

Section A. Borrower Eligibility Requirements

Overview

In This Section This section contains the topics listed in the table below.

Topic	Topic Name	See Page
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 Government Agencies	4-A-18
7	Using Credit Alert Interactive Voice Response System (CAIVRS) to Determine Eligibility for FHA-Insured Mortgage Transactions	4-A-21

Local

1. Borrower, Coborrower and Cosigner Eligibility Requirements

Introduction This topic contains information on borrower, coborrower, and cosigner eligibility requirements, including

- who is eligible for FHA mortgage insurance
- borrower age limits
- determination of creditworthiness
- borrower and coborrower requirements
- cosigner requirements
- additional coborrower and cosigner requirements
- military personnel eligibility
- veteran eligibility documentation requirements
- title issues regarding non-borrowing spouses or other parties in interest, and
- a definition of minimum decision credit score.

Change Date March 1, 2011

4155.1 4.A.1.a Who Is Eligible for FHA Mortgage Insurance FHA insures mortgages made

- to individuals with valid Social Security numbers (SSN), and
- under the conditions described in this section, to
 - state and local government agencies, and
 - approved nonprofit organizations.

Note: Employees of the World Bank, foreign embassies, etc., may not be required to have an SSN. Conclusive evidence of this exception must be provided.

Reference: For more information on evidence of Social Security Number, see HUD 4155.1 1.B.2.b.

4155.1 4.A.1.b Borrower Age Limits There is no *maximum* age limit for a borrower. The *minimum* age is the age for which a mortgage note can be legally enforced in the state, or other jurisdiction, where the property is located.

Continued on next page

1. Borrower, Coborrower and Cosigner Eligibility Requirements, Continued

**4155.1 4.A.1.c
Determination
of Credit
Worthiness and
Minimum
Credit Score
Requirements**

When determining the creditworthiness of borrowers, coborrowers, or cosigners, the underwriter considers their

- income
- assets
- liabilities, and
- credit histories.

The table below describes the relationship between the borrower’s minimum credit score and the maximum loan-to-value (LTV) ratio for which he/she is eligible.

If the borrower’s minimum decision credit score is ...	Then the borrower is ...
at or above 580	eligible for maximum financing.
between 500 and 579	limited to a maximum LTV of 90%.
less than 500	<i>not</i> eligible for FHA-insured financing.

Exceptions: These minimum credit score requirements are applicable to all Single Family programs *except*

- Section 223(e)
- Section 238
- Section 247
- Section 248
- Section 255, Home Equity Conversion Mortgages (HECM)
- Title I, and
- HOPE for Homeowners.

Note: Borrowers with non-traditional or insufficient credit histories are eligible for maximum financing, but must meet the underwriting guidance in HUD 4155.1 4.C.3.

References:

- For additional information on application of minimum credit scores in the 203(h) program, Mortgage Insurance for Disaster Victims, see HUD 4155.1 6.A.6.
- For a definition of minimum decision credit score, see HUD 4155.1 4.A.1.j.

Continued on next page

1. Borrower, Coborrower and Cosigner Eligibility Requirements, Continued

4155.1 4.A.1.d Borrower and Coborrower Requirements

Both occupying and non-occupying borrowers and coborrowers

- take title to the property at settlement
- are obligated on the mortgage note, and
- must sign all security instruments.

Reference: For additional information on borrower and coborrower eligibility requirements, see HUD 4155.1 4.A.1.f.

4155.1 4.A.1.e Cosigner Requirements

Cosigners

- do *not* hold ownership interest in a property
- *are* obligated on the mortgage note and have no liability for repaying the obligation, and
- must complete and sign all loan documents except the security instruments.

Reference: For additional cosigner eligibility requirements, see HUD 4155.1 4.A.1.f.

Continued on next page

1. Borrower, Coborrower and Cosigner Eligibility Requirements, Continued

**4155.1 4.A.1.f
Additional
Borrower and
Coborrower
Eligibility
Requirements**

The table below describes additional requirements and conditions for coborrowers and cosigners.

Condition/Requirement	Description
Financial Interest Prohibited	<p>A party who has a financial interest in the mortgage loan transaction, such as the seller, builder, or real estate agent, may <i>not</i> be a coborrower or a cosigner.</p> <p>Exception: Exceptions may be granted when the party with the financial interest is related to the borrower by blood, marriage, or law.</p> <p>Reference: For more information on identity of interest transactions, see HUD 4155.1 2.B.2.</p>
Basic Ineligibility for Participation	<p>An individual signing the loan application must not be otherwise ineligible for participation in the mortgage loan transaction for reasons described in HUD 4155.1 4.C.</p> <p>Note: This condition applies to all borrowers, regardless of occupancy status.</p>
Principal United States (U.S.) Residence	<p>Non-occupying coborrowers or cosigners must have a principal residence in the U.S., unless exempted</p> <ul style="list-style-type: none"> • due to military service with overseas assignments, or • as U.S. citizens living abroad.

Continued on next page

1. Borrower, Coborrower and Cosigner Eligibility Requirements, Continued

4155.1 4.A.1.g Military Personnel Eligibility

Military personnel are considered occupant-owners, and are eligible for maximum financing if a member of the immediate family will occupy the subject property as his/her principal residence, whether or not the military person is stationed elsewhere.

Reference: For information on eligibility documentation requirements for FHA-insured mortgages to veterans, see HUD 4155.1 4.A.1.h.

4155.1 4.A.1.h Veteran Eligibility Documentation Requirements

A completed Certificate of Veteran Status (CVS) (VA Form 26-8261) issued to a veteran borrower is the only document that may be used for program eligibility. The Department of Veterans Affairs (VA) is solely responsible for determining eligibility for a CVS and its subsequent issuance.

Requests for a CVS must be sent on VA Form 26-8261a, *Request for Certificate of Veteran Status*, along with proof of military service, to the appropriate VA Eligibility Center. VA forms are available at <http://www.va.gov/vaforms/>.

4155.1 4.A.1.i Title Issues Regarding Non- Borrowing Spouses or Other Parties in Interest

If two or more parties have an ownership interest in the property, but only one of the parties is applying for the loan (and credit qualifies for the loan on his/her own), it is not required that the non-applicant individual(s) execute the mortgage note and security instrument.

The lender is still required to ensure a valid and enforceable first lien on the property under applicable state law, which may require the execution of the security instrument (but typically not the note) by all parties who have an ownership interest in the property.

If the party in question must execute only the security instrument and not the note, he/she is not considered a borrower for FHA purposes, and therefore need not sign the loan application or be considered in credit underwriting.

Reference: For more information on non-borrowing spouses, see HUD 4155.1 4.5.

Continued on next page

1. Borrower, Coborrower and Cosigner Eligibility Requirements, Continued

4155.1 4.A.1.j
Definition of
Minimum
Decision Credit
Score

If a credit score is available, it must be used to determine the decision credit score for the application and for eligibility for FHA-insured mortgage financing. A “decision credit score” is determined for each applicant according to the following rule: when three scores are available (one from each repository), the median (middle) value is used; when only two are available, the lesser of the two is chosen; when only one is available that score is used.

2. Eligibility for FHA-Insured Financing

Introduction This topic contains information on determining eligibility for FHA-insured financing, including

- reference for definition of ‘Federal debt’
 - mandatory rejection of a borrower
 - parties ineligible to participate in FHA-insured mortgage transactions
 - lender responsibility for documenting borrower eligibility
 - location of the LDP and GSA lists
 - borrower ineligibility due to delinquent federal debts
 - waiting period for borrowers with past delinquencies, defaults and claims on FHA loans
 - tax liens and eligibility for federally-related credit, and
 - effect of past delinquencies on eligibility.
-

Change Date March 1, 2011

**4155.1 4.A.2.a
Definition:
Federal Debt
(Reference)** For a definition of the term *Federal debt*, see HUD 4155.1 9.1.f.

Continued on next page

2. Eligibility for FHA-Insured Financing, Continued

4155.1 4.A.2.b Mandatory Rejection of a Borrower

A borrower is not eligible to participate in FHA-insured mortgage transactions if he/she is suspended, debarred, or otherwise excluded from participating in HUD programs.

A lender *must* reject a borrower from participation if the borrower is on the

- [HUD Limited Denial of Participation](#) (LDP) list
- U.S. General Services Administration (GSA) [List of Parties Excluded from Federal Procurement or Non-procurement Programs](#), and/or
- HUD's Credit Alert Interactive Voice Response System (CAIVRS), unless an exception exists as noted in HUD 4155.1 4.A.7.e.

A borrower must also be rejected if he/she is presently delinquent on any Federal debt or has a lien placed against his/her property for a debt owed to the United States Government.

References: For information on

- repaying delinquent Federal debt, see HUD 4155.1 4.A.2.f, and
 - using CAIVRS to determine eligibility, see HUD 4155.1 4.A.7.
-

4155.1 4.A.2.c Parties Ineligible to Participate in FHA-Insured Mortgage Transactions

A mortgage loan application is *not* eligible for FHA mortgage insurance if the name of *any* of the following parties to the mortgage transaction is found on [HUD's LDP](#) list or the [GSA List](#):

- borrower
- seller
- listing or selling real estate agent, or
- loan officer.

Exception: A seller on the GSA list is exempt if the property being sold is his/her principal residence.

Continued on next page

2. Eligibility for FHA-Insured Financing, Continued

4155.1 4.A.2.d Lender Responsibility for Documenting Borrower Eligibility

To determine whether a borrower is eligible to participate in an FHA mortgage loan transaction or must be rejected, the lender *must*

- examine [HUD's LDP list](#), the [GSA List](#) and CAIVRS, and
- document the reviews on the [HUD-92900-LT](#), *FHA Loan Underwriting and Transmittal Summary*.

Reference: For more information on documenting the Loan Transmittal form, see HUD 4155.1 4.A.7.c.

4155.1 4.A.2.e Location of the LDP and GSA Lists

The HUD LDP list can be found on the [HUD website](#) or on the FHA Connection (FHAC).

The GSA [List](#) can be found at <http://epls.arnet.gov> or on the FHAC.

4155.1 4.A.2.f Borrower Ineligibility due to Delinquent Federal Debts

If, after checking public records, credit information or CAIVRS, a borrower is found to be presently delinquent on any Federal debt or has had a lien (including taxes) placed against his/her property for a debt owed to the Federal government, he/she is *not* eligible for an FHA mortgage until

- the delinquent account is brought current, paid, or otherwise satisfied, or
- a satisfactory repayment plan is established between the borrower and the Federal agency owed, which is verified in writing.

Tax liens may remain unpaid provided the lien holder subordinates the tax lien to the FHA-insured mortgage.

References: For more information on

- tax liens affecting eligibility for federally related credit, see HUD 4155.1 4.A.2.h, and
 - CAIVRS requirements, see HUD 4155.1 4.A.7.
-

Continued on next page

2. Eligibility for FHA-Insured Financing, Continued

4155.1 4.A.2.g Waiting Period for Borrowers With Past Delinquencies, Defaults or Claims on FHA Loans

If the borrower has had past delinquencies or has defaulted on an FHA-insured loan, there is a three-year waiting period before he/she can regain eligibility for another FHA-insured mortgage.

The three-year waiting period begins when FHA pays the initial claim to the lender. This includes deed-in-lieu of foreclosure, as well as judicial and other forms of foreclosures.

Lenders should contact the Homeownership Center (HOC) having jurisdiction over the area where the property subject to default is located for information such as the

- date the claim was paid, and
 - date of the initial default.
-

4155.1 4.A.2.h Tax Liens and Eligibility for Federally Related Credit

The Internal Revenue Service (IRS) routinely takes a second lien position without the need for independent documentation. For this reason, eligibility for FHA mortgage insurance is *not* jeopardized by outstanding IRS tax liens remaining on the property, unless the lender has information that the IRS has demanded a first-lien position.

Tax liens may remain unpaid if the lien holder subordinates the tax lien to the FHA-insured mortgage.

Note: If any regular payments are to be made, they must be included in the qualifying ratios.

Continued on next page

2. Eligibility for FHA-Insured Financing, Continued

4155.1 4.A.2.i Effect of Past Delinquencies on Eligibility

Although a borrower's eligibility for an FHA-insured mortgage may be established by performing the actions described previously in this topic, the overall analysis of the borrower's creditworthiness must

- consider a borrower's previous failure to make payments to the Federal agency in the agreed-to manner, and
 - document the lender's analysis as to how the previous failure does not represent a risk of mortgage default.
-

3. Citizenship and Immigration Status

Introduction This topic contains information on citizen and immigration status, including

- residency requirements
 - lawful permanent resident aliens
 - non-permanent resident aliens
 - Employment Authorization Document required as evidence of work status, and
 - non-lawful residency.
-

Change Date March 1, 2011

4155.1 4.A.3.a U.S. citizenship is not required for mortgage eligibility.

Residency Requirements

The lender must determine the residency status of the borrower, based on

- information provided on the loan application, and
 - other applicable documentation.
-

4155.1 4.A.3.b FHA insures mortgages for borrowers with *lawful permanent resident alien status*, using the same terms and conditions as those for U.S. citizens.

Lawful Permanent Resident Aliens

The mortgage file *must*

- include evidence of the permanent residency, and
- indicate that the borrower is a lawful permanent resident alien on the Uniform Residential Loan Application (URLA).

Note: The U.S. Citizenship and Immigration Services (USCIS) within the Department of Homeland Security provides evidence of lawful, permanent residency status.

Continued on next page

2. Eligibility for FHA-Insured Financing, Continued

4155.1 4.A.3.c Non-Permanent Resident Aliens

FHA insures mortgages made to non-permanent resident aliens provided that the

- property will be the borrower's principal residence
- borrower has a valid Social Security Number (SSN), and
- borrower is eligible to work in the United States, as evidenced by an Employment Authorization Document (EAD) issued by the USCIS.

Note: The Social Security card *cannot* be used as evidence of work status.

Reference: For more information on the requirement to use the EAD as evidence of work status, see HUD 4155.1 4.A.3.d.

4155.1 4.A.3.d EAD Required as Evidence of Work Status

Although Social Security cards may indicate work status, such as “*not valid for work purposes*,” an individual's work status may change without the change being reflected on the actual Social Security card. For this reason, the Social Security card must not be used as evidence of work status, and the EAD must be used instead.

If the EAD will expire within one year and a prior history of residency status renewals exists, the lender may assume that continuation will be granted. If there are no prior renewals, the lender must determine the likelihood of renewal, based on information from the USCIS.

Note: Borrowers residing in the U.S. by virtue of refugee or asylee status granted by the USCIS are automatically eligible to work in this country. An EAD is *not required*.

4155.1 4.A.3.e Non-Lawful Residency

Non-U.S. citizens who do *not* have lawful residency in the U.S. are *not* eligible for FHA-insured mortgages.

4. Living Trusts

Introduction

This topic contains information on living trusts, including

- property held in living trusts, and
 - living trusts and security instruments.
-

Change Date

March 1, 2011

**4155.1 4.A.4.a
Property Held
in Living
Trusts**

Property held in a living trust is eligible for FHA mortgage insurance when an individual borrower

- remains the beneficiary, and
- occupies the property as a principal residence.

The lender must be satisfied that the trust provides reasonable means to assure that it will be notified of any changes to the trust regarding

- occupancy changes, or
 - transfer of beneficial interest.
-

**4155.1 4.A.4.b
Living Trusts
and Security
Instruments**

The name of the living trust must appear on the security instrument, such as the mortgage, deed of trust, or security deed.

The individual borrower must appear on the security instrument when required to create a valid lien under state law. The owner-occupant, and other borrowers, if any, must also appear on the note with the trust.

The individual borrower is not required to appear on the property deed or title.

5. Non-Purchasing Spouses

Introduction This topic contains information on non-purchasing spouses, including

- valid first liens
 - non-purchasing spouse debt, and
 - non-purchasing spouse credit history.
-

Change Date March 1, 2011

4155.1 4.A.5.a Valid First Liens If required by state law in order to perfect a valid and enforceable first lien, a non-purchasing spouse may be required to sign either the security instrument or documentation indicating that he/she is relinquishing all rights to the property.

When the security instrument is executed for this reason, the non-purchasing spouse is

- *not* considered a borrower, and
- *not* required to sign the loan application.

Note: Non-applicant individuals can have an ownership interest in the property at the time of settlement without executing the mortgage note and security instrument, regardless of whether the transaction is a purchase or a refinance.

Reference: For more information on title issues regarding non-borrowing spouses or other parties in interest, see HUD 4155.1 4.A.1.i.

Continued on next page

5. Non-Purchasing Spouses, Continued

4155.1 4.A.5.b Non- Purchasing Spouse Debt

Except for obligations specifically excluded by state law, the debts of the non-purchasing spouse *must* be included in the borrower's qualifying ratios, if the

- borrower resides in a community property state, or
 - property being insured is located in a community property state.
-

4155.1 4.A.5.c Non- Purchasing Spouse Credit History

The non-purchasing spouse's credit history is not considered a reason to deny a loan application. However, the non-purchasing spouse's obligations must be considered in the debt-to-income (DTI) ratio unless excluded by state law.

A credit report that complies with the requirements of HUD 4155.1 4.C.2 must be provided for the non-purchasing spouse in order to determine the debts that must be counted in the DTI ratio.

Note: This requirement is applicable if the subject property or the borrower's principal residence is located in a community property state.

6. Eligibility Requirements for Nonprofit Organizations and State and Local Government Agencies

Introduction This topic contains information on eligibility requirements for nonprofit organizations and state and local government agencies, including

- the general policy on the eligibility of nonprofit organizations
- the percentage of financing available
- the Homeownership Center and Direct Endorsement lender responsibilities for determining eligibility
- the requirements for nonprofit approval by HUD
- nonprofit organizations not meeting HUD approval requirements, and
- eligibility of state and local government agencies.

Change Date March 1, 2011

**4155.1 4.A.6.a
General Policy
on the
Eligibility of
Nonprofit
Organizations** Nonprofit organizations are eligible to purchase rental properties with FHA-insured mortgages, provided that they

- intend to sell or lease the property to low- or moderate-income individuals (generally defined as income not exceeding 115% of the applicable median income), and
- meet the requirements for HUD approval listed in HUD 4155.1 4.A.6.d.

Nonprofit organizations may only obtain FHA-insured *fixed rate* mortgages. Only an existing FHA-insured mortgage is eligible for refinancing and may never result in equity withdrawal.

**4155.1 4.A.6.b
Percentage of
Financing
Available** Nonprofit organizations are eligible for the same percentage of financing that is available to an owner-occupant on his/her principal residence.

Reference: For more information on the percentage of financing available, see HUD 4155.1 2.A.

Continued on next page

6. Eligibility Requirements for Nonprofit Organizations and State and Local Government Agencies, Continued

4155.1 4.A.6.c HOC and DE Lender Responsibilities for Determining Eligibility and Verifying HUD Approval

The appropriate Homeownership Center (HOC) is responsible for determining a nonprofit organization's eligibility to participate in FHA programs.

The Direct Endorsement (DE) lender is responsible for determining

- the organization's financial capacity for repayment, and
- that the organization, at the time of underwriting, is approved by HUD as a participating nonprofit organization, as described in HUD 4155.1 4.A.6.d.

Note: Lenders can verify nonprofit approval status by visiting the HUD website at www.hud.gov.

4155.1 4.A.6.d Requirements for Nonprofit Approval by HUD

HUD must approve the nonprofit organization for it to be eligible to

- purchase properties with
 - FHA-insured mortgages, and
 - the same percentage of financing available to owner-occupants, and
- provide secondary financing.

In order to receive HUD approval, the nonprofit organization must

- be of the type described in Section 501(c)(3) as exempt from taxation under Section 501(a) of the Internal Revenue Code of 1986
- have a voluntary board
- have no part of the net earnings of the organization or funds from the transaction benefit any board member, founder, contributor, or individual, and
- have two years experience as a provider of housing for low- and moderate-income persons.

References: For more information on

- approved instrumentalities of government providing secondary financing, see HUD 4155.1 5.C.4, and
 - *temporary* waivers of two of the above requirements for approval, see [ML 09-38](#).
-

Continued on next page

6. Eligibility Requirements for Nonprofit Organizations and State and Local Government Agencies, Continued

4155.1 4.A.6.e Nonprofit Organizations Not Meeting HUD Approval Requirements

A nonprofit organization not meeting any of the requirements listed in HUD 4155.1 4.A.6.d, including religious and charitable organizations, may only purchase properties backed by FHA mortgage insurance under the conditions described for other investors in HUD 4155.1 4.A.6.b.

Note: Questions concerning a nonprofit organization's approval should be directed to the appropriate HOC.

Reference: For detailed instructions on qualifying nonprofit organizations as borrowers, including documentation requirements, see [ML 02-01](#).

4155.1 4.A.6.f Eligibility of State and Local Government Agencies

State and local government agencies involved in the provision of housing may obtain FHA-insured financing provided that the agency provides evidence from its legal counsel that

- the agency has the legal authority to become the borrower
- the particular state or local government is not in bankruptcy, and
- there is no legal prohibition that would prevent the lender from obtaining a deficiency judgment (if permitted by state law for other types of borrowers) on FHA's behalf in the event of foreclosure or deed-in-lieu of foreclosure.

Loan applications from entities meeting the above requirements may be processed under the DE program without prior approval from the appropriate HOC.

Note: FHA does not require credit reports, financial statements, bank statements, or CAIVRS/LDP/GSA checks.

7. Using Credit Alert Interactive Voice Response System (CAIVRS) to Determine Eligibility for FHA-Insured Mortgage Transactions

Introduction This topic contains information on using the Credit Alert Interactive Voice Response System (CAIVRS) to determine a borrower's eligibility for an FHA-insured mortgage transaction, including

- a description of CAIVRS
 - lender responsibility for borrower screening using CAIVRS
 - documenting CAIVRS authorization
 - accessing CAIVRS
 - exceptions to the eligibility rule
 - handling incorrect CAIVRS information, and
 - lender responsibility for resolving conflicting information.
-

Change Date March 1, 2011

4155.1 4.A.7.a Description of CAIVRS The Credit Alert Interactive Voice Response System (CAIVRS) is a Federal government-wide repository of information on those individuals

- with delinquent or defaulted Federal debt, and/or
 - for whom the payment of an insurance claim has occurred.
-

4155.1 4.A.7.b Lender Responsibility for Borrower Screening Using CAIVRS Lenders must use CAIVRS to screen all borrowers (except those involved in a streamline refinance), including nonprofit agencies acting as borrowers. The borrower is *not* eligible for Federally-related credit if CAIVRS indicates that he/she

- is presently delinquent on a Federal debt, or
- has had a claim paid within the previous three years on a loan made and insured on his/her behalf by HUD.

Exception: Certain exceptions to this eligibility rule are described in HUD 4155.1 4.A.7.e.

Continued on next page

7. Using Credit Alert Interactive Voice Response System (CAIVRS) to Determine Eligibility for FHA-Insured Mortgage Transactions, Continued

4155.1 4.A.7.c Documenting CAIVRS Authorization

Lenders *must* write the CAIVRS authorization code for each borrower on form [HUD-92900-LT](#), *FHA Loan Underwriting and Transmittal Summary*.

4155.1 4.A.7.d Obtaining Internet Access to CAIVRS

The table below contains guidelines for FHA-approved lenders to use in accessing CAIVRS via the Internet. There is no telephone access.

If the lender's staff ...	Then ...
currently <i>have</i> FHA Connection User IDs	they should request that their FHA Connection (FHAC) Application Coordinator update their FHA Connection profile to include CAIVRS.
do not have FHA Connection User IDs	they should <ul style="list-style-type: none"> • access the FHAC at https://entp.hud.gov/clas/index.cfm, and • select <i>Registering to Use the FHA Connection</i> to request a User ID and access to CAIVRS.

Access by Non-FHA Participating Agency Lenders: Non-FHA lender staff should

- request access from HUD's Internet site at <https://entp.hud.gov/caivrs/public/home.html>
- select *Registering Lender User ID* from the main menu, and
- request at least one Application Coordinator User ID, as well as a Standard User ID for each individual user.

7. Using Credit Alert Interactive Voice Response System (CAIVRS) to Determine Eligibility for FHA-Insured Mortgage Transactions, Continued

**4155.1 4.A.7.e
Exceptions to
the Eligibility
Rule**

The table below describes exceptions to the CAIVRS eligibility rule for an FHA-insured mortgage as stated in HUD 4155.1 4.A.7.b.

Exception	Description
Legal Assumptions	<p>The borrower is eligible for an FHA-insured mortgage if he/she sold the property, with or without a release of liability, to an individual who subsequently defaulted.</p> <p>The borrower <i>must</i> prove that the loan was current at the time of the assumption.</p>
Divorce	<p>The borrower may be eligible for an FHA-insured mortgage if the divorce decree or legal separation agreement awarded the property and responsibility for payment to the former spouse.</p> <p>The borrower is <i>not</i> eligible if FHA paid a claim on his/her mortgage in default prior to the divorce.</p>
Bankruptcy	<p>The borrower <i>may</i> be eligible for an FHA-insured mortgage if</p> <ul style="list-style-type: none"> • the property was included in a bankruptcy caused by circumstances beyond the borrower’s control, such as <ul style="list-style-type: none"> – the death of the principal wage earner, or – a serious long-term uninsured illness, and • the borrower meets the requirements described in <ul style="list-style-type: none"> – HUD 4155.1 4.C.2.g for Chapter 7 bankruptcy, or – HUD 4155.1 4.C.2.h for Chapter 13 bankruptcy.

Continued on next page

7. Using Credit Alert Interactive Voice Response System (CAIVRS) to Determine Eligibility for FHA-Insured Mortgage Transactions, Continued

4155.1 4.A.7.e Exceptions to the Eligibility Rule (continued)

Exception	Description
Seller Who Is Selling Principal Residence	<p>A mortgage loan is generally not eligible for insurance if <i>any party</i> to the transaction is on either the</p> <ul style="list-style-type: none"> • HUD Limited Denial of Participation (LDP) list, or • General Services Administration’s (GSA’s) “List of Parties Excluded from Federal Procurement or Nonprocurement Programs,” <p>However, an exception exists for a seller on the GSA list who is selling his/her principal residence.</p>
Disaster Victims (in Presidentially-Declared Disaster Areas)	For information on the eligibility of disaster victims, see HUD 4155.1 6.A.6.j.

Important: FHA does not require a *clear* CAIVRS authorization number as a condition for mortgage endorsement. The lender must, however, document and justify mortgage approval based on these exceptions.

Continued on next page

7. Using Credit Alert Interactive Voice Response System (CAIVRS) to Determine Eligibility for FHA-Insured Mortgage Transactions, Continued

4155.1 4.A.7.f Handling Incorrect CAIVRS Information

FHA may delete erroneous CAIVRS information indicating that a borrower has defaulted on an FHA mortgage, such as incorrect social security number reporting. However, FHA will *not*

- remove correct CAIVRS information, even if the borrower is judged eligible for Federally-related credit, or
- alter or delete CAIVRS information reported from other Federal agencies, such as the
 - Department of Education, or
 - Department of Veterans Affairs (VA).

The borrower and/or lender must contact those Federal agencies directly to correct or remove erroneous or outdated information.

4155.1 4.A.7.g Lender Responsibility for Resolving Conflicting Information

Lenders may not rely on a clear CAIVRS approval when there is independent evidence of conflicting delinquent Federal obligations. The lender must

- document the resolution of any conflicting information, and
- contact the appropriate Homeownership Center (HOC) for instructions or documentation to support the borrower's eligibility if the
 - CAIVRS message seems erroneous, or
 - date of claim payment needs to be established.

The HOC may provide lenders with

- information about
 - when the three-year waiting period described in HUD 4155.1 4.A.2.g will elapse, or
 - erroneous social security numbers, and
 - instructions on processing requirements for other HUD-related defaults and claims, such as Title I loans.
-