

# NON-TRADITIONAL CREDIT



**Borrowers who do not have traditional credit or have an insufficient number of traditional trade lines may meet PMI requirements by providing evidence of regular and consistent payment of non-traditional credit.**

- A non-traditional credit report is only considered acceptable when the traditional credit report cannot be generated or provides less than the minimum required trade lines for the borrower.
- Non-traditional credit qualification is not acceptable to offset a derogatory traditional credit history.

## 1 ELIGIBILITY CRITERIA

- All loans with non-traditional credit must be underwritten by PMI
- Purchase or Rate/Term Refinance
- Primary Residence
- Maximum 95% LTV/CLTV
- Maximum loan amount of \$417,000 (\$625,500 Alaska/Hawaii)
- Minimum 3% borrower contribution from own funds
- Minimum 2 months reserves

## 2 CREDIT REFERENCES

- Credit references must have at least a quarterly repayment requirement. Creditors that require payment at time of services rendered would not be considered a credit reference. Credit references that do not comply with these guidelines would not be considered a valid credit reference.
- A minimum of 4 sources of non-traditional credit with at least 12 months history must be provided: one housing-related; one utility company; and two from other sources
- 0x30 housing lates in the past 12 months; 0x60 late payments in past 12 months for all other credit references
- Borrowers with a Bankruptcy/Foreclosure/Deed-in-Lieu/Short sale are not eligible
- No collections or judgments (except medical) in past 24 months; judgments must be satisfied

## 3 DOCUMENTATION REQUIREMENTS

- Acceptable documentation for all credit references can be one of following:
- Twelve (12) months of consecutive account statements; or
  - A current account statement with 12 months of cancelled checks or paid receipts; or
  - Lender direct-written verification which must include all of the information required on a non-traditional credit report and a current statement provided by the creditor; or
  - A non-traditional credit report.

## 4 ACCEPTABLE SOURCES OF NON-TRADITIONAL CREDIT

### ■ Housing-Related Source

Lenders must obtain at least one housing-related source for a non-traditional credit history, either through a credit reporting agency or with a VOR. The credit agency must specify in the report whether verification was obtained from a professional management company or from an individual landlord.

If the VOR is completed by an individual landlord, 12 months canceled checks are required.

Borrowers who do not have a rental reference because they are living at home to save for a down payment can utilize a savings history reference.

A savings history can be used as one of the credit references even when a housing reference is provided. The loan must contain documentation, preferably bank statements, showing at least a 12-month history of periodic deposits (at least quarterly) that are comparable to a rental payment and show a growing account balance.

### ■ Utilities (Not included in Housing Payment)

Electricity, gas, water, and payments for telephone and cable television service.

### ■ Other Payment Sources

- For medical insurance coverage, automobile insurance, life insurance policies and rental insurance payments (excluding any payroll deductions).
- Payments to local, department, furniture, appliance, specialty stores; rental payments related to durable goods (including automobiles); medical; school tuition;
- Payments for child care; loans obtained by an individual (if there is a written agreement and the borrower can provide copies of cancelled checks to indicate payments are consistent with terms of the agreement); and authorized user accounts (if there is written documentation to support the borrower has been solely responsible for payments during the most recent 12 months).

The consumer reporting agency should provide the lender all documentation received for each credit reference listed on the credit report.

## 5 BORROWER HAS A VALID CREDIT SCORE AND THE CO-BORROWER HAS NO CREDIT

- The borrower's income must represent more than 50% of the totally qualifying income. In addition, the DTI based on that borrower's income cannot exceed 45%.
- It is not necessary to develop a non-traditional credit report for the Co-borrower.
- Loan will be priced using non-traditional credit rates.

## 6 BORROWER HAS A VALID CREDIT SCORE AND THE CO-BORROWER HAS NON-TRADITIONAL CREDIT

- Develop a minimum of 4 sources of non-traditional credit for the Co-borrower.
- Loan will be priced using non-traditional credit rates.

## 7 ALL BORROWERS HAVE NON-TRADITIONAL CREDIT

- Develop a minimum of 4 sources of non-traditional credit for each borrower

## 8 MORTGAGE INSURANCE

- Loans with non-traditional credit receive rates that are comparable to a 620 credit score.
- Monthly, NuMonthly, and Annual premium plans only. Super Single premium plan is not eligible.

## 9 NOT ELIGIBLE:

- DU/LP Program
- Distressed Markets
- Construction-Permanent Loans
- Jumbo loans
- Second Home
- Cash Out Refinance
- PDQ Delegated Submission