

VA	FHA	USDA	Fannie Mae	Freddie Mac				
Reference: VA Lender's Handbook Chapter 4 – Topic 5. Debts and Obligations	Reference: 4000.1 Handbook II.A.4.b.iv.(L) & II.A.5.a.iv.(N)	Reference: USDA: HB-1-3555 SFH Guaranteed Loan Program / CHAPTER 11: RATIO ANALYSIS / 11.2 THE RATIOS	Reference: Fannie Mae Selling Guide B3-6-05, Monthly Debt Obligations (01/30/2018)	Reference: Freddie Mac Selling Guide 5401.2: Monthly debt payment-to-income ratio (11/01/18)				
Rule:	Rule:	Rule:	Rule:	Rule:				
Applicant as Co-obligor on Another's Loan: The applicant may have a contingent liability based on co-signing a loan. If: <ul style="list-style-type: none"> there is evidence that the loan payments are being made by someone else, and there is no reason to believe that the applicant will have to participate in repayment of the loan, then the lender may exclude the loan payments from the monthly obligations factored into the net effective income calculation in the loan analysis. 	Contingent Liabilities (TOTAL & Manual) (1) Definition A Contingent Liability refers to a liability that may result in the obligation to repay only when a specific event occurs. For example, a contingent liability exists when an individual can be held responsible for the repayment of a debt if another legally obligated party defaults on the payment. Contingent liabilities may include Cosigner liabilities and liabilities resulting from a mortgage assumption without release of liability. (2) Standard The Mortgagee must include monthly payments on contingent liabilities in the calculation of the Borrower's monthly obligations unless the Mortgagee verifies and documents that there is no possibility that the debt holder will pursue debt collection against the Borrower should the other party default or the other legally obligated party has made 12 months of timely payments. (3) Calculation of Monthly Obligation The Mortgagee must calculate the monthly payment on the contingent liability based on the terms of the agreement creating the contingent liability. (4) Required Documentation a) Mortgage Assumptions	Co-signed obligations (Also known as co-borrower, joint obligator or guarantor). Co-signed debts must be considered in the total debt ratio unless the applicant provides evidence another obligor has made the payment on time in the previous 12 months prior to loan application. Acceptable evidence that demonstrates the remaining co-obligor's history of making regular payments during the previous 12 months include canceled checks, money order receipts and/or bank statements of the co-obligor. Late payments reported in the previous 12 months prior to application will require the monthly liability to be included in the long-term repayment ratio of the applicant. Debts identified as "individual" on a credit report will always be considered in the debt ratio regardless of what party is making the monthly payment (as an example, parents making car payments on behalf of applicant and the loan is in the applicant's name). If the applicant can provide conclusive evidence from the debt holder that there is no possibility that the debt holder will pursue debt collection against the applicant should the other party default, the 12 month history is not	Debts Paid by Others Certain debts can be excluded from the borrower's recurring monthly obligations and the DTI ratio: <ul style="list-style-type: none"> When a borrower is obligated on a non-mortgage debt - but is not the party who is actually repaying the debt - the lender may exclude the monthly payment from the borrower's recurring monthly obligations. This policy applies whether or not the other party is obligated on the debt, but is not applicable if the other party is an interested party to the subject transaction (such as the seller or realtor). Non-mortgage debts include installment loans, student loans, revolving accounts, lease payments, alimony, child support, and separate maintenance. See below for treatment of payments due under a federal income tax installment agreement. When a borrower is obligated on a mortgage debt - but is not the party who is actually repaying the debt - the lender may exclude the full monthly housing expense (PITIA) from the borrower's recurring monthly obligations if <ul style="list-style-type: none"> the party making the 	Liabilities that may be excluded from the monthly debt payment-to-income ratio Contingent liabilities A contingent liability may be excluded from the monthly debt payment-to-income ratio when meeting the requirements below: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #d3d3d3;">Debt Type</th> <th style="background-color: #d3d3d3;">Eligibility and Documentation requirements</th> </tr> </thead> <tbody> <tr> <td style="background-color: #d3d3d3;"> Installment (not including Mortgages) Revolving Monthly lease payment </td> <td style="background-color: #d3d3d3;"> Documentation in the Mortgage file must indicate the following: <ul style="list-style-type: none"> A party other than the Borrower has been making timely payments for the most recent 12 months (regardless of whether the party is obligated on the debt) The party making the payments is not an interested party to the </td> </tr> </tbody> </table>	Debt Type	Eligibility and Documentation requirements	Installment (not including Mortgages) Revolving Monthly lease payment	Documentation in the Mortgage file must indicate the following: <ul style="list-style-type: none"> A party other than the Borrower has been making timely payments for the most recent 12 months (regardless of whether the party is obligated on the debt) The party making the payments is not an interested party to the
Debt Type	Eligibility and Documentation requirements							
Installment (not including Mortgages) Revolving Monthly lease payment	Documentation in the Mortgage file must indicate the following: <ul style="list-style-type: none"> A party other than the Borrower has been making timely payments for the most recent 12 months (regardless of whether the party is obligated on the debt) The party making the payments is not an interested party to the 							

	<p>The Mortgagee must obtain the agreement creating the contingent liability or assumption agreement and deed showing transfer of title out of the Borrower's name.</p> <p>b) Cologned Liabilities If the cosigned liability is not included in the monthly obligation, the Mortgagee must obtain documentation to evidence that the other party to the debt has been making regular on-time payments during the previous 12 months, and does not have a history of delinquent payments on the loan.</p> <p>c) Court Ordered Divorce Decree The Mortgagee must obtain a copy of the divorce decree ordering the spouse to make payments.</p>	<p>required.</p>	<p>payments is obligated on the mortgage debt,</p> <ul style="list-style-type: none"> ○ there are no delinquencies in the most recent 12 months, and ○ the borrower is not using rental income from the applicable property to qualify. <p>In order to exclude non-mortgage or mortgage debts from the borrower's DTI ratio, the lender must obtain the most recent 12 months' cancelled checks (or bank statements) from the other party making the payments that document a 12-month payment history with no delinquent payments. When a borrower is obligated on a mortgage debt, regardless of whether or not the other party is making the monthly mortgage payments, the referenced property must be included in the count of financed properties (if applicable per B2-2-03, Multiple Financed Properties for the Same Borrower (10/31/2017))</p>	<table border="1" data-bbox="1646 131 1976 899"> <tr> <td data-bbox="1646 131 1801 285"></td> <td data-bbox="1801 131 1976 285"> <p>subject real estate or Mortgage transaction *</p> </td> </tr> <tr> <td data-bbox="1646 285 1801 899">Mortgage</td> <td data-bbox="1801 285 1976 899"> <p>Documentation in the Mortgage file must indicate the following: A party other than the Borrower has been making timely payments for the most recent 12 months The party making the payments is obligated on the Note for the Mortgage that is being excluded The party making the</p> </td> </tr> </table> <p>* For examples of an interested party, see Section 5501.5</p> <p>The Seller must evaluate the validity of circumstances under which the payments are being made by another party. For example, payments on multiple student loans made by the Borrower's parent represent a common situation. However, additional investigation and documentation might be necessary when a Borrower's multiple installment and revolving debts are being paid by the Borrower's spouse who is not on the subject Mortgage.</p>		<p>subject real estate or Mortgage transaction *</p>	Mortgage	<p>Documentation in the Mortgage file must indicate the following: A party other than the Borrower has been making timely payments for the most recent 12 months The party making the payments is obligated on the Note for the Mortgage that is being excluded The party making the</p>
	<p>subject real estate or Mortgage transaction *</p>							
Mortgage	<p>Documentation in the Mortgage file must indicate the following: A party other than the Borrower has been making timely payments for the most recent 12 months The party making the payments is obligated on the Note for the Mortgage that is being excluded The party making the</p>							