



MATRIX – FHA ECONOMIC EVENT

CATEGORY	Derogatory Credit & Recovery related to an Economic Event
GUIDELINE:	Mortgagee Letter 2013-26
RELEASE DATE:	August 15, 2013
MORTGAGEE SUBJECT:	Back to Work – Extenuating Circumstances
LOSS OF INCOME:	<p>Special guidance is for individuals who experienced loss of income which lead to financial hardship and possible loss of their home.</p> <ul style="list-style-type: none">✓ Borrower experienced loss of employment or significant loss of household income beyond borrower’s control✓ Documented verification that the reduction of the <u>household</u> income was lowered by at least 20% or more for a period of at least 6 months that resulted from a) loss of employment b) loss of income or a combination of both✓ Recovered from delinquencies related to an economic event✓ Ability to document that the delinquencies and/or derogatory credit was generated by the Economic Event
DOCUMENTING LOSS OF INCOME:	<p>Documented loss of income must include one of the following:</p> <ul style="list-style-type: none">✓ Written termination notice✓ VOE showing termination date and cause✓ Evidence the employer is no longer in business✓ Documentation of unemployment income. <p>The lender must verify and document the borrower’s household income prior to loss of income by obtaining:</p> <ul style="list-style-type: none">✓ The written VOE reflects income✓ Signed tax returns✓ W2 evidencing prior income
CREDIT PRE-ECONOMIC EVENT	<p>The borrower’s credit history prior to the economic event must reflect a satisfactory payment history. All delinquent accounts, derogatory credit including collections, judgments, bankruptcies, foreclosures, deeds-in-lieu, short sales must be clearly identified as the result of an economic event and not the borrower’s inability to manage his/her credit long term.</p>



RECOVERY TIME:

Borrower must have demonstrated recovery from an economic event with the re-establishing of satisfactory credit for at least 12 months. This includes no late payments on housing, installment, and revolving accounts.

CREDIT HISTORY:

Per credit report (Traditional Credit):

- ✓ Any open mortgage must show a 12 month 0x30 payment history
- ✓ Mortgages that were modified must show all payments have been in accordance with the modification agreement

NON-TRADITIONAL CREDIT HISTORY:

For borrowers with non-traditional credit history the borrower's non-traditional credit history must cover at least 12 months and include:

- ✓ Rental housing must show no delinquencies in past 12 months
- ✓ No more than 1 30-day delinquent payment on other sources of credit (other than housing)
- ✓ No collection accounts, court reporting other than medical and/or identity theft
- ✓ All credit should be properly documented in compliance with ML 2013-26

CREDIT EXCEPTIONS:

Borrowers that can document and meet the guidelines of this mortgagee letter may be eligible for an FHA loan based on special circumstances. Therefore, the 3 year for foreclosure, short sale, deed-in-lieu and 2 years for bankruptcy is modified for economic event borrowers

Time frames from negative credit are modified for this program and are as follows:

- ✓ A minimum of 12 months elapsed time from the date the short-sale was completed
- ✓ A minimum of 12 months elapsed from the date of the recorded foreclosure or deed-in-lieu
- ✓ A minimum of 12 months since the discharge of a chapter 7
- ✓ A chapter 13 bankruptcy discharged prior to the loan application and evidence all payments were made on-time or a minimum of 12 months of payout period under the bankruptcy has elapsed and all required payments were made on time

HOMEBUYER'S COUNSELING:

REQUIRED <http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>



CAIVRS:

If CAIVRS indicates the borrower has had a claim within the previous 3 years on a loan, the lender may submit a request for waiver or resolution of the unresolved CAIVRS as long as the negative CAIVRS rating is based on the economic event. The loan must be:

- ✓ Fully underwritten supporting the borrower meets these requirements and all other HUD requirements
- ✓ Approve the loan subject to additional conditions including FHA Waiver or Resolution

FHAC APPLICATION PROCESSING:

ML 13-26 provides additional guidance for FHAC insuring screens

LINK :

13-26	<u>Back to Work - Extenuating Circumstances</u>
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