

FHA Derogatory and Disputed Account Guidelines Matrix
Effective for FHA Case Numbers Assigned between April 1, 2012 and April 8, 2012

Topic	New Guidelines to be Applied Outside of AUS on FHA Case Numbers Assigned between April 1, 2012 and April 8, 2012
Collections/ Disputed Accounts	<p>Collections/Disputed Accounts</p> <ul style="list-style-type: none"> • If a borrower is disputing any credit accounts or collections, the mortgage application does not have to be referred to a DE underwriter for review due to the disputed accounts and pay off of the accounts is not a condition of approval as long as all of the following conditions are met: <ul style="list-style-type: none"> • TOTAL Scorecard Accept, and • The total outstanding balance of all disputed credit accounts or collections is less than \$1,000, and • Disputed credit accounts or collections are aged two (2) years from date of last activity as indicated on the most recent credit report. • If any of the above requirements cannot be met: <ul style="list-style-type: none"> • The loan must be referred to a DE underwriter for review, and • If individual or multiple disputed credit accounts or collections have a singular or cumulative balance equal to or greater than \$1,000, the accounts must be resolved as follows: <ul style="list-style-type: none"> • letter from creditor outlining the terms of the payment arrangements along with copies of cancelled checks or credit report supplement evidencing a minimum of three months payments have been made according to the creditor arrangements, or <p style="margin-left: 40px;">Note: If payment arrangements are verified for account(s), they must be included in the calculation of the borrower's debt-to-income ratios.</p> <ul style="list-style-type: none"> • verification that the debt(s) are paid in full (i.e. copies of cancelled checks or a supplement to the credit report). • Disputed credit accounts or collections resulting from identity theft, credit card theft, or unauthorized use, will be excluded from the \$1,000 limit if the following is provided in the case binder to support the borrower filed an identity theft or police report to dispute the fraudulent charges: <ul style="list-style-type: none"> • Credit report, or • letter from creditor, or • other appropriate documentation. • The file must include documentation to show all disputed or collection accounts are resolved, verified as not a debt to the borrower, arrangements made for payment, or paid in full. <p>Note: Paying "down" of balances on disputed accounts and collections to reduce the singular or cumulative balance to below \$1,000, is not an acceptable resolution of accounts.</p>
Judgments, Garnishments, and Liens	<ul style="list-style-type: none"> • Judgments, garnishments and/or liens must be paid in full at or prior to closing. • A letter of explanation written by the borrower is required. • Borrower must provide documentation of payoff. • The borrower must have reestablished credit, as reflected on the credit report in the file. • An exception to payoff may be made if the borrower has an agreement with the creditor to make regular and timely payments, provides documentation to verify a minimum of three (3) months payments have been made according to the agreement, the monthly payment is included in the borrower's debt-to-income ratio, and the creditor is willing to subordinate to the insured first lien mortgage if the judgment has been recorded as a lien against the subject property. • Standard FHA guidelines apply on all AUS loans.