

# WHOLESALE BULLETIN

IMPORTANT INFORMATION: PLEASE READ IMMEDIATELY

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## 17W-066

**Attention: Business Development Managers & Mortgage Brokers**

**July 17, 2017**

**Please take a moment to read the important information contained in this bulletin.**

**Included in this Bulletin: FNMA Changes to Reporting of Judgements and Liens**

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As previously announced in bulletin 17R-076 and in FNMA Lender Letter 2017-02, the three nationwide consumer credit reporting agencies (CRAs) – Equifax, Experian, and TransUnion – have announced plans to implement a public record data standard effective in July 2017 that is designed to improve the accuracy of credit reports. The changes are expected to impact the types of delinquent credit identified on credit reports.

With implementation of this change, most civil judgments and tax liens will no longer be included in credit reports. The CRAs have stated that any impact to credit scores will be minimal, and that there will be no impact to foreclosure and bankruptcy data on credit reports. The potential benefit of this change to the consumer will likely be higher credit scores in some cases.

### **DU's Risk Assessment**

MWF will continue to rely on the DU risk assessment and recommendation. DU uses judgment and lien information from credit reports as part of the comprehensive risk assessment. If the information is available on the credit report, DU will continue to use the information as part of the risk assessment.

### **FNMA Loan Quality Review Process**

FNMA is currently updating their Loan Quality Center's (LQC) post acquisition file review process to take into consideration the changes made by the credit bureaus.

### **FNMA Existing Policies Continue to Apply**

FNMA is not changing its existing policy that requires delinquent credit, including judgments and liens, to be paid off at or prior to closing. The Selling Guide defines the requirements for underwriting borrowers with certain types of outstanding debts (e.g., judgments and tax liens). Documentation of the satisfaction of open judgments and all outstanding liens, along with

verification of funds sufficient to satisfy them, must be maintained in the loan file. FNMA is also not changing their undisclosed liabilities policy.

### **MWF Credit Risk Management**

It is our position that we are responsible for performing reasonable due diligence to present as complete a financial picture as possible of our borrowers. We have contacted our Credit Reporting Agency to determine how they will be adjusting to this change, and what they can do to assure the additional searches we may require (to verify outstanding judgements/liens) are in fact available to us should we choose to incorporate that option. We are actively reviewing these options and will be updating our policies accordingly once this review is complete.

Meanwhile, we will continue to revisit this with our investors and the agencies. MWF's Risk Management will provide additional information on this topic as soon as possible.

**Author: Underwriting**