



Last Reviewed: 01/06/2025

Compensating Factors Used When Layers of Risk are Present

Note: Compensating factors cannot be used to offset a negative credit history.

1. The borrower has successfully paid housing expense => proposed 12-24 months (Zero payment shock)
2. The borrower's down payment => 10% and coming from their own funds
3. The borrower has a conservative practice with their use of credit
4. The borrower's prior credit history illustrates the ability to pay a greater portion of their income towards the housing expense
5. The borrower receives documented compensation that directly affects the ability to pay the mortgage (ex. Clergy income, car allowance)
6. Payment shock is less than or equal to 120%
7. The Borrower has documented cash reserves (at least 6 months PITI after closing)
8. The Borrower has substantial (25% or more) nontaxable income currently not being considered in qualifying ratios or effective income calculation.
9. Borrower has Residual Income that is greater than or equal to 120%