



MFM Bulletin: 011-2024

Date: May 17, 2024

Subject: Credit Report on Pre-Approvals Update

MFM is pleased to announce that we have obtained a variance with Fannie Mae and Freddie Mac to receive conditional DU and LPA findings on **pre-approvals utilizing soft pull credit reports only**. This should reduce credit report costs substantially.

This variance applies to Conventional loans only (including Credit Union Portfolio Loans) where the borrower/member has not signed a purchase contract, and therefore there is no property address in the system. All government loans require a full tri-merged credit report.

If Approved Eligible (DU) or Accept (LPA) findings are obtained, the loan may be submitted to underwriting for a full pre-approval letter to be issued. Attached is our complete Credit Script with instructions for ordering credit reports on pre-approvals.

Once the loan becomes a full application with a property address, a full tri-merged credit report will be required, and the loan must run back through DU or LPA to obtain full approval. Please remember, loans may not be locked without a full tri-merged credit report.

To further reduce credit report costs, MFM has also worked with our credit vendor (Factual Data/CBC) to develop a credit script which will prevent full tri-merged credit reports from being issued if certain minimum requirements are not met. This may include situations where the social security number is incorrect, minimum credit scoring requirements are not met, and where minimum credit event waiting periods are not met.

Also attached is our Tri-Merged Credit Report Waterfall which explains the steps the credit bureau will take in issuing a full tri-merged credit report.

Please contact the MFM Underwriting department (underwriting@memberfirstmortgage.com) if you have any questions or concerns. Thank you!

Tri-Merged Credit Waterfall

When pulling a Tri-Merged Credit Report:

1. **System will check to see if borrower's SSN number is correct. If SSN is not correct or borrower does not have a credit score, a credit report will not be pulled.**



2. **If SSN is correct system will upgrade and run TransUnion**

- If any of these fails happen it will stop:
 - ▶ Checks for Foreclosures within 24-months [fail]
 - ▶ Checks for Bankruptcies within 24-months [fail]
 - ▶ Checks for 2+ Mortgage Trades rated 60 DPD within 12-months [fail]
 - ▶ Checks for TRU File Freeze(s) [fail]
- Partner will be contacted to see if they want to Portfolio loan, if not then;
- Loan will be submitted for Adverse Action Denial.



3. **If none of those fails happen it upgrades to XPN**

- If any of these fails happen it will stop:
 - ▶ Checks for Foreclosures within 24-months [fail]
 - ▶ Checks for Bankruptcies within 24-months [fail]
 - ▶ Checks for 2+ Mortgage Trades rated 60 DPD within 12-months [fail]
 - ▶ Checks for TRU File Freeze(s) [fail]



4. **Checks for MID Score: 620 requirement [fail]**

- If government loan and at least one score is 580 or above; contact Eric Beckett or Tanya Daniels to upgrade to Tri-Merge. Representative credit score must be at least 580.
- If port loan; contact Partner to determine if they will port the loan. If so, ask if the Partner will port with credit as-is, or if they want upgraded to a full tri-merged report.



5. **If no fails it will upgrade to a tri-merge credit report**

- If it notices anything below it will give a warning for originator to see:
 - ▶ Checks for Disputed Trades [warning]
 - ▶ Checks for 4506-C Address Alert [warning]
 - ▶ Checks for Student Loans [warning]
 - ▶ Checks for Open HELOC Trades [warning]
 - ▶ Checks for Unpaid Collections [warning]
 - ▶ Checks for Unpaid Charge Offs [warning]
 - ▶ Checks for at least 3 Trades [warning]

Credit Script: Pre-Approvals or Pre-Qualifications (no property address)

Conventional Loans

Pull Soft-Pull Credit Report **ONLY**.

- Run loan through DU or LPA depending on loan program (both may be run).
- Follow same procedure for Partner portfolio loans.

Then;

AUS Findings

- **If Loan is Approved/Eligible or LPA Accept:**
 - ▶ Loan may be submitted to underwriting for pre-approval review.
- **If Loan is Refer with Caution through DU or Caution through LPA:**
 - ▶ Loan should be submitted for Adverse Action Denial if investor is Fannie or Freddie.
 - ▶ Partner should be contacted to determine if they will Port loan as "non-saleable", then;
 - If Partner will consider porting the loan, a full tri-merged report will be pulled if Partner requires.
 - If Partner will not portfolio, the loan will be submitted for Adverse Action Denial.

FHA / VA Loans

Pull tri-merged credit report

- If tri-merged is blocked due to two credit scores below 580 the loan should be submitted for Adverse Action Denial; the MFM minimum credit score is 580 for government loans.
- If tri-merged credit report is issued (mid score is at least 580), then;
 - ▶ Run Loan Through DU **ONLY**, then;
 - If loan is approved eligible, the loan may be submitted for pre-approval.
 - If loan is Refer, then;
 - ▶ Review FHA/VA manual underwriting guidelines to see if loan may be approved as manual underwrite.
 - ▶ If loan does not meet FHA/VA manual underwriting guidelines, the loan should be submitted for Adverse Action Denial.

USDA Loans

Pull tri-merged credit report

- If tri-merge is blocked due to minimum credit score below 600 the loan should be submitted for Adverse Action Denial; minimum credit score for GUS approval is 640.
- If tri-merged credit report is issued (mid score at least 600), then;
 - ▶ Run Loan through GUS, then;
 - If loan is approved, the loan may be submitted for pre-approval.
 - If loan is Refer, then;
 - ▶ Review USDA manual underwriting guidelines (follow FHA with max DTI of 29/41) to see if loan may be approved as a manual underwrite.
 - ▶ If loan does not meet manual underwriting guidelines, then loan should be submitted for Adverse Action Denial.