

## Agency Guideline Comparison: Collections and Judgments

Agency	Guideline	
	Collections	Judgments
<b>Fannie Mae</b>	<p><b>Automated - Selling Guide B3-5.3-09</b>            Past-Due, Collection, and Charge-Off of Non-Mortgage Accounts</p> <ul style="list-style-type: none"> <li>Accounts that are reported as past due (not reported as collection accounts) must be brought current.</li> <li>For one-unit, principal residence properties, borrowers are not required to pay off outstanding collections or non-mortgage charge-offs—regardless of the amount.  <i>Note: If the lender marks the collection account Paid by Close in the online loan application, DU will issue a message in the DU Underwriting Findings report stating that the collection must be paid.</i></li> <li>For two- to four-unit owner-occupied and second home properties, collections and non-mortgage charge-offs totaling more than \$5,000 must be paid in full prior to or at closing.</li> <li>For investment properties, individual collection and non-mortgage charge-off accounts equal to or greater than \$250 and accounts that total more than \$1,000 must be paid in full prior to or at closing.</li> </ul> <p><b>Manual – Selling Guide B3-6-07</b></p> <ul style="list-style-type: none"> <li>Collection accounts and charge-offs on non-mortgage accounts do not have to be paid off at or prior to closing if the balance of an individual account is less than \$250 or the total balance of all accounts is \$1,000 or less.</li> <li>Collection accounts and charge-offs on non-mortgage accounts that exceed these limits do not have to be paid off at or prior to closing, provided the lender can document a strong credit profile, and meaningful financial reserves.</li> </ul>	<p><b>Automated and Manual - Selling Guide B3-6-07</b></p> <p>Judgments must be paid prior to or at closing</p>
<b>Freddie Mac</b>	<p><b>Automated and Manual – Selling Guide 5201.1(c)(i)(b)</b></p> <ul style="list-style-type: none"> <li>Each Borrower without a usable Credit Score must have no collections (other than medical) filed in the most recent 24 months.</li> </ul>	<p><b>Automated and Manual – Selling Guide 5201.1(c)(i)(b), 4201.2</b></p> <ul style="list-style-type: none"> <li>Each Borrower without a usable Credit Score must have no judgments filed in the most recent 24 months.</li> <li>Judgments must be paid prior to or at closing.</li> </ul>

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FHA	<p><b>Automated – 4000.1 II.A.4.b.iii.(B).(2)</b></p> <ul style="list-style-type: none"> <li>If the Borrower has \$1,000 or more collectively in Disputed Collection Accounts (not including medical), the mortgage must be downgraded to a Refer and manually underwritten. (Accounts of a non-borrowing spouse in a community property state are not included in the cumulative balance for determining if the mortgage application is downgraded to a Refer*)</li> </ul> <p><b>Manual – 4000.1 II.A.5.a.iii.(D)</b></p> <p>The lender must determine if collection accounts were a result of:</p> <ul style="list-style-type: none"> <li>the Borrower's disregard for financial obligations;</li> <li>the Borrower's inability to manage debt; or</li> <li>extenuating circumstances.</li> </ul> <p>The lender must document reasons for approving a mortgage when the Borrower has any collection accounts. The Borrower must provide a letter of explanation, which is supported by documentation, for each outstanding collection account. The explanation and supporting documentation must be consistent with other credit information in the file.</p> <p><b>Automated and Manual – 4000.1 II.A.4.b.iv.(M)(2) &amp; II.A.5.a.iv.(O)</b></p> <ul style="list-style-type: none"> <li>If the borrower has cumulative outstanding collection account balances of \$2,000 or greater, the Mortgagee must:             <ul style="list-style-type: none"> <li>verify that the debt is paid in full at the time of or prior to settlement using acceptable sources of funds; or</li> <li>verify that the Borrower has made payment arrangements with the creditor and include the monthly payment in the Borrower's DTI; or</li> <li>if a payment arrangement is not available, calculate the monthly payment using 5 percent of the outstanding balance of each collection and include the monthly payment in the Borrower's DTI.</li> <li>*Collection accounts of a non-borrowing spouse in a community property state must be included in the \$2,000 cumulative balance and analyzed as part of the Borrower's ability to pay all collection accounts, unless excluded by state law.</li> </ul> </li> </ul>	<p><b>Automated and Manual - 4000.1 II. A. 1. B. ii &amp; II.A.5.a. iii.(G) &amp; II.A. 4. b.iii.(D)</b></p> <ul style="list-style-type: none"> <li>May be paid at closing or</li> <li>Document payment agreement and 3 mos. timely payments.</li> <li>Payments may not be pre-paid. Creditor will have to subordinate to new loan.</li> </ul>

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VA	<b>Automated and Manual - Lender's Handbook, Chap 4. 7b</b> <ul style="list-style-type: none"> <li>Isolated collection accounts do not necessarily have to be paid off as a condition for loan approval.</li> <li>Collection accounts must be considered part of the borrower's overall credit history and unpaid collection accounts should be considered open, recent credit.</li> <li>Borrowers with a history of collection accounts should have re-established satisfactory credit in order to be considered a satisfactory credit risk.</li> <li>Underwriter must address the existence of the collection account(s) with an explanation on VA Form 26-6393, Loan Analysis, for excluding the negative credit history they represent.</li> <li>If the collection account shows a minimum payment on credit report, then the debt should be recognized at the minimum payment amount.</li> </ul>	<b>Automated and Manual - Lender's Handbook, Chap 4. 7b</b> <ul style="list-style-type: none"> <li>May be paid at closing or</li> <li>Document payment agreement and 12 mos. timely payments (shorter duration allowed if borrower addressed judgment shortly after it was filed)</li> <li>Creditor will have to subordinate to new loan.</li> </ul>
USDA	<b>Automated - 3555-1 Chap 10.6</b> <ul style="list-style-type: none"> <li>The lender is responsible for determining which collection accounts, if any, should be paid in full by the applicant prior to or at loan closing. The repayment in full of unpaid collections is not a condition of mortgage approval. Whether a collection account represents a greater risk is entirely the lender's decision, regardless of the credit score.</li> <li>Lender underwriters should perform additional analysis when making credit determinations if they encounter collection accounts that have:               <ul style="list-style-type: none"> <li>A record of irregular payments; or</li> <li>No satisfactory arrangements for repayment; or</li> <li>Payment in full within the last 6 months just prior to application, unless the applicant had been previously making regular payments.</li> </ul> </li> </ul> <b>Manual - 3555-1 Chap 10.6</b> <ul style="list-style-type: none"> <li>For borrowers using non-traditional credit: collection accounts/court records (other than medical) filed in the past 12 months are unacceptable unless mitigating circumstances are documented</li> </ul>	<b>Automated and Manual - 3555-1 Chap 10.10 &amp; Attachment 10-B</b> <ul style="list-style-type: none"> <li>May be paid at closing or</li> <li>Document payment agreement and 3 mos. timely payments.</li> <li>Payments may not be pre-paid. Creditor will have to subordinate to new loan.</li> <li>Federal judgments (other than IRS) must be paid.</li> <li>Unless precluded by state law, judgments of a non-purchasing spouse in a community property state will be paid in full or be in a repayment plan.</li> </ul>

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USDA Cont.	<p><b>Automated and Manual (only when there are mitigating circumstances for non-traditional credit borrowers) – 3555.1 Chap 10.9</b></p> <ul style="list-style-type: none"> <li>• If the borrower has cumulative outstanding collection account balances of \$2,000 or greater, the Mortgagee must:               <ul style="list-style-type: none"> <li>○ verify that the debt is paid in full at the time of or prior to settlement using acceptable sources of funds; or</li> <li>○ verify that the Borrower has made payment arrangements with the creditor and include the monthly payment in the Borrower's DTI; or</li> <li>○ if a payment arrangement is not available, calculate the monthly payment using 5 percent of the outstanding balance of each collection and include the monthly payment in the Borrower's DTI.</li> <li>○ Collection accounts of a non-borrowing spouse in a community property state must be included in the \$2,000 cumulative balance and analyzed as part of the Borrower's ability to pay all collection accounts, unless excluded by state law.</li> </ul> </li> </ul>	See USDA Above – Page 3

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