

Chapter 4. Borrower Eligibility and Credit Analysis

Table of Contents

Section A. Borrower Eligibility Requirements

Overview	4-A-1
1. Borrower, Coborrower, and Cosigner Eligibility Requirements.....	4-A-2
2. Eligibility for FHA-Insured Financing.....	4-A-6
3. Citizenship and Immigration Status	4-A-13
4. Living Trusts	4-A-15
5. Non-Purchasing Spouses.....	4-A-16
6. Eligibility Requirements for Nonprofit Organizations and State and Local Government Agencies	4-A-18
7. Using CAIVRS to Determine Eligibility for FHA-Insured Mortgage Transactions	4-A-21

Section B. Property Ownership Requirements and Restrictions

Overview	4-B-1
1. General Information on Property Requirements and Restrictions	4-B-2
2. Eligibility Requirements for Principal Residences	4-B-5
3. Eligibility Requirements for Secondary Residences.....	4-B-9
4. Investment Property Eligibility and Underwriting Requirements	4-B-11

Section C. Borrower Credit Analysis

Overview	4-C-1
1. General Guidelines for Analyzing Borrower Credit	4-C-2
2. Guidelines for Credit Report Review	4-C-7
3. Evaluating Non Traditional Credit and Insufficient Credit.....	4-C-16
4. Borrower Liabilities: Recurring Obligations.....	4-C-18
5. Borrower Liabilities: Contingent Liability	4-C-21
6. Borrower Liabilities: Projected Obligations and Obligations Not Considered Debt.....	4-C-23

Continued on next page

Table of Contents, Continued

Section D. Borrower Employment and Employment-Related Income

Overview	4-D-1
1. Stability of Income	4-D-2
2. Salary, Wage and Other Employment-Related Income	4-D-5
3. Borrowers Employed by a Family Owned Business.....	4-D-11
4. General Information on Self-Employed Borrowers and Income Analysis	4-D-12
5. Income Analysis: Individual Tax Returns (IRS Form 1040)	4-D-17
6. Income Analysis: Corporate Tax Returns (IRS Form 1120).....	4-D-20
7. Income Analysis: “S” Corporation Tax Returns (IRS Form 1120S)	4-D-22
8. Income Analysis: Partnership Tax Returns (IRS Form 1065)	4-D-23

Section E. Non-Employment Related Borrower Income

Overview	4-E-1
1. Alimony, Child Support and Maintenance Income.....	4-E-2
2. Investment and Trust Income	4-E-4
3. Military, Government Agency, and Assistance Program Income.....	4-E-7
4. Rental Income.....	4-E-10
5. Non-Taxable and Projected Income	4-E-15

Section F. Borrower Qualifying Ratios

Overview	4-F-1
1. General Information on Borrower Qualifying.....	4-F-2
2. Qualifying Ratios	4-F-3
3. Compensating Factors	4-F-6
