

Reference Guideline* Documentation*	Fannie Mae	Freddie Mac	FHA	VA	USDA
Income - Alimony and/or Child Support					
Reference	<i>Selling Guide B3-3.1-09</i>	<i>Selling Guide 5305.2</i>	<i>4000.1, II, A, 4, c, xii, (B) TOTAL 4000.1, II, A, 5, b, xii (B) Manual</i>	<i>Lenders Handbook Chap 4, 7, e</i>	<i>HB-1-3555 Ch 9</i>
Guideline	<ul style="list-style-type: none"> - 6 months receipt required - Voluntary payments not acceptable - Minimum 3-year continuance 	<ul style="list-style-type: none"> - 6 months receipt required - Voluntary payments not acceptable - Minimum 3-year continuance 	<ul style="list-style-type: none"> - 3 months receipt required for legally mandated payments - 12 months receipt required for voluntary payments - Minimum 3-year continuance - Inconsistent receipt over the most recent 6 months requires a 2-year average (or average overtime received if less than 2 years) 	<ul style="list-style-type: none"> - 3 months receipt required - Minimum 3-year continuance 	<ul style="list-style-type: none"> - 12 months receipt required (less possible if underwriter deems acceptable) - Minimum 3-year continuance
Documentation	<ul style="list-style-type: none"> - Cancelled checks or bank statements to prove receipt - Divorce decree, separation agreement, other legal written agreement, court order or verified state law mandating payment to verify payment requirement and amount. - Proof of child's age (if not stated in other legal document) to determine child support duration 	<ul style="list-style-type: none"> - Cancelled checks or bank statements to prove receipt - Divorce decree, separation agreement, other legal written agreement, court order or verified state law mandating payment to verify payment requirement and amount - Proof of child's age (if not stated in other legal document) to determine child support duration 	<ul style="list-style-type: none"> - Cancelled checks, bank statements or child support authority documentation to prove receipt - Divorce decree, separation agreement, voluntary payment agreement, other legal written agreement, court order or verified state law mandating payment to verify payment requirement and amount. (Front and pertinent pages of documents are acceptable.) - Proof of child's age (if not stated in other legal document) to determine child support duration 	<ul style="list-style-type: none"> - Bank statements 	<ul style="list-style-type: none"> - Cancelled checks, deposit slips, tax returns or court records - Divorce decree, separation agreement, voluntary payment agreement, other legal written agreement, court order or verified state law mandating payment to verify payment requirement and amount. - Proof of child's age (if not stated in other legal document) to determine child support duration

Reference Guideline* Documentation*	Fannie Mae	Freddie Mac	FHA	VA	USDA
Liabilities - Alimony and/or Child Support					
Reference	<i>Selling Guide B3-6-05</i>	<i>Selling Guide 5401.2</i>	<i>4000.1, II, A, 4, b, iv, (E) TOTAL 4000.1, II, A, 5, a, iv, (D) Manual 4000.1, II, A, 4, b, iv, (E) TOTAL 4000.1, II, A, 5, a, iv, (D) Manual</i>	<i>Lenders Handbook Chap 4, 5, b & c</i>	<i>HB-1-3555 Ch 11</i>
Guideline	<ul style="list-style-type: none"> - Payments >10 months in duration must be considered in DTI - Voluntary payments do not need to be considered - Alimony may be considered as a monthly debt or deducted from the borrower's income for DTI calculation 	<ul style="list-style-type: none"> - Payments >10 months in duration must be considered in DTI - Voluntary payments do not need to be considered - Alimony must be deducted from the borrower's income for DTI calculation 	<ul style="list-style-type: none"> - Payments <10 months in duration may only be disregarded if the cumulative payments of all debts <10 months in duration is ≤5% of borrower's gross monthly income - Alimony may be considered as a monthly debt or deducted from the borrower's income for DTI calculation 	<ul style="list-style-type: none"> - Payments <10 months in duration may only be disregarded if it will not have a severe impact on resources 	<ul style="list-style-type: none"> - Payments <10 months in duration may be disregarded unless significant impact on repayment ability. Significant impact is 5% or greater of monthly repayment income of the applicant(s). Installment debt can be paid down to a repayment balance of 10 months or less; however, underwriters must include any debt that in their underwriting analysis is considered a significant impact to ability to repay the debt.
Documentation	<ul style="list-style-type: none"> - Divorce decree, separation agreement, other legal written agreement, court order or verified state law mandating payment to verify payment amount - Proof of child's age (if not stated in other legal document) to determine child support duration (if applicable) 	<ul style="list-style-type: none"> - Divorce decree, separation agreement, other legal written agreement, court order or verified state law mandating payment to verify payment amount - Proof of child's age (if not stated in other legal document) to determine child support duration (if applicable) 	<ul style="list-style-type: none"> - Divorce decree, separation agreement, voluntary payment agreement, other legal written agreement, court order or verified state law mandating payment to verify payment requirement and amount. (Front and pertinent pages of documents are acceptable.) - Proof of child's age (if not stated in other legal document) to determine child support duration (if applicable) - Pay stubs covering no less than 28 days to check for garnishments 	<ul style="list-style-type: none"> - Divorce decree, separation agreement, other legal written agreement, court order or verified state law mandating payment to verify payment amount - Proof of child's age (if not stated in other legal document) to determine child support duration (if applicable) 	<ul style="list-style-type: none"> - Divorce decree, separation agreement, other legal written agreement, court order or verified state law mandating payment to verify payment amount - Proof of child's age (if not stated in other legal document) to determine child support duration (if applicable)

*for automated and manual underwriting unless otherwise indicated

Reference Guideline* Documentation*	Fannie Mae	Freddie Mac	FHA	VA	USDA
Liabilities – Contingent or Paid by Others					
Reference	<i>Selling Guide B3-6-05</i>	<i>Selling Guide 5401.2</i>	<i>4000.1, II, A, 4, b, iv (L) TOTAL 4000.1, II, A, 5, a, iv (N) Manual</i>	<i>Lenders Handbook Chap 4, 5, c & d</i>	<i>HB-1-3555 Chap 11</i>
Guideline	<ul style="list-style-type: none"> - Debt court-ordered to another party can be disregarded - Payment history for court-ordered debt cannot be disregarded until after date of assignment to other obligated party - Non-mortgage debt paid by any obligated or non-obligated party (except an interested party to subject property) can be disregarded in DTI calculation if paid timely for 12 months - Mortgage debt paid by any obligated party can be disregarded in DTI calculation if paid timely for 12 months 	<ul style="list-style-type: none"> - Non-secured debt assigned to another party by court order can be disregarded. - Secured (mortgage or non-mortgage) debt assigned to another party by court order can be disregarded provided title has been transferred out of the borrower's name or a timely payment history for the most recent 12 months by the other obligated party can be documented. - Payment history for court-ordered debt cannot be disregarded until after date of assignment to other party - Secured or non-secured debts paid by any other obligated party can be disregarded in DTI calculation if paid timely for 12 months. 	<ul style="list-style-type: none"> - Debt court-ordered to another party can be disregarded - Payment history for court-ordered debt cannot be disregarded until after date of assignment to other obligated party - Debts paid by other obligated party can be disregarded in DTI calculation if paid timely for 12 months 	<ul style="list-style-type: none"> - Debt court-ordered to another party can be disregarded - Payment history for court-ordered debt cannot be disregarded until after date of assignment to other obligated party. - Debts paid by other obligated party can be disregarded in DTI calculation if paid timely for a period determined by underwriter 	<ul style="list-style-type: none"> - Co-signed obligations: Must be considered in total debt ratio unless provided evidence another obligor has made the payment on time in the previous 12 months prior to loan application. Late payments reported in previous 12 months prior to application will require the monthly liability to be included in repayment ratio. Debts identified as "individual" on a credit report will must be considered in the debt ratio regardless of what party is making the payment. Refer to HB-3555 Ch. 11-4 - Previous Mortgage: Previous mortgage liabilities disposed of through a sale, trade or transfer without a release of liability will be included in the total debt ratio unless evidence can be obtained to confirm the remaining party/new owner has successfully made the payment for the previous 12 months prior to loan application. Refer to HB-3555 Ch. 11-3

Reference Guideline* Documentation*	Fannie Mae	Freddie Mac	FHA	VA	USDA
Documentation	<ul style="list-style-type: none"> - To verify debt assignments: Divorce decree, separation agreement, or other legal written agreement - To verify payment source: 12 months cancelled checks or bank statements from the party making the payments (when not court-ordered) 	<ul style="list-style-type: none"> - To verify debt assignments: Divorce decree, separation agreement, or other legal written agreement - To verify payment source: Lender statement, 12 months cancelled checks or bank statements from the party making the payments (when not court-assigned) - To document transfer of title: Copy of transferring document. 	<ul style="list-style-type: none"> - To verify debt assignments: Divorce decree, separation agreement, or other legal written agreement - To verify payment source: Any documentation evidence acceptable to underwriter (when not court-assigned) 	<ul style="list-style-type: none"> - To verify debt assignments: Divorce decree, separation agreement, or other legal written agreement - To verify payment source: Any documentation evidence acceptable to underwriter (when not court-assigned) 	<ul style="list-style-type: none"> - To verify debt assignments: Divorce decree, separation agreement, or other legal written agreement - To verify payment source: Any documentation evidence acceptable to underwriter (when not court-assigned) - Co-signed obligations: Acceptable evidence includes canceled checks, money order receipts and/or bank statements of the co-obligor. - Previous Mortgage: For divorce obtain copy of divorce decree. If the loan was assumed, sold or traded without a release of liability, a copy of the assumption agreement (as applicable) and deed showing transfer of title out of the applicant's name. Documented evidence the remaining party/new owner has been making regular payments during the previous 12 months with no history of delinquent payment on the loan during that time.

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Reference Guideline* Documentation*	Fannie Mae	Freddie Mac	FHA	VA	USDA
Gross Up of Non-Taxable Income					
Reference	<i>Selling Guide B3-3.1--01</i>	<i>Selling Guide 5305.2</i>	<i>4000.1, II, A, 4, c, xii (P) TOTAL 4000.1, II, A, 5, b, xii (P) Manual</i>	<i>Lenders Handbook Chap 4, 9, f</i>	<i>HB-1-3555 Ch 9</i>
Guideline	- 25% or - Actual tax rate if higher	- 25% or - Actual tax rate if higher	- Greater of 15% or actual tax rate	- Actual tax rate (Gross up only allowed for DTI calculation. Not for residual income calculation.)	- 25% (Gross up added when calculating repayment income, not when calculating annual income.)
Documentation	- Tax returns or any documents that address the tax- exempt status and justify tax rate used	- Tax returns or any documents that address the tax-exempt status and justify tax rate used	- Tax returns or any documents that address the tax-exempt status and justify tax rate used	- Tax returns or any documents that address the tax-exempt status and justify tax rate used	- Tax returns or any documents that address the tax-exempt status and justify tax rate used
Extenuating Circumstance – Is Divorce an Acceptable Circumstance?					
Reference	<i>Selling Guide B3-5.3-08</i>	<i>Selling Guide 5202.5(a)(i)</i>	<i>4000.1, II, A, 5, a, iii, (I) & (J) Manual</i>	<i>Lenders Handbook Chap 4, 7, e</i>	<i>HB-1-3555 Ch 10</i>
Guideline	Yes (Note: Considered applicable to Automated Underwriting and Manual Underwriting because DU will sometimes offer 'Approve' decision contingent upon extenuating circumstances.)	Automated Underwriting			
		N/A	N/A	N/A	N/A
		Manual Underwriting			
Yes	No (Except when disregarding payment history of court-assigned debt after assignment)	No (Except when disregarding payment history of court-assigned debt after assignment)	No (Except when disregarding payment history of court-assigned debt after assignment)	No (Except when disregarding payment history of court-assigned debt after assignment)	
Documentation	- Copy of divorce decree - Letter of explanation illustrating no reasonable option other than default due to divorce	Automated Underwriting			
		N/A	N/A	N/A	N/A
		Manual Underwriting			
- Copy of divorce decree	- Copy of divorce decree - Letter of explanation illustrating no reasonable option other than default due to divorce	- To verify debt assignments: Divorce decree, separation agreement, or other legal written agreement	- To verify debt assignments: Divorce decree, separation agreement, or other legal written agreement	- To verify debt assignments: Divorce decree, separation agreement, or other legal written agreement	

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