CONTINGENT LIABILITY—CONVENTIONAL FANNIE MAE

Requirements and Documentation Needed In Order To Omit A Contingent Liability

When a borrower has co-signed a loan in which the co-obligor has made the most recent 12 months of timely payments (no lates), the account may be considered a contingent liability and with proper documentation, often times can be omitted from the liabilities. If proper documentation cannot be obtained, the debt must be counted in the borrower's DTI. Please see below for details and documentation requirements.

Installment Debt

When a borrower has an installment debt, if we provide documentation (cancelled checks or bank statements) verifying another party has been making timely payments for at least the most recent 12 months, with no lates, the account can be considered a contingent liability and may be omitted from the liabilities. This policy does not apply if the other party is an interested party to the subject transaction (such as the seller or realtor).

Mortgage Debt

When a borrower has co-signed a mortgage, if we provide documentation (cancelled checks or bank statements) verifying the co-obligor has been making timely payments for at least the most recent 12 months, with no lates, the account can be considered a contingent liability and may be omitted from the liabilities.

Business Debt

When a self-employed borrower has business debt showing on their personal credit report, in order to omit this from liabilities we must provide 12 months of bank statements or cancelled checks for the business, verify no late payments, and business tax returns are necessary to complete a cash flow analysis confirming payment of the obligation has been considered.

Divorce or Legal Separation

When a borrower has outstanding debt that was assigned to another party by court order, (i.e.- divorce decree or legal separation agreement), the borrower has a contingent liability. If we verify the account was in good standing at the time of the divorce or legal separation, we may omit the debt from the borrower's liabilities.

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CONTINGENT LIABILITY—CONVENTIONAL FREDDIE MAC

Requirements and Documentation Needed In Order To Omit A Contingent Liability

When another party has paid installment, revolving, or lease payments for the most recent 12 months with no lates, the account may be considered a contingent liability and with proper documentation, often times can be omitted from the liabilities. If proper documentation cannot be obtained, the debt must be counted in the borrower's DTI. Please see below for details and documentation requirements.

Installment Debt

When a borrower has an installment debt, if we provide documentation (cancelled checks or bank statements) verifying another party has been making timely payments for at least the most recent 12 months, with no lates, the account can be considered a contingent liability and may be omitted from the liabilities.

Mortgage Debt

When a borrower has co-signed a mortgage, if we provide documentation (cancelled checks or bank statements) verifying the co-obligor has been making timely payments for at least the most recent 12 months, with no lates, the account can be considered a contingent liability and may be omitted from the liabilities.

Business Debt

When a self-employed borrower has business debt showing on their personal credit report, in order to omit this from liabilities we must provide 12 months of bank statements or cancelled checks for the business, verify no late payments, and business tax returns are necessary to complete a cash flow analysis confirming payment of the obligation has been considered.

Divorce or Legal Separation

When a borrower has an outstanding secured debt or mortgage which has been assigned to another party by court order, (i.e.- divorce decree or legal separation agreement), the borrower has a contingent liability. If we verify the account was in good standing at the time of the divorce or legal separation **and** the Title has been transferred out of the borrower's name, we may omit the debt from the borrower's liabilities.

CONTINGENT LIABILITY—FHA

Requirements and Documentation Needed In Order To Omit A Contingent Liability

When a borrower has co-signed a loan in which the co-obligor has made the most recent 12 months of timely payments (no lates), the account may be considered a contingent liability and with proper documentation, often times can be omitted from the liabilities. If proper documentation cannot be obtained, the debt must be counted in the borrower's DTI. Please see below for details and documentation requirements.

NOTE—FHA will not accept legal separation documentation when considering contingent liabilities.

Installment Debt

When a borrower has co-signed an installment debt, if we provide documentation (cancelled checks or bank statements) verifying the co-obligor has been making timely payments for at least the most recent 12 months, with no lates, the account can be considered a contingent liability and may be omitted from the liabilities.

Mortgage Debt

When a borrower has co-signed a mortgage, if we provide documentation (cancelled checks or bank statements) verifying the co-obligor has been making timely payments for at least the most recent 12 months, with no lates, the account can be considered a contingent liability and may be omitted from the liabilities.

Business Debt

When a self-employed borrower has business debt showing on their personal credit report, in order to omit this from liabilities we must provide 12 months of bank statements or cancelled checks for the business, verify no late payments, and business tax returns are necessary to complete a cash flow analysis confirming payment of the obligation has been considered.

Divorce

When a borrower has outstanding debt (installment or mortgage) that was assigned to another party by court order, such as a divorce decree, the borrower may have a contingent liability. If we verify the account was in good standing at the time of the divorce, we may omit the debt from the borrower's liabilities.

CONTINGENT LIABILITY—USDA

Requirements and Documentation Needed In Order To Omit A Contingent Liability

When a borrower has co-signed a loan in which the co-obligor has made the most recent 12 months of timely payments (no lates), the account may be considered a contingent liability and with proper documentation, often times can be omitted from the liabilities. If proper documentation cannot be obtained, the debt must be counted in the borrower's DTI. Please see below for details and documentation requirements.

NOTE—USDA will not accept legal separation documentation when considering contingent liabilities.

Installment Debt

When a borrower has co-signed an installment debt, if we provide documentation (cancelled checks or bank statements) verifying the co-obligor has been making timely payments for at least the most recent 12 months prior to loan application, with no lates, the account can be considered a contingent liability and may be omitted from the liabilities.

Mortgage Debt

The borrower will not qualify for a USDA mortgage if they have ownership of what could be a suitable home.

Business Debt

When a self-employed borrower has business debt showing on their personal credit report, in order to omit this from liabilities we must provide 12 months of bank statements or cancelled checks for the business and verify no late payments.

Divorce

When a borrower has co-signed debt that was assigned to another party by court order (divorce decree), the borrower may have a contingent liability. For installment debt, we must obtain cancelled checks or bank statements to verify the co-obligor has made timely payments for at least the most recent 12 months prior to loan application, with no lates. For mortgage debt, we must verify the ex-spouse has made timely payments for the previous 12 months prior to loan application, through either the credit report or verifying through the servicer with a payment history showing the mortgage has been current during the previous 12 months.

CONTINGENT LIABILITY—VA

Requirements and Documentation Needed In Order To Omit A Contingent Liability

When a borrower has co-signed a loan in which the co-obligor has made the most recent 12 months of timely payments (no lates), the account may be considered a contingent liability and with proper documentation, often times can be omitted from the liabilities. If proper documentation cannot be obtained, the debt must be counted in the borrower's DTI. Please see below for details and documentation requirements.

NOTE—VA will not accept legal separation documentation when considering contingent liabilities.

Installment Debt

When a borrower has co-signed an installment debt, if we provide documentation (cancelled checks or bank statements) verifying the co-obligor has been making timely payments for at least the most recent 12 months, with no lates, the account can be considered a contingent liability and may be omitted from the liabilities.

Mortgage Debt

When a borrower has co-signed a mortgage, if we provide documentation (cancelled checks or bank statements) verifying the co-obligor has been making timely payments for at least the most recent 12 months, with no lates, the account can be considered a contingent liability and may be omitted from the liabilities.

Business Debt

When a self-employed borrower has business debt showing on their personal credit report, in order to omit this from liabilities we must provide 12 months of bank statements or cancelled checks for the business and verify no late payments.

Divorce

When a borrower has outstanding debt that was assigned to another party by court order (i.e.- divorce decree) the borrower has a contingent liability. If we verify the account was in good standing at the time of the divorce, we may omit the debt from the borrower's liabilities.