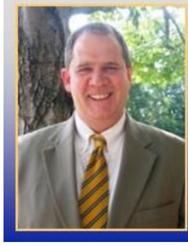

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Non-Occupant Co-Borrowers

FHA will allow a co-signer that is not living in the house unlike conventional loans in which the borrower still needs to meet certain qualifying ratios even if they have a co-signer. This can be great for **first time homebuyers**. Maximum allowable financing (currently 96.5%) may be utilized for transactions including non-occupant co-borrowers when the subject property consists of one unit and when the non-occupant is related to the occupying borrower by blood, marriage or law. Additional longstanding family-type relationships can be established and allowable for maximum financing as well. An example might include a Godparent co-signing for a Godchild. When the non-occupying borrowers are not related by situations like that described above, loan-to-value is limited to 75%.

No matter what type of loan a borrower is applying for, a co-signer with good credit can't overcome the bad credit of the primary borrower. The pricing of the loan is not affected by having a co-borrower.

On **FHA** loans, 100% of the co-signer's income can be used no matter how much money the borrower makes. This also can help the borrower to achieve the higher maximum FHA loan limits based on the county that they are buying in. Each county has different mortgage amounts. Having this co-signer can help those borrowers that might have income that they can not *guideline* prove, knowing that they can still make the higher mortgage payment. One thing to keep in mind though is that the co-signer's debt is also used in this equation. If their debt is extremely high, a co-signer might not help the situation. The co-signer can not currently have a **FHA** loan in their name.

It is important that the non-occupant borrower understands that he/she is obligated on the security instrument which means that if the occupying borrower happens to default on the loan, the credit of the non-occupant borrower would also be negatively affected.

On **Conventional** loans, Fannie Mae, DO will not count the Non-Occupant Co-Borrower's income. The occupying borrower has to qualify on their own. Guideline ratios are increased from 28/36 to 35/43 - no real help there and you need the "accept" status in the AUS engine anyway Freddie Mac (LP) on the other hand "will" count the Non-Occupant Co-Borrower's income. The borrower needs to have some real capacity to pay back the loan with minimum reliance on the non-occupant co-borrower; as determined through an "accept" status in LP. The down payment requirement is more stringent then a standard loan.

For some more information on this topic, please go to http://www.hud.gov/offices/hsg/sfh/ref/sfhp2-03.cfm

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