



FHA Program (203b)

revised 05/03/2022

Business Debt in Borrower's Name (TOTAL and Manual)

When business debt is reported on the borrower's personal credit report, the debt must be included in the DTI calculation, unless the mortgagee can document that the debt is being paid by the borrower's business, and the debt was considered in the cash flow

analysis of the borrower's business. The debt is considered in the cash flow analysis where the borrower's business tax returns reflect a business expense related to the obligation, equal to or greater than the amount of payments documented as paid out of company funds. Where the borrower's business tax returns show an interest expense related to the obligation, only the interest portion of the debt is considered in the cash flow analysis.

- Mortgagee must document that the debt is paid out of company funds (e.g., 12 months cancelled checks) and that the debt was considered in the cash flow analysis of the borrower's business.
- Debt must show paid by business for a minimum of 12 months. If less than 12 months, the debt must be included in the DTI

*Per HUD guidelines, we have to see the business expenses on the previous tax returns in order to exclude the debt.