



# Manual Underwriting

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# USDA

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Ratios: 29/41%

Credit: Any derogatory credit must be verified beyond borrower's control, temporary in nature, and resolved

At least 6 months on time payments for all installment accounts

Must have at least 2 non housing tradelines with 12 month satisfactory payment history. If using closed accounts for credit history the accounts may not be greater than 24 months old.

If borrower does not have a housing history an additional tradeline is required.

# FHA

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Ratios: 31/43% without compensating factors. Higher allowed by ratios chart (see next slide)

VOR: 24 month VOR required with no housing lates in most recent 12 months and no more than 2\*30 in 24 months

Credit:

Installment: 0\*30 past 12 months, maximum 2\*30 past 24 months

Revolving: 0\*90 past 12 months, Maximum 3\*60 past 12 months

Assets: 1 month reserves borrowers own funds

# FHA Ratios with Comp Factors

Lowest Minimum Decision Credit Score	Maximum Qualifying Ratios (%)	Acceptable Compensating Factors
500-579 or No Credit Score	31/43	Not applicable. Borrowers with Minimum Decision Credit Scores below 580, or with no credit score may not exceed 31/43 ratios.  Energy Efficient Homes may have stretch ratios of 33/45.
580 and above	31/43	No compensating factors required.  Energy Efficient Homes may have stretch ratios of 33/45.
580 and above	37/47	<b>One</b> of the following: <ul style="list-style-type: none"> <li>• verified and documented cash Reserves;</li> <li>• minimal increase in housing payment; or</li> <li>• residual income.</li> </ul>
580 and above	40/40	No discretionary debt.
580 and above	40/50	<b>Two</b> of the following: <ul style="list-style-type: none"> <li>• verified and documented cash Reserves;</li> <li>• minimal increase in housing payment;</li> <li>• significant additional income not reflected in Effective Income; and/or</li> <li>• residual income.</li> </ul>

# VA

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Ratios: 41% DTI without compensating factors. Higher allowed by underwriter discretion

Residual Income: 120% residual income required

VOR: 12 month VOR required with no housing lates in most recent 12 months

Credit:

No derogatory credit within most recent 12 months

Assets: 1 month reserves borrowers own funds

# Common Mistakes

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- Not reviewing the borrowers LOX to make sure it matches what the credit report reflects
- Providing only an LOX without any supporting documentation for derogatory credit in most recent 12 months
- Not having sufficient time on alternate tradelines or since derogatory
- Only meeting Back end ratio requirement

# Extenuating Circumstances

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## ACCEPTABLE

- Resolved Medical issues
- Loss of employment due to layoffs or closures
- Significant isolated life events such as illness or death of a family member, natural disaster or geographical event

## UNACCEPTABLE

- Lack of credit understanding
- Divorce
- Reoccurring periods of delinquency
- Multiple job changes by choice or failure to perform as indicated by the employer