

**Q:** I have a borrower who has a property they're wanting to purchase. I would need to go FHA for her DTI but the borrower has a Mortgage that was never refinanced by her ex-husband. She's saying this was completed 14 years ago... On the credit report it's showing that the loan was also modified.

Am I able to exclude this debt with FHA if I can show her ex has been making the payments for at least 12 months?

**A:** Contingent liabilities created by a divorce decree do not require verification of payments by the other party. So as long as they have the divorce decree stating it was awarded to the other party you are good. Modification on it isn't great but isn't the worst either, but if it has actual late pays it may affect her scoring through AUS and then it may get a little more dicey.

## **(L) Contingent Liabilities (TOTAL)**

### **(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 Co-signer 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. When a contingent liability is created by a **divorce decree** or other court order, evidence that the other legally obligated party has made 12 months of timely payments is not required.