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**Mortgage Tidbits**

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

**FHA Loans: What Debt is Excluded?**

It is true that there are some expenses that are not counted towards the Debt-to-Income Ratio (DTI) for borrowers! Let’s look at those:

* Medical collections
* Open accounts showing a zero balance
* Utilities
* Childcare
* Co-signed Accounts, with full documentation, being paid by another party for 12+ months
* Business accounts that can be shown to be paid by the business account for 12 months and show as a legitimate business debt per the business tax returns.
* Charged off accounts
* Commuting Costs
* Federal, State, & Local taxes **only** if not presently delinquent and no payments required
* FICA & other retirement contributions
* Installment debts **only** if the remaining cumulative payments are less than 10 payments and the remaining balance is equal to 5% of the borrower’s gross monthly income

Although the debts are excluded from the debt-to-income ratios, it does not necessarily mean the negative accounts are not taken into consideration. We will always need to understand the delinquency and confirm how it affected the borrower as part of our underwriting. Applicants should be prepared to provide Letters of Explanation for delinquent accounts that show on the credit report.

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

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