



Collection Accounts (TOTAL)

If the credit reports used in the TOTAL Mortgage Scorecard analysis show cumulative outstanding collection account balances of \$2,000 or greater, the mortgagee must:

- Verify that the debt is paid in full at the time of or prior to settlement using acceptable sources of funds.
- Verify that the borrower had made payment arrangements with the creditor and include the monthly payment in the borrower's DTI; or
- If a payment arrangement is not available, calculate the monthly payment using 5 percent of the outstanding balance of each collection and include the monthly payment in the borrower's DTI.
- Collection accounts of a non-borrowing spouse in a community property state must be included in the \$2,000 cumulative balance and analyzed as part of the borrower's ability to pay all collection accounts, unless excluded by state law.
- Documentation: The mortgagee must provide the following documentation:
 - ◆ Evidence of payment in full, if paid prior to settlement; or
 - ◆ The payoff statement, if paid at settlement; or
 - ◆ The payment arrangement with creditor, if not paid prior to or at settlement.

If the mortgagee uses 5% of the outstanding balance, no documentation is required.

- Medical collections are excluded and are not considered debt