

## Chapter 1. Underwriting Overview

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## Chapter 1. Underwriting Overview

### 1. General Information on the Underwriting Process

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<b>Introduction</b>	<p>This topic contains general information on the underwriting process, including</p> <ul style="list-style-type: none"><li>• the purpose of underwriting</li><li>• the four C's of credit, and</li><li>• the Federal Housing Administration's (FHA's) general credit policy.</li></ul>
<b>Change Date</b>	<p>May 10, 2009</p>
<b>4155.1 1.1.a Purpose of Underwriting</b>	<p>The purpose of underwriting is to</p> <ul style="list-style-type: none"><li>• determine a borrower's ability and willingness to repay a mortgage debt to limit the probability of default and collection difficulties, and</li><li>• examine the property offered as security for the loan to determine if it is sufficient collateral.</li></ul>
<b>4155.1 1.1.b Four C's of Credit</b>	<p>During the underwriting process, the four C's of credit are evaluated to determine a borrower's creditworthiness. The four C's include a borrower's</p> <ul style="list-style-type: none"><li>• credit history</li><li>• capacity to repay the loan</li><li>• cash assets available to close the mortgage, and</li><li>• collateral.</li></ul>
<b>4155.1 1.1.c FHA General Credit Policy</b>	<p>The Federal Housing Administration's (FHA's) general credit policy requirements for underwriting a mortgage involve</p> <ul style="list-style-type: none"><li>• considering the type of income for qualifying a borrower</li><li>• analyzing the liabilities to determine creditworthiness, and</li><li>• reviewing debt-to-income ratios and compensating factors.</li></ul>

## 2. General Documentation Standards

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### Introduction

This topic contains general documentation standards for mortgage loan application and mortgage credit analysis documentation, including

- signature requirements and use of a power of attorney for application forms
  - borrower authorization for verification of information
  - the policy prohibiting documents signed in blank
  - the policy prohibiting the use of documents handled by third parties, and
  - verification of employment and asset information received via fax or the Internet.
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### Change Date

July 6, 2009

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### 4155.1 1.2.a Signature Requirements and Use of Power of Attorney for Application Forms

All borrowers applying for the mortgage and assuming responsibility for the mortgage debt must sign the *Uniform Residential Loan Application (URLA)*, and all addenda.

A power of attorney may be used for closing documents, including

- page four of the URLA Addendum, and
- the final URLA, if signed at closing.

Any specific or general power of attorney must comply with state law, and allow for legal enforcement of the mortgage Note in the jurisdiction.

**Note:** The initial loan application may not be executed by power of attorney except for military personnel and incapacitated borrowers as referenced in [HUD 4155.2 3.C.3.d](#).

**References:** For additional information on the use of a power of attorney

- for loan closing, see [HUD 4155.2 6.A.1.f](#), and
  - when executing loan applications, see [HUD 4155.2 3.C.3.d](#).
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## 2. General Documentation Standards, Continued

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### 4155.1 1.2.b Borrower Authorization for Verification of Information

Rather than requiring borrowers to sign multiple verification forms, the lender may ask the borrower to sign a general authorization form that gives the lender blanket authority to verify information needed to process the mortgage loan application, such as

- past and present employment records
- bank accounts, and
- stock holdings.

If a blanket authorization is used, the lender

- must attach a copy of the authorization to each verification sent, and
  - *may* use self-adhesive signature labels for laser printed verifications, but each label *must*
    - completely and clearly indicate its use, and
    - contain the Privacy Act notification.
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### 4155.1 1.2.c Policy Prohibiting Documents Signed in Blank

Lenders may *not* have borrowers sign

- documents in blank
  - incomplete documents, or
  - on blank sheets of paper.
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### 4155.1 1.2.d Policy Prohibiting the Use of Documents Handled by Third Parties

Lenders may not accept or use documents relating to the credit, employment, or income of borrowers that have been handled by, or transmitted from or through the equipment of, interested third parties, such as

- real estate agents
  - builders, or
  - sellers.
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## 2. General Documentation Standards, Continued

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**4155.1 1.2.e  
Verification of  
Employment  
and Asset  
Information  
Sent Via Fax or  
Internet**

Income/employment or asset documents sent to the lender by fax must clearly identify the

- employer or depository/investment firm's name and source of information, and
- name and telephone number of the individual at the employer or financial institution responsible for verifying the accuracy of the data.

The lender is accountable for determining the authenticity of faxed documents by examining the information included at the top or banner portion of the fax.

Likewise, income/employment or asset documentation from an Internet web site must clearly identify the employer or depository/investment firm's name and source of information. Portions of the printouts downloaded from the Web pages must be examined for authenticity. Printed Web pages must

- be placed in the case binder
  - show the uniform resource locator (URL) address, and the date and time the documents were printed, and
  - be derived from a web site that has been verified by the lender to have existed.
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### 3. Required Documents for Mortgage Credit Analysis

**Introduction** This topic contains information on the documents that are generally required for mortgage credit analysis in all transactions, except for certain streamline refinances, including

- general mortgage credit analysis documents
- evidence of Social Security number
- verification of deposit
- evidence of employment
- alternative verification of employment (VOE) documentation
- TOTAL Scorecard Accept/Refer Feedback Certificate for VOE
- federal income tax returns, and
- appraisal documentation.

**Change Date** December 8, 2009

**4155.1 1.3.a General Mortgage Credit Analysis Documents** The documents listed in the table below are the general documents required for mortgage credit analysis.

*Note:* This is not a complete listing. Additional documentation may be required.

Document	Requirements
Loan Application	<ul style="list-style-type: none"> <li>• URLA signed and dated by all borrowers and the lender, and</li> <li>• Form <a href="#">HUD-92900-A</a>, Addendum to the URLA</li> </ul>
Loan Underwriting and Transmittal Summary	<a href="#">HUD-92900-LT</a> , <i>FHA Loan Underwriting and Transmittal Summary</i> , for both purchase and refinance transactions.
Credit Report	<p>The lender must obtain a credit report on all borrowers who will be obligated on the mortgage note, except in cases involving certain streamline refinance transactions.</p> <p><b>Reference:</b> For more information on</p> <ul style="list-style-type: none"> <li>• credit reports, see <a href="#">HUD 4155.1 1.4</a>, and</li> <li>• credit report review guidelines, see <a href="#">HUD 4155.1 4.C.2</a>.</li> </ul>

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### 3. Required Documents for Mortgage Credit Analysis, Continued

#### 4155.1 1.3.a General Mortgage Credit Analysis Documents (continued)

Document	Requirements
Sales Contract	The lender must obtain the sales contract and any amendments or other agreements and certifications.
Real Estate Certification	<p>If not contained within the purchase agreement, the lender must provide the real estate certification, signed by the</p> <ul style="list-style-type: none"> <li>• buyer</li> <li>• seller, and</li> <li>• selling real estate agent or broker.</li> </ul> <p><b>Reference:</b> For more information on the real estate certification, see</p> <ul style="list-style-type: none"> <li>• <a href="#">HUD 4155.2 6.A.5.f</a>, and</li> <li>• <a href="#">HUD 4155.2 6.A.5.g</a>.</li> </ul>
Amendatory Clause	<p>The lender must provide the amendatory clause, signed by the borrower and seller, if it is not contained in the purchase agreement.</p> <p><b>Reference:</b> For more information on the amendatory clause, see</p> <ul style="list-style-type: none"> <li>• <a href="#">HUD 4155.2 6.A.5.d</a>, and</li> <li>• <a href="#">HUD 4155.2 6.A.5.e</a>.</li> </ul>
Verification of Rent or Payment History on Past/Previous Mortgages	<p>This document must be in the form of</p> <ul style="list-style-type: none"> <li>• direct written verification from the landlord or mortgage servicer</li> <li>• information shown on the credit report, or</li> <li>• the most recent 12 months of cancelled checks or receipts for payment of the rent/mortgage.</li> </ul> <p><b>TOTAL Scorecard Accept recommendation:</b> A separate rental reference is not required.</p> <p><b>Reference:</b> For information on the TOTAL Scorecard, refer to the <i>TOTAL User Guide</i> at <a href="http://www.hud.gov/offices/hsg/sfh/lender/total_scorecard.cfm">http://www.hud.gov/offices/hsg/sfh/lender/total_scorecard.cfm</a>.</p>
Explanatory Statement	The lender must include, in the case binder, any explanatory statements or additional documentation necessary to make a sound underwriting decision.

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### 3. Required Documents for Mortgage Credit Analysis, Continued

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**4155.1 1.3.b  
Evidence of  
Social Security  
Number**

All individuals, including United States (U.S.) citizens, must have a valid Social Security number (SSN) and must provide evidence of that SSN to the lender.

The lender is responsible for

- documenting an SSN for each borrower, coborrower, and cosigner on the mortgage
- validating each SSN either through
  - entering the borrower’s name, date of birth and SSN in the borrower/address validation screen through the FHA Connection (FHAC) or its functional equivalent
  - examination of the borrower’s pay stubs, W-2, valid tax returns direct from the Internal Revenue Service (IRS), or other documentation acceptable to FHA, or
  - use of a service provider, including those with direct access to the Social Security Administration (SSA), and
- if necessary, resolving any inconsistencies or multiple SSNs for individual borrowers that are revealed during loan processing and underwriting.

**Note:** These requirements apply to purchase money loans and all refinances, including streamline refinances.

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### 3. Required Documents for Mortgage Credit Analysis,

Continued

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**4155.1 1.3.c  
Verification of  
Deposit**

The lender must obtain a written Verification of Deposit (VOD) and the borrower's most recent statements for all asset accounts to be used in qualifying.

"Most recent" means at the time the loan application is made. If the document is not more than 120 days old when the loan closes (180 days old on new construction), it does not have to be updated.

***Alternative Documentation***

As an alternative to obtaining a written VOD, the lender may obtain from the borrower original asset statements covering the most recent three-month period. Provided that the asset statement shows the previous month's balance, this requirement is met by obtaining the two most recent, consecutive statements.

***TOTAL Scorecard Accept Recommendation***

If a written VOD is not obtained, then obtain a statement showing the previous month's ending balance for the most recent month. If the previous month's balance is not shown, obtain statement(s) for the most recent two months to verify that there are sufficient funds to close.

***Reference:*** For additional information on the TOTAL Scorecard Accept Recommendation of the *TOTAL User Guide* at [http://www.hud.gov/offices/hsg/sfh/lender/total\\_scorecard.cfm](http://www.hud.gov/offices/hsg/sfh/lender/total_scorecard.cfm)

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**4155.1 1.3.d  
Evidence of  
Employment**

The lender must obtain a Verification of Employment (VOE), and the borrower's most recent pay stub.

"Most recent" refers to the most recent pay stub at the time the loan application is made. If the document is not more than 120 days old when the loan closes (180 days old on new construction), it does not have to be updated.

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### 3. Required Documents for Mortgage Credit Analysis, Continued

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**4155.1 1.3.e  
Alternative  
VOE  
Documentation**

As an alternative to obtaining a written VOE, the lender may obtain the borrower's

- original pay stub(s) covering the most recent 30-day period, and
- the original IRS W-2 forms from the previous two years. (*Note:* Any copy of the IRS W-2 not submitted with the borrower's tax return is considered an "original." The original may be photocopied and returned to the borrower.)

The lender must also

- verify by telephone all current employers
- include in the loan file a certification stating that original documents were examined and the name, title, and telephone number of the person with whom employment was verified, and
- for all loans processed in this manner, obtain a signed copy of [IRS 4506](#), *Request for Copy of Tax Form*, Form [IRS 8821](#), or a document that is appropriate for obtaining tax returns directly from the IRS.

**Notes:**

- The lender may also use an electronic retrieval service for obtaining W-2 and tax return information.
- Standard employment documentation must be used if
  - the employer will not provide telephone confirmation of employment, or
  - the W-2 indicates inconsistencies (for example, Federal Insurance Contributions Act (FICA) payments not reflecting earnings).

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### 3. Required Documents for Mortgage Credit Analysis,

Continued

**4155.1 1.3.f**  
**TOTAL**  
**Scorecard**  
**Accept/Refer**  
**Feedback**  
**Certificate for**  
**VOE**

The lender must obtain the most recent pay stub showing year-to-date earnings of at least one month, and obtain one of the following to verify current employment:

- a written VOE
- verbal verification of employment, or
- electronic verification acceptable to FHA.

The table below outlines additional requirements based on the TOTAL Scorecard Accept/Refer Feedback Certificate.

Total Recommendation	Requirements for VOE
TOTAL Accept Recommendation	<p>The lender is required to verify the applicant's employment history for the previous two years.</p> <p>However, direct verification is <i>not</i> required if all of the following conditions are met:</p> <ul style="list-style-type: none"> <li>• the current employer confirms a two-year employment history (this may include a pay stub indicating a hiring date)</li> <li>• only base pay is used for qualification (no overtime or bonus pay), and</li> <li>• the borrower signs Form <a href="#">IRS 4506</a> or Form <a href="#">IRS 8821</a> for the previous two tax years.</li> </ul> <p><b><i>Borrower Not Employed with Same Employer:</i></b>            If the borrower was <i>not</i> employed with the same employer for the previous two years, and/or the above conditions <i>cannot</i> be met, the lender must verify the most recent two years of employment history by obtaining</p> <ul style="list-style-type: none"> <li>• copies of W2s</li> <li>• written VOEs, or</li> <li>• electronic verification acceptable to FHA.</li> </ul> <p>No explanation is required for gaps in employment of six months or less during the most recent two years.</p>

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### 3. Required Documents for Mortgage Credit Analysis,

Continued

**4155.1 1.3.f TOTAL Scorecard Accept/Refer Feedback Certificate for VOE (continued)**

<b>Total Recommendation</b>	<b>Requirements for VOE</b>
TOTAL Refer Recommendation	<p>The lender is required to verify the applicant’s employment history for the previous two years. For the most recent two years the lender must obtain</p> <ul style="list-style-type: none"> <li>• copies of W-2s</li> <li>• written VOEs, or</li> <li>• electronic verification acceptable to FHA.</li> </ul> <p><b><i>Borrower Not Employed with Same Employer AND Has Employment Gap:</i></b>                      If the borrower was <i>not</i> employed with the same employer for the previous two years, and has an employment gap of 30 days or greater, the borrower must provide a written explanation for the employment gap.</p> <p><b><i>Reference:</i></b> For information on the TOTAL Scorecard, see <a href="#">HUD 4155.1 6.A.1.</a></p>

***Reference:*** For information on the TOTAL Scorecard, refer to the *TOTAL User Guide* at [http://www.hud.gov/offices/hsg/sfh/lender/total\\_scorecard.cfm](http://www.hud.gov/offices/hsg/sfh/lender/total_scorecard.cfm).

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### 3. Required Documents for Mortgage Credit Analysis,

Continued

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**4155.1 1.3.g  
Federal Income  
Tax Returns**

The lender must obtain

- Federal income tax returns for the most recent two years, both individual and business, including all applicable schedules, for self-employed borrowers, and
- individual Federal tax returns for commissioned individuals.

The lender must obtain signed forms [IRS 4506](#), [IRS 8821](#), or whatever form or electronic retrieval service is appropriate for obtaining tax returns directly from the IRS for any loan for which the borrower's tax returns are required.

***TOTAL Scorecard Accept Recommendation***

Business tax returns are *not* required if all of the following conditions are met:

- individual Federal income tax returns show increasing self-employed income over the past two years
- funds to close are not coming from business accounts, and
- the FHA-insured mortgage is not a cash out refinance.

***References:*** For information on

- reviewing a borrower's tax returns, see [HUD 4155.1 4.D.5](#), and
- the TOTAL Scorecard Accept Recommendation, see the *TOTAL User Guide* at [http://www.hud.gov/offices/hsg/sfh/lender/total\\_scorecard.cfm](http://www.hud.gov/offices/hsg/sfh/lender/total_scorecard.cfm)

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### 3. Required Documents for Mortgage Credit Analysis, Continued

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**4155.1 1.3.h**  
**Appraisal**  
**Documentation**

The lender must obtain

- Fannie Mae [Form 1004MC](#), *Market Conditions Addendum to the Appraisal Report*, for all appraisals of properties that are to be security for FHA-insured mortgages performed on or after April 1, 2009, **and**
- one of the following Fannie Mae forms, as appropriate, and any attachments and exhibits, completed and dated by the appraiser:
  - Fannie Mae [Form 1004](#), March 2005, *Uniform Residential Appraisal Report* – required to report an appraisal of a one-unit property, or a one-unit property with an accessory unit
  - Fannie Mae Form [1004C](#), March 2005, *Manufactured Home Appraisal Report* – required to report an appraisal of a one-unit manufactured home
  - Fannie Mae [Form 1073](#), March 2005, *Individual Condominium Unit Appraisal Report* – required to report an appraisal of a unit in a condominium project, or a condominium unit in a planned unit development (PUD), or
  - Fannie Mae [Form 1025](#), *Small Residential Income Property Appraisal Report* – required to report an appraisal of a two- to four-unit property.

**Exception:** This requirement does *not* apply to streamline refinance transactions made without an appraisal.

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## 4. General Information on Traditional and Non-Traditional Credit Reports

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**Introduction** This topic contains general information on traditional and non-traditional credit reports, including

- required credit report information
  - types of traditional credit reports
  - use of non-traditional credit reports
  - developing credit information, and
  - credit report retention and discrepancy reconciliation, and
  - the use of truncated Social Security numbers on credit reports.
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**Change Date** July 6, 2009

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**4155.1 1.4.a  
Required  
Credit Report  
Information**

Credit reports submitted with each loan application must contain all credit information available in the accessed repositories. Additionally, for each borrower responsible for the mortgage debt, the report must contain all of the information available in the credit repositories pertaining to

- credit
- residence history, and
- public records information.

*Note:* One report is required for each borrower. A joint report can be obtained for a married couple.

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## 4. General Information on Traditional and Non-Traditional Credit Reports, Continued

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### 4155.1 1.4.b Types of Traditional Credit Reports

The two types of traditional credit reports are the

- “three repository merged” credit report, also known as a “tri-merged” credit report (TRMCR), and
- Residential Mortgage Credit Report (RMCR).

The minimum credit report required by FHA is the TRMCR. When required, an RMCR from an independent consumer-reporting agency may also be used.

*Note:* An RMCR is generally required when a borrower disputes information on the TRMCR.

*References:* For more information on the

- TRMCR, see [HUD 4155.1 1.5](#), and
  - RMCR, see [HUD 4155.1 1.6](#).
- 

### 4155.1 1.4.c Use of Non- Traditional Credit Reports

A Non-Traditional Mortgage Credit Report (NTMCR) is

- designed to access the credit history of a borrower without the types of trade references normally appearing on a traditional credit report, and
- used either as a
  - substitute for a TRMCR or an RMCR, or
  - supplement to a traditional credit report that has an insufficient number of trade items reported.

*Note:* A NTMCR may *not* be used to

- enhance the credit history of a borrower with a poor payment record
- manufacture a credit report for a borrower without verifiable credit history, or
- offset derogatory references on the borrower’s traditional credit, such as collections and judgments.

*Reference:* For more information on the NTMCR, see [HUD 4155.1 1.7](#).

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## 4. General Information on Traditional and Non-Traditional Credit Reports, Continued

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**4155.1 1.4.d  
Developing  
Credit  
Information**

A lender must develop credit information separately for any open debt listed on the loan application but not referenced in the credit report.

Accounts listed as “rate by mail only” or “need written authorization” require separate written notification for traditional credit reports.

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**4155.1 1.4.e  
Credit Report  
Retention and  
Discrepancy  
Reconciliation**

Lenders must

- retain all copies of all credit reports
  - document in writing an analysis of the reasons for any discrepancies between the credit reports, and
  - reconcile inconsistencies if he/she receives any information that is not consistent with information on the credit report.
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**4155.1 1.4.f  
Use of  
Truncated  
Social Security  
Numbers on  
Credit Reports  
(Reference)**

For information on the use of truncated Social Security numbers on credit reports, see [HUD 4155.1 4.C.2.j](#).

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## 5. Three Repository Merged Credit Report (TRMCR)

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**Introduction** This topic contains information on the TRMCR, including

- methods of TRMCR submission
  - required TRMCR format
  - required demographic information, and
  - required TRMCR borrower credit information
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**Change Date** May 10, 2009

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**4155.1 1.5.a** When the lender submits the TRMCR, it must

**Methods of TRMCR Submission**

- be the original, and
  - either be
    - sent electronically, and printed on the lender’s printer, or
    - delivered by the credit-reporting agency.
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**4155.1 1.5.b** The TRMCR must be in an easy-to-read and understandable format, and should not require code translations.

**Required TRMCR Format**

Whiteouts, erasures, or alterations are *not* permitted.

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**4155.1 1.5.c** The TRMCR must include

**Required Demographic Information**

- the name of the company ordering the report
  - the name, address, and telephone number of the consumer-reporting agency
  - each borrower’s name and SSN, and
  - for each account listed, the primary repository from which the particular information was pulled.
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## 5. Three Repository Merged Credit Report (TRMCR), Continued

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**4155.1 1.5.d**  
**Required**  
**TRMCR**  
**Borrower**  
**Credit-Related**  
**Information**

The TRMCR must include

- all inquiries made within the last 90 days
- all credit and legal information not considered obsolete under the Fair Credit Reporting Act (FCRA), including information for the last seven years regarding
  - bankruptcies
  - judgments
  - law suits
  - foreclosures, and
  - tax liens, and
- for each borrower debt listed, the
  - date the account was opened
  - high credit amount
  - required payment
  - unpaid balance, and
  - payment history.

**Notes:**

- A corrected credit report *must* supplement the TRMCR if the report *does not* show bankruptcies, judgments, lawsuits, foreclosures, and tax liens.
  - For any open debt listed on the loan application, but not referenced on the TRMCR, the lender must develop credit information separately.
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## 6. Residential Mortgage Credit Report (RMCR)

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**Introduction** This topic contains information on the RMCR, including

- when a RMCR is required, and
- required RMCR information.

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**Change Date** May 10, 2009

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**4155.1 1.6.a  
When an  
RMCR Is  
Required** An RMCR is required when the

- borrower(s) disputes the ownership of accounts on the TRMCR
- borrower(s) claims that collections, judgments, or liens listed as open are paid and supporting documentation supporting the claim is unavailable
- borrower claims that certain debts on the TRMCR have different balances and/or payments and current statements less than 30 days old confirming the claim are unavailable, or
- lender's underwriter determines that it is more prudent to use an RMCR in lieu of the TRMCR to underwrite the loan.

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**4155.1 1.6.b  
Required  
RMCR  
Information** RMCRs must access at least two named repositories and meet all the requirements for the TRMCR, as described in [HUD 4155.1 1.5](#). In addition, the RMCR must

- provide a detailed account of the borrower's employment history
- verify each borrower's current employment and income, if obtainable
- contain a statement attesting to the certification of employment for each borrower and the date verified, and
- include a check with the creditor within 90 days of the credit report for each borrower's account with a balance.

**Note:** If the certification of employment is not obtained through an interview with the borrower(s) employer, the credit-reporting agency must state the reason for not completing this interview.

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## 7. Non-Traditional Credit Report (NTMCR) Requirements

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**Introduction** This topic contains information on FHA requirements for non-traditional credit reports, including

- FHA preference for verification of nontraditional credit references
  - the purpose of non-traditional credit reports
  - the format for credit references on an NTMCR
  - when use of an NTMCR is not permitted
  - insufficient credit report information, and
  - consideration of credit that requires periodic payments.
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**Change Date** May 10, 2009

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**4155.1 1.7.a  
FHA  
Preference for  
Verification of  
Nontraditional  
Credit  
References**

FHA prefers that all nontraditional credit references be verified by a credit bureau and reported back to the lender as a nontraditional mortgage credit report (NTMCR) in the same manner as traditional credit references.

*Note:* Only if an NTMCR is impractical or such a service is unavailable may a lender choose to obtain independent verification of trade references.

*Reference:* For more information on

- verifying and documenting nontraditional credit providers, see [HUD 4155.1 4.C.1.e](#), and
  - use of nontraditional credit reports provided by credit-reporting agencies, see [HUD 4155.1 4.C.1.f](#).
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**4155.1 1.7.b  
Purpose of  
NTMCRs**

A NTMCR is designed to assess the credit history of a borrower without the types of trade references normally appearing on a traditional credit report. A NTMCR can be used as a

- substitute for a TRMCR or an RMCR for a borrower without a credit history with traditional credit grantors, or
- supplement to a traditional credit report having an insufficient number of trade items reported.

*Reference:* For more information on using an NTMCR as a supplement when there is insufficient credit information, see [HUD 4155.1 1.7.e](#).

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## 7. Non-Traditional Credit Report (NTMCR) Requirements, Continued

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### 4155.1 1.7.c Format for Credit References on an NTMCR

Trade references appearing on an NTMCR should be formatted in a similar fashion to traditional references, including the

- creditor's name
- date of opening
- high credit
- current status of the account
- required payment
- unpaid balance, and
- a payment history in the delinquency categories (for example, 0x30, 0x60, and so on).

**Note:** The report should not include subjective statements such as “satisfactory” or “acceptable.”

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### 4155.1 1.7.d When Use of an NTMCR Is Not Permitted

A NTMCR *cannot* be used to

- enhance the credit history of a borrower with a poor payment record
  - manufacture a credit report for a borrower without a verifiable credit history, or
  - offset derogatory references found in the borrower's traditional credit report, such as collections and judgments.
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### 4155.1 1.7.e Use of an NTMCR When There Is Insufficient Credit Report Information

Lenders may use an NTMCR developed by a credit-reporting agency that documents all non-traditional credit references when the information in the standard credit report is not sufficient for the lender to make a prudent underwriting decision.

If an NTMCR is not available, the lender must develop his/her own non-traditional credit history consistent with the traditional credit report requirements described in [HUD 4155.1 1.5](#).

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## 7. Non-Traditional Credit Report (NTMCR) Requirements,

Continued

**4155.1 1.7.f  
Guidelines for  
Determining  
That a  
Borrower Has  
Sufficient  
Credit  
References**

In order to determine that a borrower has sufficient credit references to be able to evaluate bill paying habits, the credit history must

- include three credit references, including at least one from Group I (below), and
- exhaust all Group I references prior to considering Group II for eligibility purposes (as Group I is considered more indicative of a borrower's future housing payment performance).

The table below lists the Group I and Group II categories of credit references that can be used for determining if a borrower has a sufficient credit history.

Group Number	Types of Credit References
Group I	<ul style="list-style-type: none"> <li>• Rental housing payments (subject to independent verification if the borrower is a renter),</li> <li>• utility company reference (if not included in the rental housing payment), including               <ul style="list-style-type: none"> <li>– gas</li> <li>– electricity</li> <li>– water</li> <li>– land-line home telephone service, and</li> <li>– cable TV.</li> </ul> </li> </ul> <p><i>Note:</i> If the borrower is renting from a family member, request independent documents to prove regularity of payments, such as cancelled checks.</p>

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## 7. Non-Traditional Credit Report (NTMCR) Requirements, Continued

**4155.1 1.7.f Guidelines for Determining That a Borrower Has Sufficient Credit References**  
(continued)

<b>Group Number</b>	<b>Types of Credit References</b>
Group II	<ul style="list-style-type: none"> <li>• Insurance coverage (for example, medical, auto, life, renter’s insurance (not payroll deducted))</li> <li>• payment to child care providers – made to a business providing such services</li> <li>• school tuition</li> <li>• retail stores – department, furniture, appliance stores, specialty stores</li> <li>• rent to own – (for example, furniture, appliances)</li> <li>• payment of that part of medical bills not covered by insurance</li> <li>• Internet/cell phone services</li> <li>• a documented 12 month history of saving by regular deposits (at least quarterly/non-payroll deducted/no NSF checks reflected), resulting in an increasing balance to the account</li> <li>• automobile leases, or</li> <li>• a personal loan from an individual with repayment terms in writing and supported by cancelled checks to document the payments.</li> </ul>

*Note:* Borrowers with no Group I trade references must be underwritten using the criteria set forth in

- [HUD 4155.1 4.C.3.b](#), and
- [HUD 4155.1 4.C.3.c](#).