



Charge Off Accounts (TOTAL)

Charge off accounts do not need to be included in the borrower's liabilities or debt.

Charge Off Accounts (manual)

Defined as loans or debts written off by the creditor that do not have to be included in DTI. The following requirements are applicable on manual underwritten loans only. If a pattern exists for charge offs on an approve/eligible loan, the requirement for this is at the underwriter's discretion.

The lender must:

- ◆ Determine why they exist
- ◆ Document reasons for approving the loan
- ◆ And, obtain a letter of explanation from the borrower with supporting documentation
- ◆ This will apply to large charge offs exceeding \$1000, regardless of age and charge off balances >\$1000 within the most recent 24 months

Question & Answer

Topic(s):

FHA Credit-Charge Offs

QUESTION:

Can a charged off account from my credit report be excluded on an FHA loan without including 5% payment of the reporting outstanding balance?

ANSWER:

HUD has confirmed that any account that states "charged off" OR "collection or charge off" can be omitted from any payment however, all three repositories need to confirm "charged off" OR we can get something from the creditor stating there is no balance that will be pursued.