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**Mortgage Tidbits**



**Keeping you informed and in the know….**

Using Non-Traditional Credit to Qualify for USDA Loans

Traditional credit is payments made that are reported on a credit report. These will include credit cards, installment loans and similar credit. Non-traditional credit is payment of one’s obligations, but the history is not reflected on the credit report. The reason for using non-traditional credit will be due to not enough traditional or regular credit reporting on the current credit report to show a lender how a borrower pays their obligations.

USDA accepts non-traditional sources of credit provided that the lender can document a 12-month history of payment that has been paid as agreed!

These are acceptable non-traditional tradelines that USDA accepts:

* Rent or housing payments
* Utility payments that are not included in any rental payments such as gas, electric, water, land line telephone or cable television
* Insurance payments that are not made through payroll deduction
* Payments to childcare centers
* School tuition – paid monthly!
* Payments made to local stores such as department, furniture, appliance, or specialty store
* Payments for the uninsured portions of medical bills – paid over a 12 month period
* Internet or cell phone payments
* Automobile leases
* Personal loans from an individual, other than a family member, with repayment terms in writing and supported by cancelled checks or money order receipts
* A documented 12-month history of saving by regular deposits

\*Note: Payments made to relatives for credit sources are ineligible as a non-traditional trade reference

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