrower's DTI ratio ➤ Mortgagee must include documentation from the IRS evidencing the repayment agreement and verification of payments made, if applicable <p>Tax Liens</p>
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	<p>Tax liens may remain unpaid if the borrower has entered a valid repayment agreement with the lien holder to make regular payments on the debt and the borrower has made timely payments for at least three months of scheduled payments. The borrower cannot prepay scheduled payments to meet the required minimum of three months of payments. The payment amount in the agreement must be included in the borrower's DTI. The lien holder must subordinate the tax lien to the FHA-insured mortgage.</p>
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