



Last Reviewed: 09/04/2024



## Non-Mortgage Charge-Off Accounts

### Fannie Mae

- ❖ 1-Unit Primary Residences:
  - Outstanding non-mortgage charge-off accounts are not required to be paid off (no matter the amount)
- ❖ 2-4 Unit Owner Occupied and Second Home Properties:
  - Outstanding non-mortgage charge-off accounts that total more than \$5,000.00 must be paid in full prior to closing
- ❖ Investment Properties:
  - Individual outstanding non-mortgage charge-off accounts equal to or greater than \$250.00, and accounts that total more than \$1,000.00 must be paid in full prior to closing.

### Freddie Mac

- ❖ Outstanding non-mortgage charge-off accounts do not need to be included in the borrower(s) liabilities or debt and are not required to be paid off.
- ❖ If Loan Prospector (LP) issues any conditions or requirements regarding the charge-off accounts, any such conditions are required to be satisfied
- ❖ If the borrower has entered into a repayment plan with the creditor, the liability balance and payment amount should be included in the long-term liability/debt

### FHA

Outstanding non-mortgage charge-off accounts do not need to be included in the borrower(s) liabilities or debt and are not required to be paid off.

### VA

These accounts are typically collections in which the creditor is no longer pursuing the collection of the account. The underwriter must address the circumstances regarding the negative credit history when reviewing the overall credit of the borrower(s).

### USDA

A charge-off is a debt that was determined unlikely to be collected by the creditor due to substantial delinquency. Creditors may sell the debt to a collection company or pursue a judgment against the borrower if the statute of limitations has not expired to collect the debt. This adverse credit is reflected in the credit score.

- ❖ The underwriter must review all charge-off accounts and determine if the applicant(s) is an acceptable credit risk, regardless of GUS underwriting recommendation.
- ❖ USDA does not require charge-off accounts to be paid
- ❖ If the applicant has a repayment plan with the creditor for a charged off debt, include the payment in the Asset and Liabilities GUS application page or on the loan application.

GUS Accept/Accept with Full Documentation files: No credit exception is required.

GUS Refer, Refer with Caution, and manually underwritten files: No credit exception is required.