

Loan Prospector® FHA TOTAL Mortgage Scorecard and VA Documentation Matrix



The following information is provided as a tool to help you document Federal Housing Administration (FHA) and Department of Veterans Affairs (VA) mortgages. It does not cover all scenarios, nor does it supersede information provided by FHA and VA. For the most up-to-date information, refer to the written guidelines issued by the applicable agency, FHA or VA. Some examples of specific resources are listed on page 9.

Note: This document does not contain information for FHA loan applications receiving a “Refer” risk classification. These loans are required to be evaluated by a direct endorsement (DE) underwriter per FHA’s credit policy as described in HUD Handbook 4155.1.

CREDIT WARRANTIES AND WAIVERS

Topic	FHA Accept	VA Accept	VA Refer
Credit Warranties and Waivers	<ul style="list-style-type: none"> No determination of ratios or credit worthiness CAIVRS for all Borrowers must not indicate a delinquent obligation/claim payment 	<ul style="list-style-type: none"> No determination of ratios or credit worthiness CAIVRS for all Borrowers must not indicate a delinquent obligation/claim payment 	<ul style="list-style-type: none"> Determine that Borrower shows willingness and financial ability to repay CAIVRS for all Borrowers must not indicate a delinquent obligation/claim payment

EMPLOYMENT INFORMATION

Topic	FHA Accept	VA Accept	VA Refer
Current Employment	Obtain most recent YTD paystub documenting 1 full month’s earnings and any one of the following: <ul style="list-style-type: none"> Verbal VOE Written VOE Electronic verification acceptable to FHA 	<ul style="list-style-type: none"> Document telephone contact verifying borrower’s current employer. Obtain most recent YTD paystub documenting 1 full month’s earnings, bonus information and overtime information. 	Same as VA Accept

EMPLOYMENT INFORMATION, Continued

Topic	FHA Accept	VA Accept	VA Refer
Employment History	<ul style="list-style-type: none"> • Verify employment history for the previous 2 years. • Direct verification is not required if current employer confirms 2-year history (or paystub reflects a hiring date), only base pay is used to qualify, and Borrower executes IRS Form 8821/4506 for the previous 2 tax years. • If borrower has not been employed with the same employer for the previous 2 years and/or not all conditions above can be met, obtain one or a combination of the following for the most recent 2 years: <ul style="list-style-type: none"> – W-2(s) – VOE(s) – Electronic verification acceptable to FHA – If school or military during the most recent two full years, provide evidence supporting claim, such as college transcripts or discharge papers 	<ul style="list-style-type: none"> • No VOE is required if the borrower has been with the same employer for 1 year and W-2 Forms for 1 previous year have been collected. • No W-2 Forms are required for a borrower on active duty. • No W-2 Forms are required if all of the following are met: <ul style="list-style-type: none"> – Borrower with same employer ≥2 years – Employer phone contact verifies the length of employment and current status (still employed) – Borrower not self-employed or commissioned – Bonus, overtime, or secondary income not needed to qualify – Stable monthly income to be determined by using current base pay only (rather than total earnings) – Borrower signs one of the following IRS Forms for the previous 2 tax years: <ul style="list-style-type: none"> ○ Form 8821, or ○ Form 4506 	<p>Use a VOE or any of the following, covering the 2-year period prior to closing:</p> <ul style="list-style-type: none"> • W-2 Forms, or • Income information obtained from the IRS via one of the following forms: <ul style="list-style-type: none"> - Form 8821 (or alternate form acceptable to the IRS that collects comparable information) or - Form 4506 (or alternate form acceptable to the IRS that collects comparable information)
“Deminimus” Self-employed	<p>If borrower receives less than 5% of stable monthly income from self-employment, individual and business tax returns, balance sheets, and P&L statements are not required. Verify existence of business through telephone listings, business cards, etc.</p>	N/A	N/A

EMPLOYMENT INFORMATION, Continued

Topic	FHA Accept	VA Accept	VA Refer
Self-employed Individual Tax Returns	Obtain most recent 2 years' signed individual federal income tax returns, including all schedules, or income information directly from the IRS and subtract unreimbursed business expenses in underwriting. If income tax return information is not obtained directly from the IRS, obtain executed IRS Form 4506 or 8821.	Obtain most recent 2 years' signed individual federal income tax returns, including all schedules, or income information directly from the IRS via Form 8821/4506 or an alternate form acceptable to the IRS that collects comparable information.	Same as VA Accept
Self-employed Business Tax Returns	<ul style="list-style-type: none"> Obtain most recent 2 years' signed federal business tax return(s) for each business and executed IRS Form 4506/8821. If (a) individual federal income tax returns for self-employed Borrower show increasing self-employment income for past 2 years, (b) funds required to close do not come from business accounts and (c) loan is not a cash-out refinance, no business tax returns are required. Document file. 	<ul style="list-style-type: none"> Obtain most recent 2 years' signed federal business tax return(s), including all schedules or business income information directly from the IRS via Form 8821/4506 or an alternate form acceptable to the IRS that collects comparable information. If individual federal income tax returns for self-employed Borrower reflect consistent self-employment income for past 2 years and the Borrower states (a) funds required to close do not come from business accounts and (b) he/she has been self-employed in this business for past 5 years, no business tax returns are required. Document file. 	Obtain most recent 2 years' signed federal business tax return(s) for each business, including all schedules, or business income information directly from the IRS via Form 8821/4506 or an alternate form acceptable to the IRS that collects comparable information.
Self-employed Balance Sheets and P&L Statements	P&L statement not required if less than a calendar quarter has elapsed since the date of the most recent calendar or fiscal year-end tax return was filed by the Borrower. If income used to qualify the Borrower exceeds the two-year average of tax returns, an audited P&L or signed quarterly tax returns obtained from the IRS are required.	Not required	If more than 7 months have elapsed since business tax year ending date, obtain balance sheet and YTD P&L statement.

EMPLOYMENT INFORMATION, Continued

Topic	FHA Accept	VA Accept	VA Refer
Commissioned Borrower	<p>If Borrower receives commission income greater than 25% of his/her annual income, obtain and analyze most recent 2 years' signed individual federal income tax returns, including all schedules, and subtract unreimbursed business expenses in underwriting.</p> <p>Execute IRS Form 4506 or 8821 if income tax return information is not obtained directly from the IRS.</p>	<p>When all or a major portion of income is derived from commissions, obtain:</p> <ul style="list-style-type: none"> • Most recent 2 years' signed individual federal income tax returns with all applicable schedules • VOE or other written verification which provides the following: <ul style="list-style-type: none"> – actual amount of commissions paid year-to-date – the basis for payment – when commissions are paid 	Same as VA Accept
Employment Gaps	If applicable, provide an explanation for employment gaps > 6 months if it occurred within last two years.	If applicable, provide an explanation for employment gaps ≥ 60 days.	If applicable, provide an explanation for employment gaps ≥ 30 days.
Alimony and/or Child Support Income	Obtain most recent 3 months' bank statements or canceled checks and evidence of 3-year continuance. Use the front and pertinent pages of the divorce decree/settlement agreement showing financial details.	Obtain most recent 3 months' bank statements and evidence of 3-year continuance. Use the front and pertinent pages of the divorce decree/settlement agreement showing financial details.	Same as VA Accept

ASSET INFORMATION

Topic	FHA Accept	VA Accept	VA Refer
Reserves	Verify all reserves submitted to Loan Prospector.	Verify all reserves submitted to Loan Prospector.	Same as VA Accept
Earnest Money Deposits	Obtain an explanation and documentation for large recent deposits in excess of 2% of the property's sales price, including earnest money deposit. Verify that any recent debts were not incurred to obtain part or all of the required cash investment on the property being purchased.	N/A	N/A

ASSET INFORMATION, Continued

Topic	FHA Accept	VA Accept	VA Refer
Funds Required to Close	Verify source of funds to close were not obtained through new debt.	No verification of source of funds is required if closing costs plus the difference between the sales price of the property and the base loan amount is <4 percent of the lesser of the following: <ul style="list-style-type: none"> • sales price, or • reasonable value established by the Notice of Value (NOV). 	Verify source of funds for payment of any difference between sales price and loan amount plus closing costs, if the sales price exceeds reasonable value established by the NOV.
Gift Funds on Deposit at Initial Submission	List donor's name, address, phone number, relationship to Borrower and dollar amount of gift on application or in gift letter.	N/A	N/A
Gift Funds not on Deposit at Initial Submission	Obtain gift letter with donor information per FHA requirements. Document transfer of gifts per FHA requirements.	N/A	N/A
Depository Accounts	If a VOD is not obtained, obtain most recent statement showing previous month's balance, or 2 most recent months' statement(s) for each account to verify sufficient funds to close.	Obtain most recent statement(s) for each account, or a VOD.	Obtain most recent 2 months' statement(s) for each account, or a VOD.
Stocks and/or Bond Accounts	Obtain most recent 2 months' statement(s) for each account. Evidence of liquidation <i>is not</i> required.	N/A	N/A
Retirement Accounts	Obtain most recent statement(s) for each account to verify sufficient funds required to close. Document conditions under which funds may be withdrawn or borrowed. Only 60% of the vested amount of the account may be used as funds to close or cash reserves. Evidence of liquidation <i>is not</i> required.	N/A	N/A

ASSET INFORMATION, Continued

Topic	FHA Accept	VA Accept	VA Refer
Sale of Home	Obtain a HUD-1 or equivalent closing statement. If relocation, obtain an executed buyout agreement and accompanying settlement statement indicating that the employer or relocation service takes responsibility for the outstanding mortgage debt.	Obtain executed HUD-1 or equivalent closing statement. If relocation, obtain buyout agreement.	Same as VA Accept
Sale of Assets	Obtain bill of sale and evidence of proceeds or document existence, value and buyer's intent to purchase if an asset (other than real estate and exchange-traded securities) will be sold for funds required to close.	N/A	N/A

LOAN PROCESSING REMARKS

Topic	FHA Accept	VA Accept	VA Refer
Delivery Requirements	Enter ZFHA as CHUMS ID on HUD 92900. FHA Direct Endorsement Underwriter signature is not required on HUD 92900, unless loan is downgraded to Refer or CAIVRS shows a delinquent obligation/claim payment. Mortgagee's representative must attest data integrity on HUD 92900A. FHA approved DE Lender must submit this loan for FHA insurance.	VA Automatic Underwriter signature is not required on Loan Analysis Form 6393, unless loan is downgraded to Refer or CAIVRS shows a delinquent obligation/claim payment. Submit data integrity certification signed by mortgagee's representative. VA-approved Automatic Lender must submit this loan for VA guaranty.	VA Automatic Underwriter signature required on Loan Analysis Form 6393 for this loan. VA-approved Automatic Lender must submit this loan for VA guaranty.

CREDIT REPORT PROCESSING INFORMATION

Topic	FHA Accept	VA Accept	VA Refer
Business Credit Report	Not required	If Self-employed, obtain a written credit report on the business as well as the applicant as needed.	Same as VA Accept.

CREDIT REPORT PROCESSING INFORMATION, Continued

Topic	FHA Accept	VA Accept	VA Refer
<p>Total Monthly Debt</p>	<p>Include all debt listed on credit report and mortgage application, including the following:</p> <ul style="list-style-type: none"> • Alimony, child support, separate maintenance payments • Mortgage debt on other real estate owned or negative rent • Installment debt • New debt payments resulting from material inquiries within 90 days of application • Significant debt (with payments greater than \$100) not on credit report • Unless excluded by state law, debts of non-purchasing spouse if borrower resides, or property is located, in a community property state <p>Note: Refer to the <i>HUD Handbook 4155</i> and <i>FHA's TOTAL Mortgage Scorecard User Guide</i> for additional information, as well as for debt with <10payments remaining.</p>	<p>Include the following in monthly debt:</p> <ul style="list-style-type: none"> • All debt listed on credit report • Alimony, child support, separate maintenance payments • Installment debt, including payroll-deducted installment debt • Mortgage debt on other real estate owned or negative rent • Significant debt (>2% gross monthly income) • New debt resulting from material inquiries within last 90 days <p>Note: Refer to the <i>VA Lender's Handbook</i> for additional information, as well as for debt with <10 months remaining.</p>	<p>Same as VA Accept.</p>
<p>Late Mortgage Payments</p>	<p>If any mortgage trade line including mortgage line-of-credit payments, during the most recent 12 months, shows:</p> <ul style="list-style-type: none"> • 3 or more late payments of greater than 30 days, or • 1 or more late payments of 60 days plus one or more 30-day late payments, or • 1 payment greater than 90 days late, <p>the loan application must be referred to a DE underwriter for review.</p>	<p>If any mortgage debt shows more than 1x30 day late payment in previous 12 months, downgrade to Refer.</p>	<p>If any mortgage debt shows more than 1x30 day late payment in the previous 12 months, obtain a written explanation of payment history.</p>

CREDIT REPORT PROCESSING INFORMATION, Continued

Topic	FHA Accept	VA Accept	VA Refer
Contingent Mortgage Debt	If credit report shows a contingent mortgage debt, obtain transfer of title and assumption or divorce decree ordering the other spouse to make payments and do not count debt in Borrower's ratios.	If credit report shows a contingent mortgage debt, obtain transfer of title and assumption or divorce agreement and do not count debt in Borrower's ratios.	Same as VA Accept
Mortgage Reference	If a mortgage debt does not appear on credit report, a 12-month history does not exist, or no rating is available, obtain most recent 12-month payment history and include the payment in the qualifying ratios.	No verification required.	Obtain direct verification when ratings are not available on mortgages that are any of the following: <ul style="list-style-type: none"> • Outstanding, • Assumed, or • Recently retired.
Rental Reference	A separate rental reference is not required.	No verification required.	Obtain 12-month history on rental reference directly from landlord, through information shown on credit report or by cancelled checks.
Derogatory Credit Information	Obtain evidence of payoff for any outstanding judgments on credit report. No other explanation required for adverse credit or other derogatory information.	No determination of ratios or credit worthiness required.	<ul style="list-style-type: none"> • Obtain explanation for derogatory credit. • Explain assessment of creditworthiness on VA Form 26-6393, Loan Analysis.
Account Balances	N/A	If a mortgage or significant debt is past due on credit report and has not been updated in 90 days, re-verify to determine current status. Downgrade to Refer if rating is currently greater than 90 days past due.	If a mortgage or significant debt is past due on credit report and has not been updated in 90 days, re-verify to determine current status.

CREDIT REPORT PROCESSING INFORMATION, Continued

Topic	FHA Accept	VA Accept	VA Refer
Significant Inaccuracy	<p>When a debt or obligation (other than a mortgage) is revealed during the application process that was not listed on the loan application and/or credit report and was not considered by the AUS, the lender must:</p> <ul style="list-style-type: none"> • Verify the actual monthly payment amount; and • Include the monthly payment amount and re-submit the loan if the liability is greater than \$100 per month; and. • Determine that any funds borrowed were not/will not be used for the homebuyers's cash investment requirement <p>Direct verification of the debt is not required.</p>	<p>If you determine a significant inaccuracy on an infile credit report, downgrade to Refer and order RMCR, merged credit report or third-party documentation to clarify.</p>	<p>If you determine a significant inaccuracy on an infile credit report, order RMCR, merged credit report or third-party documentation to clarify.</p>

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This document is not a replacement or substitute for the information found in the *Single-Family Seller/Service Guide*, and /or terms of your Master Agreement and/or Master Commitment. It is also not a replacement or substitute for the information provided by the Federal Housing Administration (FHA) or the Department of Veterans Affairs (VA). For the most current information, refer to the following resources:

FHA Resources

- [FHA TOTAL Mortgage Scorecard User Guide](http://portal.hud.gov/hudportal/documents/huddoc?id=total_userguide.pdf) - http://portal.hud.gov/hudportal/documents/huddoc?id=total_userguide.pdf
- [HUD Handbook 4155.1](http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgh/4155.1) (Mortgage Credit Analysis for Mortgage Insurance on One- to Four-Unit Mortgage Loans) - http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsgh/4155.1
- [HUD.GOV U.S. Department of Housing and Urban Development webpage](http://portal.hud.gov/hudportal/HUD) - http://portal.hud.gov/hudportal/HUD

VA Resources

- [Lender's Handbook \(VA Pamphlet 26-7\)](http://www.benefits.va.gov/warms/pam26_7.asp) - http://www.benefits.va.gov/warms/pam26_7.asp
- [VA Circulars/News](http://www.benefits.va.gov/homeloans/new.asp) - http://www.benefits.va.gov/homeloans/new.asp
- [Loan Guaranty Service, Home Loan Program webpage](http://www.homeloans.va.gov) - www.homeloans.va.gov