

UNDERWRITING REMINDER — CREDIT EVALUATION & CREDIT SCORES

A borrower's credit history must be carefully evaluated to determine the borrower's credit reputation (i.e., his or her willingness to meet financial obligations under the agreed upon terms).

When evaluating the credit report, the underwriter should always consider the borrower's entire credit history. However, more weight should be given to the borrower's paying habits within the most recent two years. The following factors should be considered:

- The type and amount of outstanding credit
- How long the borrower has had credit
- How the borrower uses available credit
- Recent changes in the number of open accounts or overall amount of credit outstanding
- The payment history and status of all open accounts
- Any recent inquiries shown on the credit report
- All public record or collection items

The borrower's credit history should reflect the following:

- 0x30 mortgage late payments in the last 12 months (non-DU/LP loans)
- 0x60 mortgage late payments in the last 12 months (DU/LP loans)
- 0x60 installment or revolving account late payments in the last twelve months

Valid Credit Score

All borrowers must have a valid credit score to be considered for Mortgage Insurance.

For a credit score to be accepted by PMI in the underwriting process, the borrower must have an established credit history verified through traditional credit repositories. The score must be based on sufficient, accurate information. Too little information or information that is significantly inaccurate makes the credit score unusable.

Although a credit score can be generated with one trade line, PMI does not consider the credit score valid unless at least three trade lines are evaluated for at least 12 months, regardless of the AUS decision. (Trade lines can be open or closed) (Authorized user accounts cannot be used to validate the credit score)

Note: A trade line is defined as a revolving or installment payment account. The trade line must not be in dispute and must clearly belong to the borrower in order to be eligible for consideration.

Collections, judgments, charge offs, repossessions, foreclosures, bankruptcy repayment plans, and credit counseling are not eligible trade lines.



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