

## Part 2 – 4000.1 Updates

**Please note the following changes made to several sections of the UW Lending Guide, effective for applications on or after 4/29/2024.**

Section 7.17 Credit Reports and Documentation	
Existing Guideline	Updated Guideline
<p>A credit report is valid for 120 days.</p> <ul style="list-style-type: none"> <li>• A tri-merge credit report which includes a public record search is required with every submission.                             <ul style="list-style-type: none"> <li>○ In addition, an OFAC search must also be included.</li> </ul> </li> <li>• A single report is acceptable for married couples.</li> <li>• Non-married multiple borrowers require a separate credit report for everyone.</li> </ul> <p>The credit report must evidence the following:</p> <ul style="list-style-type: none"> <li>• Correct borrower’s name</li> <li>• Date of birth</li> <li>• Social Security Number</li> <li>• Current address.</li> </ul> <p>Any additional social security numbers and recent addresses linked to the borrower(s) on the credit report must be researched and explained with proper documentation provided. MoOM may only obtain a credit report for a Non-Borrowing Spouse or Other Non-Borrowing Household Member when his or her income will be used to reduce family size or as a compensating factor to meet the residual income requirement.</p>	<p>A credit report is valid for 120 days <b>(the loan must have funded and disbursed prior to the expiration date.)</b></p> <ul style="list-style-type: none"> <li>• A tri-merge credit report which includes a public record search is required with every submission.                             <ul style="list-style-type: none"> <li>○ In addition, an OFAC** search must also be included.</li> <li>○ <b>In addition, two disclosures are required to be completed as part of the credit process – the Notice to Home Loan Applicant and Credit Score Disclosure**.</b></li> </ul> </li> <li>• <b>A joint/single report that includes all three bureaus (tri-merge) is acceptable for married couples.</b></li> <li>• <b>Non-married multiple borrowers require a separate credit report for each individual unless the borrowers have shared assets and/or have lived together for several years.</b></li> </ul> <p><b>**MoOM has configured the order template with CoreLogic Credco to ensure any traditional tri-merge credit report will include an OFAC search as well as automatically mail the two completed disclosures (that print with the reports) to the borrower(s) at the address identified on credit.</b></p> <p>The credit report must evidence the following:</p> <ul style="list-style-type: none"> <li>• Borrower’s Name</li> <li>• Date of Birth</li> <li>• <b>Correct</b> Social Security Number</li> <li>• Current Address / Residence</li> <li>• <b>Name of Originating Company (Broker or Lender)</b></li> <li>• <b>Name and Address of the Credit Provider (e.g. CoreLogic Credco)</b></li> <li>• <b>Repositories Providing Data (Transunion – TUC, Equifax – EFX and Experian – XPN)</b></li> </ul> <p>Any additional social security numbers and recent addresses linked to the borrower(s) on the credit report must be researched and explained with proper documentation provided.</p> <p>MoOM may only obtain a credit report for a Non-Borrowing Spouse or Other Non-Borrowing Household Member when his or her income will be used to reduce family size or as a compensating factor to meet the residual income requirement. <b>Prior to pulling a credit report for a participant that was not on the initial application or part of the initial interview (i.e. an ineligible non-borrowing spouse or other household member) MoOM must have <i>written</i> authorization.</b></p>

	<p>➤ <b>Note:</b> If in qualifying an other non-borrowing household member to reduce the family size, one or more of the OHNBM is missing a credit score or does not have an SSN/TIN (i.e., under 18, no credit history, foreigner), it must be escalated to Preflight (files not submitted) or escalated to underwriting (files in process) for approval to remove from household count.</p>
<p><b>Section 7.22 Child Support and Alimony</b></p>	<p><b>Section 7.22 Child Support, Alimony and Maintenance Expenses</b></p>
<p>Existing Guideline</p>	<p>Existing Guideline</p>
<p>Liens for delinquent child support must be paid in full if they are a lien against the property or a federal lien. If they are not a lien against the property, then we must document and include the monthly and/or alimony payment in the borrower's expense analysis.</p>	<p>Liens for delinquent child support must be paid in full if they are a lien against the property or a federal lien. If they are not a lien against the property, then we must document and include the monthly <b>alimony, child support, and/or maintenance</b> payment in the borrower's expense analysis.</p>
<p><b>Section 7.31 Expense Analysis</b></p>	
<p>Existing Guideline</p>	<p>Updated Guideline</p>
<p>Using the credit report, Fannie Mae Form 1009, Part VI of URLA or equivalent, most recent federal and state income tax returns, and other documents that may be available to MoOM (e.g., bank statements), MoOM must identify all secured and unsecured debts. To complete the expense analysis, MoOM must consider:</p> <ul style="list-style-type: none"> <li>• federal and state income taxes</li> <li>• FICA</li> <li>• property charges for all properties owned</li> <li>• estimated utility and maintenance expenses</li> <li>• installment account payments</li> <li>• any other owned property mortgage obligations (debt and property charges)</li> <li>• revolving credit account payments</li> <li>• alimony, child support, and child support payments</li> <li>• judgments under payment plans against the mortgagor</li> <li>• payments required under any bankruptcy plans</li> <li>• other obligations described in this guide.</li> </ul> <p>When the mortgagor benefits from federal, state, or local benefit programs that reduce borrower expenses, the reduced amounts may be used to calculate expenses provided that the mortgagee complies with the requirements in <a href="#">Section 3.67 of the Financial Analysis Guide</a> and <a href="#">HUD Mortgagee Letter 2016-10</a>.</p> <p>The mortgagee must obtain a written explanation from the mortgagor for all inquiries shown on the credit report that were made 90 days from the date the credit report was pulled. The mortgagee must document all undisclosed debt and ensure it is included in the borrower's expense analysis. When a debt or obligation is revealed during the application process that was not listed on the mortgage application and/or credit report, the mortgagee must verify the actual monthly payment amount &amp; include the payment amount per the agreement in the expense analysis.</p> <p>Items which will be included in the Expense Analysis as recurring debt:</p>	<p>Using the credit report, Fannie Mae Form 1009, Part VI of URLA or equivalent, most recent federal and state income tax returns, and other documents that may be available to MoOM (e.g., bank statements), MoOM must identify all secured and unsecured debts. To complete the expense analysis, MoOM must consider:</p> <ul style="list-style-type: none"> <li>• federal and state income taxes</li> <li>• <b>Federal Insurance Contributions Act (FICA)</b></li> <li>• property charges for <b>the subject property</b></li> <li>• estimated utility and maintenance expenses for the <b>subject property (automatically calculated once square footage is input in either LOS)</b></li> <li>• installment account payments</li> <li>• <b>property charges for all real estate owned (at time of application), including: mortgage (even when not reporting on credit), insurance, tax, HOA/Condo/PUD fees and/or special assessments</b></li> <li>• revolving credit account payments</li> <li>• alimony, child support, <b>and/or maintenance payments</b></li> <li>• judgments under payment plans against <b>borrower(s)</b></li> <li>• payments required under any bankruptcy plans</li> <li>• other obligations described in this guide.</li> </ul> <p><b>Where the borrower utilizes or has enrolled in</b> federal, state, or local benefit programs that reduce borrower expenses, the reduced amounts may be used to <b>calculate monthly expenses, provided</b> that MoOM complies with the requirements in <b>HUD Handbook 4000.1 (currently under Undisclosed Debt and Inquiries)</b></p> <p>The <b>MoOM</b> must obtain a written explanation from the <b>borrower(s)</b> for all inquiries shown on the credit report that were made 90 days from the date the credit report was pulled.</p> <p><b>MoOM</b> must document all undisclosed debt and ensure it is included in the borrower's expense analysis. When a debt or obligation is revealed during the application process that was not listed on the mortgage application and/or credit report, the mortgagee must:</p>

- Federal Debts (refers to non-delinquent Federal debt – see Credit History for Delinquent Federal Debts)
- Alimony, Child Support and Maintenance (recurring expense to be determined from review of the complete divorce decree or documented garnishment)
- Deferred Obligations (documentation is required to confirm minimum payment once deferment status ends. If no payment can be determined or documented, 5% of the unpaid balance will be used.
- For Student Loans only, if the actual payment is zero or is not available, 0.5% of the unpaid balance will be used).
  - Effective with case numbers ordered on, or after June 17th, 2021. [FHA Mortgagee Letter 2021-13](#)
- Installment Loans
- Revolving Charge Accounts (if no payment is showing, use 5% of outstanding balance)
- 30 Day Accounts (only if documentation is not obtained to verify balance paid in full for past 12 months. If balance is equal to payment, use 5% of the balance as payment amount)
- Business Debt in Mortgagor's Name
- Recurring Capital Loss

- verify the actual monthly payment amount;
- include the payment amount per the agreement in the Borrower's expense analysis; *and*
- determine that any new accounts/activity were not/will not be used for the Borrower(s) settlement requirements.

Items which will be included in the Expense Analysis as recurring debt:

- Federal Debts (refers to non-delinquent Federal debt – see Credit History for Delinquent Federal Debts)
- Alimony, Child Support and Maintenance (recurring expense to be determined from review of the complete divorce decree, court ordered/legal document or documented garnishment)
- Deferred Obligations (excluding student loans) refer to expenses that have been incurred but where payment is deferred/not yet started, including accounts in forbearance. MoOM is required to document the terms, including the outstanding balance and monthly payment, using either the actual payment (as reported on the credit report or statement) or 5% of the outstanding balance.
- For Student Loans only, if the actual payment is zero or is not available, 0.5% of the unpaid balance will be used).
- Installment Loans (excluding Student Loans, refers to loans, not secured by real estate, that require periodic payment of Principal and Interest (P&I). **A loan secured by an interest in a timeshare must be considered an Installment Loan**)
- Revolving Charge Accounts (if no payment is showing and we are unable document payment using the current statement, MoOM must use 5% of outstanding balance)
- 30 Day Accounts require evidence that they are paid in full (current month statement reflecting payment made, credit supplement, etc) or that assets have been verified that can cover the balance as identified on the credit report or statement (if a new account) – to exclude. Where assets have not been verified and a balance remains, 5% of the balance must be input as the monthly payment amount.
- Business Debt in Borrower's Name (the debt must be included in the monthly expenses, unless the MoOM can document that the debt is being paid by the Borrower's business, and the debt was considered in the cash flow analysis of the Borrower's business.)