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**Mortgage Tidbits**

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

**FHA Refer/Eligible = An FHA Manual Underwrite!**

There is this fun little thing in the mortgage world called AUS, that stands for Automated Underwriting System. Almost every loan will get ran through AUS to be examined for risk, credit & quality. However, there are some situations that the AUS does not know how to handle or interpret which will require a human underwriter to review it. When this happens, the results will give us a Refer/Eligible rather than an Approve/Eligible. This is called a manual underwrite. So, what exactly triggers a manual underwrite? Take a look below!

* **Bankruptcy within the most recent 2 - 3 years**
* **Open judgments against the borrower(s)**
* **Refer/Eligible AUS Findings due to layers of risk present on the loan**
* **Mortgage Tradeline(s) that show three or more 30-days late payments, one or more 60-days late payments, or 90-days late payments**
* **Foreclosure, short sale, or deed-in-lieu of foreclosure recorded within the most recent 3 years**
* **Bank statements with NSF fees**
* **Business income has more than a 20% decline from the previous year**
* **There is more than $1000 of disputed derogatory credit accounts reported on the borrower’s credit report**
* **Undisclosed mortgage debt**
* **Layers of risk that exceed the AUS allowance. This could include dinged up credit, higher ratios, limited job history, etc.**

These are a few things that trigger the need for a manual review. There can be other circumstances that will require such a review. Every bank navigates an FHA manual underwrite differently, here at Flanagan State Bank there are a few rules that apply before we delve into a manual:

1. **Must have a minimum credit score of 620**
2. **Underwriter to determine minimum amount of tradelines required or if Homebuyer Education is required**
3. **1 month’s reserves which must be the borrower’s own funds**
4. **Verification of rent (VOR) if applicable**
5. **Debt to Income is not to exceed 31% housing & 43% total debt to income**

A manual underwrite does not mean the loan cannot be done. It simply means that the manual review will require a bit more documentation to overcome the risk that might be present on the loan.

**Call us today for the best answers to the mortgage questions!**

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