
Conventional Lending Guide

Chapter 6 | Credit

To assess a borrower's credit history, Cardinal requires a credit report from an authorized credit-reporting vendor or by direct verification with a creditor to be obtained for each borrower. The credit report provides evidence of a borrower's payment history and historical information about the borrower's "use" of credit.

Information from the credit bureaus report is the primary measurement of the borrower's creditworthiness. Cardinal requires analysis of the borrower's current and past credit history through the review of a credit bureau report prepared by an independent credit-reporting agency or credit-reporting repository.

Cardinal Overlays to agency guidelines are highlighted in our signature **Riptide** color, and are also listed in the corresponding [Retail](#) or [TPO](#) Product Overlay Matrix available on the HUB.

Credit Requirements

For Credit Report requirements not addressed below, refer to [Chapter 2 | Documentation Standards](#).

Credit Score Determination

FNMA

Casefiles submitted or resubmitted on or after 11.16.25:

- DU assessment will be based on a minimum credit risk standard instead of a minimum representative credit score requirement. The DU risk assessment will reflect a comprehensive evaluation of credit risk factors from the borrower's credit report along with non-credit risk factors from the loan application; the credit risk factors consider how well the borrower has handled credit, both now and in the past.
- DU considers the following characteristics in the credit report to assess the creditworthiness of borrowers who have traditional credit histories:
 - Credit history,
 - Delinquent accounts,
 - Installment accounts,
 - Revolving credit utilization,

- Public records,
- Foreclosures,
- Collection accounts, and
- Inquiries
- The non-credit risk factors evaluated by DU include: the borrower's equity and LTV ratio, liquid reserves, loan purpose, loan term, loan amortization type, occupancy type, debt-to-income ratio, housing expense ratio, property type, and variable income.
- DU performs a comprehensive evaluation of these factors, weighing each factor based on the amount of risk it represents and its importance to the recommendation. DU analyzes the results of this evaluation along with the evaluation of the borrower's credit profile to arrive at the underwriting recommendation for the loan casefile.
- The loan must still meet Cardinal minimum FICO score requirements as outlined in the applicable snapshot.

Casefiles submitted prior to 11.16.25:

- For loan casefiles with more than one borrower, DU uses an average median credit score, as follows when determining if a loan casefile meets the minimum credit score requirement:
 - First, DU determines each borrower's applicable credit score (middle of the three scores received, or the lower of the two when only two scores received)
 - Second, DU will average the applicable credit scores for all of the borrowers on the loan casefile to determine if the credit score requirement is met.
 - **Note:** This method will not result in a credit score lower than the representative credit score
- The average median credit score will either be:
 - The same as the representative credit score for loans with *one* borrower, or
 - The same or higher than the representative credit score for loans with *multiple* borrowers
- Refer to the applicable Product Snapshots for Cardinal minimum FICO score requirements.
- Note: DU will not use the average median credit score for RefiNow loans, which continues to require a minimum representative score as indicated in the applicable snapshot.

Freddie Mac

Loan Product Advisor will assess the Borrower's credit reputation and determine that the credit reputation is acceptable.

Refer to the applicable Product Snapshots for Cardinal minimum FICO requirements.

Borrowers Without a Credit Score

Borrowers without a credit score are eligible if at least **one** borrower on the loan application has one or more credit scores, and all of the following conditions are met:

- Eligible for Fannie Mae; DU Approve/Eligible is required;
- Eligible Freddie Mac; LPA Accept is required;
- The property must be a 1-unit, principal residence, and all borrowers will occupy the property;
 - *For loans underwritten using DU Version 12.0, transactions are not subject to limitations on loan purpose or occupancy and are subject to standard eligibility guidelines*
- Transaction must be a purchase or limited cash-out refinance;
 - *For loans underwritten using DU Version 12.0, transactions are not subject to limitations on loan purpose or occupancy and are subject to standard eligibility guidelines*
- Loan Amount must meet general conforming loan limits - high balance is not eligible;
- Reserves may be required as determined by AUS;
- If the borrower(s) with a credit score is contributing **more than 50%** of the qualifying income, a [Non-traditional Credit History](#) for the borrower(s) without a credit score does not need to be documented;
- If the borrower(s) with a credit score is contributing **50% or less** of the qualifying income, a [Non-traditional Credit History](#) for each borrower without a credit score must be documented;
- The establishment of a non-traditional credit history is not acceptable for the following scenarios:

- A credit score can still be obtained for the borrower despite the borrower's limited use of credit
- The borrower has a sufficient amount of credit to obtain a credit score and the representative credit score is less than the minimum required
- The borrower's traditional credit history indicates significant derogatory references, such as a prior bankruptcy or foreclosure. In these cases, the borrower must have re-established credit including the establishment of traditional credit and a credit score

Non-traditional Credit History

Standards for Individual Credit References Obtained Directly from a Creditor

Individual credit references (other than rental housing payments) from a creditor must include the following:

- The creditor's name
- The name of the individual providing the reference
- The date the account was opened
- The amount of highest credit
- The current status of the account
- The required payment amount
- The unpaid balance
- The payment history

The historical status of each account must be stated in a "number of times past due" format using "0 X 30, 0 X 60, 0 X 90" days late.

The types of credit that can be used to develop a non-traditional credit history are those that require the borrower to make periodic payments on a regular basis with intervals that are no longer than every three months.

Examples of non-traditional credit references include (but are not limited to):

- Rental housing payment

- This includes payments made to a landlord or management company
- Additional housing-related payments
 - Rent: fees paid to a landlord or property management company;
 - Privately held mortgage loan: housing payments not reported to the credit bureaus, such as contract for deed payments and other similar arrangements, provided the payments are related to the borrower's residence; and
 - Real estate taxes: payments made on a principal residence, regardless of payment frequency (for homes owned free and clear)
- Utilities, such as electricity, gas, water, telephone service, television service, and internet service. If utilities are included in the rental housing payment, they cannot be considered a separate source of non-traditional credit. Utilities can be considered a source of non-traditional credit only if the payment history can be separately documented.
 - Television Service Providers
 - Non-traditional television service providers, such as Netflix, Disney+, Hulu, YouTube TV, Sling, or similar services
 - Traditional cable television providers, such as Comcast, Cox, Spectrum, Xfinity, or similar providers
 - Traditional satellite television providers, such as DIRECTV and DISH Network
 - Internet Service Providers
 - National and regional internet service providers include, but are not limited to, companies such as Comcast/Xfinity, Spectrum, Mediacom, Optimum, Astound Broadband, WOW!, Breezeline, or similar regional or municipal internet service providers
 - Satellite internet service providers include, but are not limited to, Viasat, HughesNet, and Starlink
 - Wireless internet service providers include, but are not limited to, Verizon 5G Home, T-Mobile Home Internet, and AT&T Internet Air
- Medical insurance coverage (excluding payroll deductions)
- Automobile insurance payments
- Cell phone payments
- Life insurance policies (excluding payroll deductions)
- Payments for household or renter's insurance
- Payments to local stores, such as department stores, furniture stores, appliance stores

- Rental payments for durable goods, such as automobiles
- Payment of medical bills
- Payment of school tuition
- Payments for child care
- A loan obtained from an individual, provided the repayment terms can be documented in a written agreement
- Checking account, savings account, voluntary payments made to a payroll savings plan or contributions to a stock purchase plan, provided the records reflect an increasing balance as a result of periodic deposits over at least the most recent 12 months. Contributions must have been made no less than quarterly.
- Wire remittance statements demonstrating a consistent amount of funds remitted over the most recent 12-month period.

Fannie Mae

The payment history for each credit reference must be documented for the most recent consecutive 12-month period. All credit sources must be included, not just those that reflect acceptable performance.

At least two sources of non-traditional credit must be documented for each borrower without a score, one of which must include a rental housing payment.

Assessment of the Payment History for Non-traditional Credit Sources

- There cannot be any delinquency on rental housing payments within the past 12 months.
- Only one account, excluding rental housing payments, can have 30-day delinquency in the past 12 months.
- No collections (other than medical collections) or judgments have been filed in the past 24 months.
- Judgments, liens, collections, and charge-offs of non-mortgage accounts must be satisfied in accordance with [B3-5.3-09, DU Credit Report Analysis](#) (for loans underwritten with DU).

Rental Payment History

The borrower's rental payment history must be documented for the most recent consecutive 12-month period. The following documentation is acceptable:

- Canceled checks can be provided. In lieu of canceled checks, the lender may use the borrower's bank statements, copies of money orders, or other reasonable methods for documenting the timely payment of rent. The documentation must indicate the payee and paid amount and reflect that payments were made consistently.
- Direct verification of the payment of rent from the landlord. Direct landlord verification is acceptable whether the landlord is an individual or a professional management company.

If at least one borrower on the loan can document a rental housing payment as a source of non-traditional credit, the loan has met the rental payment history requirement. However, the lender must still document the minimum number of non-traditional credit sources required for each non-traditional credit borrower.

If two or more borrowers on a loan share the housing-related source (for example, they are both named on the lease for the property in which they are living), that documentation counts as one source of non-traditional credit documentation for each borrower, even if only one borrower has been making the payments.

Standards for Documenting Payment History Obtained from the Borrower

For documentation obtained directly from the borrower, the following standards must be met:

- Documentation that describes the terms of the debt repayment or contracts together with canceled checks or copies of bills marked "paid" that reflects the borrower's payment history over the most recent consecutive 12 months
- Withdrawals or debits on the borrower's bank statements that show the payee information listed for the creditor and that payments were made consistently over the most recent consecutive 12 months

Verification of Bank Accounts and Wire Remittance Statements

Account statements can be used to document the borrower's checking account, savings account, voluntary payments made to a payroll savings plan, or contributions to a stock purchase plan. The account statements must reflect an increasing balance due to periodic deposits over at least the most recent consecutive 12-month period, with contributions being made no less than quarterly. If the account statements demonstrate overdraft activity, that information suggests a weakness in the borrower's

ability to meet financial obligations. The lender must assess the significance of this information relative to the borrower's overall credit risk.

Wire remittance statements can be used to document a source of non-traditional credit, provided they demonstrate a consistent amount of funds being remitted over the most recent consecutive 12-month period.

Borrowers with Disabilities

If a borrower with disabilities does not have a credit score and a non-traditional credit history is being developed, documentation provided by a court-appointed guardian, a Social Security Administration (SSA) representative payee, or a parent, is acceptable provided that this party:

- Manages the borrower's financial transactions,
- Maintains records on the borrower's behalf, and
- Uses credit accounts held jointly in the name of the person with disabilities to pay financial obligations

The lender can use the documentation provided either to request a non-traditional mortgage credit report from a consumer reporting agency or to establish a non-traditional credit history for the borrower, as described in this topic.

Freddie Mac

- Each borrower must have at least two payment references in the United States
- Each payment reference must be for at least the most recent 12 months
- At least one borrower without a usable credit score must have a housing payment history as one of the payment references
 - All housing payment histories must have no 30-day or greater delinquencies in the most recent 12 months
- For all payment references other than housing,
 - Only one payment reference may have one 30-day delinquency and,
 - No 60-day or greater delinquencies in the most recent 12 months; all other payment references must have no 30-day or greater delinquencies in the most recent 12 months
- Borrower must have no collections (other than medical), judgments or tax liens filed in the most recent 24 months

Accounts Not Reporting on Credit

If the credit report does not contain a reference for each significant open debt, including housing debt, that is listed on the mortgage application, the underwriter must obtain a separate written verification for each unreported debt, or the account must be added to the credit report unless AUS Findings specifically state that no additional verification is required.

Refer to [Mortgage Payment History](#) for documenting the borrower’s previous mortgage history.

Manually Underwritten Loans

Manually underwritten loans are not eligible on conventional programs.

Disputed Information

If a borrower indicates that any significant information in the credit file is inaccurate—such as reported accounts that do not belong to the borrower or derogatory information that is reported in error—carefully review the credit information with the borrower, then request the credit reporting company that provided the information to confirm its accuracy and update the credit report information accordingly.

AUS Requirements for Disputed Credit Report Tradelines

The AUS will evaluate any disputed accounts in its risk assessment of the loan. If the AUS issues an Approve recommendation using the disputed tradelines, no further documentation of the disputed tradeline will be needed.

FNMA DU

When DU issues an Approve recommendation using the disputed tradelines, no further documentation of the disputed tradeline will be needed, and the following message will be issued:

The following tradeline(s) were identified by DU as disputed by the borrower. Because DU issued an Approve recommendation when including the disputed information in the credit risk assessment, no further action is necessary.

<i>Creditor</i>	<i>Account Number</i>	<i>Account Type</i>
<i>ABC Creditor</i>	<i>123456789</i>	<i>Installment</i>

When the loan casefile does not receive an Approve recommendation using the disputed tradeline in the risk assessment, the risk will then be assessed with the disputed tradeline excluded, and the DU will issue the following message:

The following tradeline(s) were identified by DU as disputed by the borrower. Because DU was not able to issue an Approve recommendation when including the disputed information in the credit risk assessment, the lender must determine if the disputed account belongs to the borrower and confirm the accuracy and completeness of the information on the tradeline. If the borrower is not responsible for the account or the information on the tradeline does not accurately and completely report the account, no further action is necessary regarding the disputed tradeline. If the borrower is responsible for the account and the tradeline information accurately and completely reports the account, the lender may manually underwrite the loan if the transaction is eligible for manual underwriting.

<i>Creditor</i>	<i>Account Number</i>	<i>Account Type</i>
<i>ABC Creditor</i>	<i>123456789</i>	<i>Installment</i>

Because DU could not issue an Approve recommendation when including the disputed information in the credit risk assessment, the underwriter must determine if the disputed account belongs to the borrower and confirm the accuracy and completeness of the information on the tradeline.

Cardinal does not permit manual underwriting* for these scenarios. If the information is incorrect, the borrower must work with the applicable credit reporting agency to resolve the item(s). Once the items are resolved, a new credit report must be obtained, and the loan file must be resubmitted to DU.

*For guidance related to AUS findings, including acceptable scenarios for manual underwriting, refer to [Chapter 3 | Automated Underwriting | Conventional Lending Guide](#).

Freddie Mac

If the underwriter determines the decision credit repository file used to create the borrower’s credit report contains significantly inaccurate credit information, then the LPA Accept Risk and Documentation Level are invalid. If there is more than 1 disputed tradeline for all the borrowers collectively, LPA will issue the message “Multiple disputed tradelines, loan not eligible for LPA”.

The underwriter must confirm the accuracy of each account being disputed. If inaccurate, the account reporting should be corrected at the repository level with Equifax, TransUnion, Experian, as applicable. Cardinal does not permit manual underwriting* for these scenarios. If the information is incorrect, the borrower must work with the applicable credit reporting agency to resolve the item(s). Once the items are resolved, a new credit report must be obtained, and the loan file must be re-submitted to LPA.

*For guidance related to AUS findings, including acceptable scenarios for manual underwriting, refer to [Chapter 3 | Automated Underwriting | Conventional Lending Guide](#).

Credit Repair Companies

The use of a Credit Repair company is not acceptable to resolve tradeline disputes.

Disputed Medical Accounts

Disputed medical accounts may be ignored in the underwriting process subject to program and product restrictions. See the applicable program and product snapshot for additional information.

Inquiries

The report must list all inquiries that were made in the previous 90 days. All inquiries must be explained by the borrower to verify if those inquiries resulted in any new debt that must be included in the Debt-to-Income ratio gap report.

Note: Program-specific overlays may apply.

Explanation of Credit Inquiries

The underwriter must review the section of the borrower's credit report that indicates the presence of creditor inquiries to determine the number and recency of the inquiries. Recent inquiries may indicate that the borrower has actively sought new credit accounts.

The presence of many unrelated inquiries represents higher credit risk, whether or not the borrower actually obtained credit as a result of the inquiry. The presence of many recent inquiries in combination with a significant number of recently opened accounts or delinquent accounts represents a high credit risk.

Credit inquiries will be checked at the time of application, and prior to closing during the Debt Monitoring process (otherwise known as the LQI or GAP report).

- Borrowers must provide a detailed explanation that specifically addresses both the purpose and outcome of each credit inquiry within the last 90 days. Letters of Explanation standards must be met.

- If a new account has been established, the terms, balance, and monthly payment must be verified with a copy of the approval letter or recent account statement.

Adverse Credit

Adverse credit is an obligation(s) that has not been repaid according to its original terms. It may be reflected in the delinquent manner in which a borrower repays the obligation or how the borrower is relieved of the debt through legal recourse by the creditor. Derogatory credit is an obligation(s) that has not been repaid according to the original terms. It may be reflected in the delinquent manner in which a borrower repays the obligation or how the borrower is relieved of the debt through legal recourse by the creditor.

How the borrower(s) have managed their previous credit is a strong indicator of future performance. A history of derogatory credit and/or an instance of a major derogatory credit item increases the risk associated with the loan request.

For these reasons, all derogatory credit occurrences, including more recent occurrences not listed on a credit report, must be carefully considered in the analysis of the loan request. Adverse credit does not necessarily indicate the borrower’s credit reputation is unacceptable.

AUS Processed Loans

Analysis of the credit report, in conjunction with an AUS credit risk decision, will be used to determine if a borrower’s credit history is sufficient to warrant a loan approval.

Adverse Credit Definitions

Cardinal utilizes the following definitions regarding adverse credit:

Adverse Event	Definition
Collection	A third party who regularly collects delinquent debts owed to others.
Judgment	The decision by a court describes the outcome of a lawsuit. Any amounts owed can be sought after by garnishment of wages, bank accounts, or other property to collect the judgment, depending on state law.

Non-Mortgage Charge-off	Declaration by a creditor, usually a credit card account, that an amount of debt is unlikely to be collected. This occurs when a consumer becomes severely delinquent.
Tax Lien	Lien imposed upon a property to secure the payment of taxes. A tax lien may be imposed for delinquent taxes owed on real property or personal property or as a result of failure to pay income taxes or other taxes.
Repossession	A Financial institution taking back an asset that was used as collateral or rented or leased, such as an auto loan where the borrower has not paid as agreed.

Significant Adverse Credit

The presence of significant derogatory credit events in a borrower’s credit history dramatically increases the likelihood of a future default and represents a significantly higher level of default risk. Examples of significant derogatory credit events include bankruptcies, foreclosures, deeds-in-lieu of foreclosure, pre-foreclosure sales, short sales, and charge-offs of mortgage accounts.

The underwriter must determine the cause and significance of the derogatory information, verify that sufficient time has elapsed since the date of the last derogatory information, and confirm that the borrower has re-established an acceptable credit history. The underwriter must make the final decision about the acceptability of a borrower’s credit history when significant derogatory credit information exists.

The current status of each tradeline, manner of payment codes, and remarks must be carefully reviewed to identify these types of significant derogatory credit events. Remarks Codes are descriptive text or codes that appear on a tradeline, such as “Foreclosure,” “Forfeit deed-in-lieu of foreclosure,” and “Settled for less than full balance.”

Significant derogatory credit events may not be accurately reported or consistently reported in the same manner by all creditors or credit reporting agencies. If not clearly identified in the credit report, the underwriter must obtain copies of appropriate documentation.

The documentation must establish the completion date of a previous foreclosure, deed-in-lieu or pre-foreclosure sale, or date of the charge-off of a mortgage account; confirm the bankruptcy discharge

or dismissal date, and identify debts that were not satisfied by the bankruptcy. Debts that were not satisfied by a bankruptcy must be paid off or have an acceptable, established repayment schedule.

Contradictory, Derogatory, or Erroneous Information

Lenders are obligated to take action when contradictory, derogatory, or erroneous information would justify additional investigation or would provide grounds for a decision that is different from the recommendation the AUS delivers. For example, if the credit report reflects a previous foreclosure but the information was not accurately mapped to AUS, the lender must consider this when making its final underwriting decision.

Completion Date Definition

The waiting period commences on the completion, discharge, or dismissal date (as applicable) of the derogatory credit event and ends on the disbursement date of the new loan (the Note date).

The definition of completion date varies based on the event type. Please refer to the table below for completion dates:

Event	Completion Date
Bankruptcy	Discharge or Dismissal Date
Foreclosure, Deed-in-Lieu of Foreclosure, Charge-off of a Mortgage Debt	Transaction completion date
Forgiveness of Debt (Short Sale/pre-foreclosure sale)	Sale Date

Significant Adverse Credit Waiting Periods

Documentation Requirements

When borrowers have experienced significant adverse credit events, documentation must be obtained to verify the date of the occurrence. The underwriter must compare the documentation to the occurrence date on the credit report and apply the associated waiting period, as noted below.

Waiting Periods

The chart below reflects Derogatory Event Waiting Period Requirements for Fannie Mae and Freddie Mac. Waiting periods for Freddie Mac/LPA loans may not apply when the AUS recognizes the derogatory event and issues an Accept recommendation.

Note: If the significant derogatory event has been noted accurately on the 1003 declarations and credit report, is recognized by AUS and receives a DU Approve/Eligible or LPA Accept recommendation, AUS findings related to Waiting Period Requirements may be followed.

Derogatory Event	Waiting Period Requirements	Waiting Period with Extenuating Circumstances
Ch. 12 Bankruptcy	DU Ineligible. DU does not register the correct Bankruptcy type, and therefore, the loan must be manually downgraded; manual underwriting is not permitted. LPA (follow AUS/ Manual UW not permitted) <ul style="list-style-type: none"> Two years from discharge date Four years from the dismissal date 	DU Ineligible. DU does not register the correct Bankruptcy type, and therefore, the loan must be manually downgraded; manual underwriting is not permitted. LPA (follow AUS/ Manual UW not permitted) <ul style="list-style-type: none"> Two years from discharge date Two years from the dismissal date
Ch. 7 or 11 Bankruptcy	Four years	Two years
Ch. 13 Bankruptcy	<ul style="list-style-type: none"> Two years from discharge date Four years from the dismissal date 	<ul style="list-style-type: none"> Two years from discharge date Two years from the dismissal date
Multiple bankruptcy filings	Five years if more than one filing within the past seven years. Note: Two or more borrowers with individual bankruptcies are not cumulative and do not constitute multiple bankruptcies.	Three years from the most recent discharge or dismissal date
Foreclosure	Seven years	Three years, subject to the following restrictions: <ul style="list-style-type: none"> Lesser of 90% LTV or program maximum Purchase, principal residence Limited cash-out refinance, all occupancy types

Deed-in-Lieu, Pre-foreclosure, Short Sale or Charge-Off of Mortgage Account	Four years, subject to the following restrictions: <ul style="list-style-type: none"> ● DU: <ul style="list-style-type: none"> ○ None ● LPA (follow AUS/ Manual UW not permitted): <ul style="list-style-type: none"> ○ The previous event within the last seven years will require: <ul style="list-style-type: none"> ■ Purchase of Primary Residence with 90% LTV/CLTV maximum ■ No Cash-out Refinance (all occupancy types) 	Two years, subject to the following restrictions <ul style="list-style-type: none"> ● DU: <ul style="list-style-type: none"> ○ None ● LPA (follow AUS/ Manual UW not permitted): <ul style="list-style-type: none"> ○ Purchase of Primary Residence with maximum 90% LTV/CLTV ○ Limited Cash-Out Refinance (all occupancy types)
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Significant Adverse Credit Items Not Reporting on Credit

- If the borrower has experienced a Significant Adverse Credit event that has not been reported on credit or considered in the AUS findings, valid documentation must be provided to determine the date of the event
- The loan application must be updated to reflect the event(s) in the Declarations section of the Borrower's Screen and AUS re-run to allow the event(s) to be analyzed

Extenuating Circumstances

Extenuating circumstances are nonrecurring or isolated events or sets of events that are beyond the borrower's control which may result in a sudden, significant, and prolonged reduction in income or a catastrophic increase in financial obligations.

If a borrower claims that derogatory information results from extenuating circumstances, the underwriter must substantiate the borrower's claim. Examples of documentation that can be used to support extenuating circumstances include:

- Documents that confirm the event such as a copy of a divorce decree, medical bills, a notice of job layoffs, job severance papers, etc.

- Documents that illustrate factors that contributed to the borrower's inability to resolve the problems that resulted from the event, such as a copy of insurance papers or claim settlements, property listing agreements, lease agreements, tax returns (covering the periods prior to, during, and after a loss of employment), etc.

The underwriter must obtain a written explanation from the borrower explaining the relevance of the documentation. The written explanation must support the claims of extenuating circumstances, confirm the nature of the event that led to the bankruptcy or foreclosure-related action, and illustrate that the borrower had no reasonable options other than to default on his or her financial obligations. The written explanation may be in the form of a letter from the borrower, an email from the borrower, or some other form of written documentation provided by the borrower.

AUS Processed Loans

In addition to documenting the loan file with the reason for the delinquency and including any applicable documents and explanations, the underwriter must also document the exception in the AUS system.

Reaffirmed Debt with Later Delinquency

If a borrower reaffirms a mortgage debt, then at some later date shows further delinquency, including a foreclosure or deed-in-lieu on the mortgage account, the latest date of the significant adverse event must be used in the evaluation of credit.

Bankruptcy and Foreclosure

If both a bankruptcy and foreclosure are disclosed on the loan application, or when both appear on the credit report, the underwriter may apply the bankruptcy waiting period if appropriate documentation is obtained to verify that the mortgage in question was discharged in the bankruptcy. Otherwise, the greater of the applicable bankruptcy or foreclosure waiting period must be applied.

Timeshare Charge Offs or Foreclosures

Timeshare loans are considered installment debts, regardless of how they are reflected on the credit report (e.g., as a mortgage); as such, payments for timeshare loans are not considered housing payments, and foreclosure recovery time periods for reestablishment of credit are not applicable to timeshare loans in foreclosure.

Foreclosure on Vacant Land

FNMA

Foreclosure of a borrower's vacant land (property without a dwelling) is not subject to Fannie Mae's foreclosure waiting periods.

Freddie Mac

Foreclosure of a borrower's vacant land (property without a dwelling) is treated as a derogatory credit event. The 1003 Declarations should be marked as Yes where applicable to allow LPA to assess the event and generate accurate findings.

Judgments and Liens

Credit report changes as of July 2017 may reduce or eliminate judgments and/or liens from borrower's credit reports if sufficient identifying information is not presented to the credit reporting agencies. These credit report changes do not affect the requirement that Judgements and/or liens identified during the processing of a loan be paid off prior to or at closing.

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 permanent loan file.

Past-Due, Collection, and Charge-Off of Non-Mortgage Accounts

FNMA

Accounts reported as past due (not reported as collection accounts) must be brought current. This includes [Authorized User Accounts](#).

- For 1-unit, principal residence properties, borrowers are not required to pay off outstanding collections or non-mortgage charge-offs—regardless of the amount.

Note: If a collection account is marked as Paid By Close in the online loan application, DU will issue a message in the DU Underwriting Findings report stating that the collection must be paid.

- For two- to four-unit owner-occupied and second home properties, collections and non-mortgage charge-offs totaling more than \$5,000 must be paid in full prior to or at closing.

- For investment properties, individual collection and non-mortgage charge-off accounts equal to or greater than \$250 and accounts that total more than \$1,000 must be paid in full prior to or at closing.

Freddie Mac

Declarations must be marked accurately with the applicable derogatory event to allow LPA to assess the loan accurately. Any outstanding past-due accounts, collections, or charge-offs must not impact Cardinal's first lien position.

Authorized User Accounts

FNMA

DU takes credit report tradelines designated as authorized user tradelines into consideration as part of the DU credit risk assessment. However, the underwriter must review credit report tradelines in which the applicant has been designated as an authorized user to ensure the tradelines accurately reflect the borrower's credit history. If it is determined that the authorized user tradelines are not an accurate reflection of the borrower's credit history, the borrower's credit history should be reviewed without the benefit of these tradelines; prudent underwriting judgment should be used when making a final underwriting decision.

When ensuring tradelines are an accurate reflection of the borrower's credit history, as a general guide, if the borrower has several authorized user accounts but only has a few accounts of his/her own, the underwriter should establish:

- The relationship of the borrower to the owner of the account
- If the borrower uses the account
- If the borrower makes the payments on the account

If the authorized user tradeline belongs to another borrower on the mortgage loan, no additional investigation is needed. On the other hand, if the borrower has several tradelines in good standing and only a minor number of authorized user accounts, the determination could be made that:

- The authorized user accounts had minimal, if any, impact on the borrower's overall credit profile.

- The information reported on the credit report is an accurate reflection of the borrower's credit history.

Authorized user tradelines belonging to the borrower's spouse when the spouse is not on the mortgage transaction are not required to be reviewed.

Freddie Mac

Effective for Loan Product Advisor submissions or resubmissions on or after 2.10.2026 for Accept Mortgages, assessment of authorized user tradelines on the borrower's credit report will not be required.

The below guidance applies for Loan Product Advisor submissions dated prior to 2.10.2026:

For Accept Mortgages, when a borrower's credit report contains tradelines for accounts for which the borrower is not the primary account holder but is listed as an authorized user, Loan Product Advisor will return a feedback message when additional documentation is required. When the message is included on the Last Feedback Certificate, for each account the Borrower is listed as an authorized user, the Mortgage file must include documentation of one of the following:

- Another Borrower on the Mortgage owns the Tradeline in question, or
- The Tradeline is owned by the Borrower's spouse, or
- The Borrower has been making the payments on the account for the last 12 months and the monthly payment, as reported on the credit report, is included in the monthly DTI
- If unable to document one of the above requirements for each authorized user account, the underwriter must make the determination that:
 - The authorized user accounts have an insignificant impact on the borrower's overall credit history, and
 - The information on the credit report is representative of the borrower's own credit reputation. This determination should be made on the number of the borrower's own tradelines, as well as their age, type, size, and payment history, as compared to the authorized user accounts. Justification must be documented in the loan file

- Note: when there are multiple authorized user accounts, all accounts collectively must be considered

If unable to document as required above when the feedback message is returned, the Loan Product Advisor assessment is considered invalid and the loan is ineligible.

Consumer Credit Counseling (CCC)

The presence of consumer credit counseling (CCC) services does not alter the underwriting recommendation. If the loan is approved through the AUS, the CCC has been considered, and no further action is required. Whether the borrower has or has not completed his participation in the sessions before closing on the mortgage transaction is not relevant, as it is the borrower's credit history that is of primary importance.

If the borrower is currently in CCC, the borrower must provide a letter from the service stating that the borrower can afford to incur the new housing expense.

Credit Utilization

When underwriting a loan, the underwriter must review the borrower's credit report to evaluate his or her use of revolving credit by comparing the current balance on each open account to the amount of credit that is available to determine whether the borrower has a pattern of using revolving accounts up to (or approaching) the credit limit.

Credit histories that include revolving accounts with a low balances-to-limits ratio generally represent a lower credit risk, while those that include accounts with a high balances-to-limits ratio represent a higher credit risk.

A credit history that includes recently opened accounts that are at or near their limits may indicate that the borrower is overextended or overly reliant on the use of credit. When combined with a delinquent payment history, it is generally an indication that the borrower has not managed his or her credit successfully.

Payment History

The underwriter must review the borrower's credit report to determine the current status of each credit account (including mortgage accounts), the timeliness of payments, and the frequency, recency, and severity of any delinquent payments.

- Credit histories that include no late payments, collection or charged-off accounts, foreclosures, deeds-in-lieu, bankruptcies, or other public records information represent a lower credit risk.
- Credit histories that include recent late payments represent a higher credit risk than those with late payments that occurred more than 24 months ago. When there are payments that were 30, 60, or 90 days (or longer) past due, the lender must determine whether the late payments represent isolated incidences or frequent occurrences. Delinquent payments must be evaluated in the context of the borrower's overall credit history, including the number and age of accounts, credit utilization, and recent attempts to obtain new credit. For example, a credit history that includes delinquent payments along with recent inquiries and a high balances-to-limits ratio indicates a high credit risk.
- Credit histories that include foreclosures, deeds-in-lieu, and public records information (such as bankruptcies, judgments, and liens) represent a higher credit risk. The greater the number of such incidences and the more recently they occurred, the higher the credit risk.

Mortgage Payment History

The underwriter must review the borrower's credit report to determine the status of all mortgage accounts and to verify that any relevant account information is accurately reported.

On the date of the loan application, any existing mortgage accounts must be current, which means that no more than 45 days may have elapsed since the borrower's last mortgage payment. This can be verified through the credit report and/or the mortgage payoff statement (if obtained).

All credit reports must meet the Allowable Age of Credit Documents requirements.

FNMA

If a borrower had previous mortgages, the underwriter does not have to independently verify the mortgage's payment history provided the credit report includes a reference to the mortgage (or mortgages) and reflects 12 months of the most recent payment activity (or greater as required by AUS).

If an adequate mortgage payment history *is not* included in the borrower's credit report, the lender must use the following to verify the borrower's payment history on a previous mortgage(s):

- A standard mortgage verification
- Loan payment history from the servicer
- The borrower's canceled checks for the last 12 months
- The borrower's year-end mortgage account statement provided the statement includes a payment receipt history and, if applicable, canceled checks for the months elapsed since the year-end mortgage account statement was issued.
- Loan payment history from the servicer or third-party verification service
- A payoff statement for mortgages being refinanced (e.g. "interest to date" must be current or indicate the next payment due date and must demonstrate the payment application in the month of the payment we are verifying)
- The latest mortgage account statement from the borrower
- A verification of mortgage containing a payment ledger or history
- A credit supplement is acceptable when direct contact is made with the servicer, with the contact information provided, and the supplement verifies the date the last full payment was made and the due date of the next payment owed
 - A supplement that indicates 'automated verification' is acceptable when it provides a payment history which includes the date of the most recent mortgage payment and indicates when the next mortgage payment is due
 - An automated verification which provides only the statement 'paid as agreed' without details regarding payment date(s) is not acceptable

For borrowers who do not have a usable Credit Score, refer to [Borrowers Without a Credit Score](#) for additional guidance related to housing payment history.

Freddie Mac

Direct verification of Mortgage debt, rental payments, and other debts not shown on the credit reports are typically not required for Accept Mortgages. For borrowers who do not have a usable Credit Score, refer to [Borrowers Without a Credit Score](#) for additional guidance related to housing payment history.

Mortgage Late Payment on Vacant Land

When the credit report reflects late mortgage payment(s) for vacant land, AUS must be run with the liability type indicated as a mortgage.

Past Due Property Taxes

If a mortgage payment does not escrow for taxes, the underwriter does not need to consider the payment history of the property taxes as part of the mortgage payment history.

Please refer to Cash-out Refinances in [Chapter 4 | Eligible Transactions](#) for restrictions when including taxes that are more than 60 days delinquent into the subject loan payoff.

Subject Property Mortgage Debt not in Borrower's Name

In some circumstances, a borrower may be on title to the subject property but not on the existing mortgage, and therefore, an acceptable mortgage rating is not required.

A copy of the original Note must be provided to support that the borrower is not on the existing mortgage. If applicable, declarations on the 1003 must be marked correctly, indicating any foreclosure or deed in lieu; the derogatory credit event will not be considered in the loan analysis.

An example of this scenario would be as follows:

- The borrower has resided in his/her parent's home for five years and is on the title to the property. During that time, the parents took out a reverse mortgage on the house in their names only (the borrower did not sign the Note). After the borrower's parents passed away, a Notice of Default was filed. The borrower remained in the home and now wishes to do a rate and term refinance. The borrower is not responsible for the derogatory credit event and is eligible for this transaction without having to provide a payment history on the mortgage.

Property Financed Through Borrower's Business

When a property financed through the borrower's business is reflected on Schedule E of the personal tax returns, a mortgage rating is not required if it is documented the borrower is not personally liable for the debt.

A copy of the mortgage Note must be obtained to verify no personal guarantee exists.

Standard Mortgage Verifications from Servicers

When the underwriter relies on standard mortgage verifications from servicers or holders, the verifications must include:

- The unpaid principal balance of the mortgage and monthly payment amount
- The present status of the mortgage, such as current, 30 days' delinquent, etc.
- The borrower's payment history

When a servicer fails to provide all of the requested information, the lender must rely on information provided through the borrower's canceled checks. The checks must:

- Be legible
- Identify the mortgage servicer or mortgage holder as the payee
- Indicate that the servicer or holder endorsed the check for deposit
- Indicate the date the servicer or holder deposited the check

Mortgage Account in Forbearance

Fannie Mae and Freddie Mac do not provide guidance specific to an account in Forbearance. Defer to Mortgage Payment History requirements.

Mortgage Delinquency

The underwriter must review the borrower's credit history to determine previous mortgage delinquency, severity (e.g., 30, 60, or 90 days), and recency of the delinquency. Loans with excessive prior mortgage delinquencies may not be eligible for financing through Cardinal.

Excessive prior mortgage delinquency is defined as any mortgage tradeline with one or more 60, 90, 120, or 150-day delinquencies reported within the 12 months prior to the credit report date. Refer to product snapshots and program guidelines for more information.

AUS Processed Loans

The AUS applies the following guidelines to the processing of loans with mortgage delinquencies:

- If any borrower's credit report contains a mortgage tradeline that is 60 or more days past due when the account was last reported by the creditor and the account was reported within the 12 months prior to the credit report date, the loan casefile will receive a Refer with Caution/ Caution recommendation.
- If there is a mortgage that is disclosed on the loan application but not reported on the credit report, or the mortgage is on the credit report with an outstanding balance but the payment history has not been reported in the last six months, the AUS will issue a message requiring the underwriter to confirm that the account is not two or more payments past due as of the date of the application and that it has not been past due by two or more payments in the last 12 months.
- If the underwriter determines that the borrower does have a mortgage that is past due by two or more payments or has been past due by two or more payments in the last 12 months, then the transaction is ineligible for financing.
- Borrowers may not bring past-due mortgage accounts current prior to closing in order to circumvent Fannie Mae's policy regarding past-due mortgages. However, the underwriter may apply some discretion with regard to the application of this policy if they determine and document that the past-due account status was not the fault of the borrower—for example, if the servicer misapplied or lost the borrower's payment.

The AUS will receive an Ineligible recommendation due to excessive prior mortgage delinquency if the borrower has a mortgage tradeline on their credit report that has one or more 60, 90, 120, or 150-day delinquencies reported within the 12 months prior to the credit report date.

The above policies will apply to all mortgage tradelines, including first liens, second liens, home improvement loans, HELOCs, and manufactured home loans.

Rental Payment History

The housing payment for each borrower's principal residence must be considered when underwriting the loan. For the following scenarios, the borrower's monthly rental housing payment must be evaluated (if the borrower does not otherwise have a mortgage payment or primary housing expense):

- For non-occupant borrowers, and

- For second homes or investment properties

The following list provides examples of acceptable documentation to verify the rental payment:

- Six months canceled checks or equivalent payment source;
- Six months bank statements reflecting a clear and consistent payment to an organization or individual;
- Direct verification of rent from a management company or individual landlord; or
- A copy of a current, fully executed lease agreement and two months canceled checks (or equivalent payment source) supporting the rental payment amount.

Direct landlord verification is acceptable whether the landlord is an individual or a professional management company.

Freddie Mac Positive Rental Payment History in Credit Assessment

Loan Product Advisor has been enhanced to indicate in the submission when a borrower's rent payment history has been documented. For certain mortgages, the borrower's rent payment history may impact the LPA credit assessment by upgrading a mortgage's Risk Class from Caution to Accept. When successful, the Feedback Certificate will include a message indicating the borrower's positive rent payment history was included in the credit assessment and that additional documentation must be maintained in the mortgage file.

Eligibility Requirements

For LPA to consider a borrower's rent payment history in the credit assessment, the following requirements must be met:

- The mortgage must be a purchase transaction, and
- At least one borrower with a rent payment history must:
 - Have a usable credit score, as determined by LPA, and
 - Be a First-Time Homebuyer who intends to occupy the subject property as their Primary Residence, and
 - Have been renting for a minimum of 12 months with a monthly rent payment of at least \$300

Documentation

- Executed lease(s) for the most recent 12 months, and
- Proof of timely rent payments (i.e., no 30-day or greater late payments) in accordance with the terms of the lease for the most recent 12 months as of the TRID Application Date as evidenced by one or more of the following:
 - 12 months canceled checks, or
 - 12 months asset account statements, or
 - Evidence of rent payments transferred from the Borrower's bank account to the landlord through a third-party money transfer application
 - Verification of rent and/or evidence of cash payments (e.g., money orders) are not acceptable documentation

The documentation used to support the Borrower's rent payment history must comply with the age of documentation requirement.

Debt Monitoring Report

Lenders are responsible for determining that all debts incurred by the borrower, up to and concurrent with settlement, are disclosed and evaluated in conjunction with the borrower's ability to repay the mortgage loan.

The Debt Monitoring Report (previously referred to as the Loan Quality Initiative Report) is utilized to identify any public records, newly acquired debt, or recent inquiries which may have resulted in new debt. The document is stored within our system of record under "Credit Report | Loan Debt Monitoring Report".

Octane is integrated with Credco's Loan Quality Debt Monitoring credit service to expand debt monitoring capabilities. This allows activation directly within Octane, providing continuous monitoring of credit updates for up to 120 days from the monitoring start date, or through funding.

Refer to the [Working the Debt Monitoring Report](#) for detailed guidance related to Report activation and subsequent debt and inquiry monitoring.

- Monitoring is initiated when the loan is conditionally approved, setting up automatic credit change alerts.

- Automated notification(s) of a new liability on a borrower's credit report is generated, prompting immediate review and action.
- The underwriter uses the debt monitoring report to verify no new public records, inquiries, or liabilities have been added prior to closing.
 - New or undisclosed debt is required to be included in the overall Debt to Income Ratio calculation; the new calculated DTI may not exceed the program parameters
 - New Public Records should be analyzed according to program requirements
 - The AUS (DU/LP), Loan Approval, 1003, 1008, etc., are to reflect the most recent data
- A new tri-merged credit report is required to be obtained if ANY new derogatory information related to any existing open trade lines on the original credit report is reported, or a new undisclosed debt with derogatory credit is reported.
- Upon receipt of the Report, any inquiry letters and any corresponding documents related to newly obtained debt will be input within the system of record within Credit > Inquiries.
- If the Debt Monitoring Report identifies new balance increases, those respective balances will also be updated within the liability screen with the corresponding payment.
- Debt balances or reductions in payments may not be utilized.

Additional Requirements on Conventional Conforming & Community Lending Loans

- AUS (DU/LPA) is required to be re-run if:
 - There is any new or undisclosed debt; or
 - Whenever a new tri-merge credit report is required as noted above

Additional Requirements on Jumbo Loans

- If AUS (DU/LPA) is required by the Jumbo investor, re-run if:
 - There is any new or undisclosed debt; or
 - Whenever a new tri-merge credit report is required as noted above

Notes

- When a new tri-merged credit report is obtained, an additional Debt Monitoring Report is not required until the credit report is greater than ten business days old.
- When the Report is reviewed and cleared, proceed forward to allow the loan to move to close.
- The result of the new tri-merged credit report may impact the pricing and borrower's eligibility for the loan.
- If the borrower's credit information is frozen at one of the credit repositories, the report is still acceptable. A Debt Monitoring Report with credit data frozen at two or more of the credit repositories is not eligible. Refer to [Chapter 2 Documentation Standards](#) for additional guidance on Frozen Credit.

Debt Monitoring Report Process Table

The following table contains instructions to follow when changes are identified on the Debt Monitoring Report.

Change Identified on Debt Monitoring Report	Curative Action
New Inquiry Resulting in No New Debt	<ul style="list-style-type: none"> • All new inquiries will be input within the system of record within Credit > Inquiries to allow for the procedures within the Working the Debt Monitoring Report to be followed. • Upon receipt of the executed credit inquiry letter(s), decision all requirements related to supplemental credit inquiries, and if the letter states no new debt incurred, no additional action is required. <p>Note: If closing documents have been released, please alert the assigned closing team member that you have uploaded a new letter of explanation to the Closing Supplemental smart document folder to ensure the explanation letter is remitted to the settlement agent with our closing documents.</p>

<p>New Inquiry Resulting in New Debt</p>	<ul style="list-style-type: none"> All new inquiries will be input within the system of record within Credit > Inquiries to allow for the procedures within the Working the Debt Monitoring Report to be followed. Upon receipt of the executed credit inquiry letter(s), decision all requirements related to supplemental credit inquiries. If letter(s) states new debt was obtained, obtain documents evidencing terms of new debt or credit supplement validating terms of new debt so that it can be added Credit > Liabilities section to ensure the new debt is assessed in accordance with the below-mentioned scenarios. <p>Note: If closing documents have been released, please alert the assigned closing team member that you have uploaded a new letter of explanation to the Closing Supplemental smart document folder to ensure the explanation letter is remitted to the settlement agent with our closing documents.</p>
<p>New Liability with Balance Present: Conforming/ Community Lending</p>	<ul style="list-style-type: none"> Transaction Coordinator will obtain documents evidencing terms of new debt or credit supplement validating terms of new debt so that it can be added to the Credit > Liabilities section to ensure the new debt is assessed in accordance with program guidelines. Automated Underwriting Findings should be evaluated closely to ensure new credit information does not change the terms of automated underwriting requirements or decisions. Debt to Income Ratio must remain eligible per product guidelines.
<p>New Liability with Balance Present: Jumbo</p>	<ul style="list-style-type: none"> Transaction Coordinator will obtain documents evidencing terms of new debt or credit supplement, validating terms of new debt to ensure that it is assessed in accordance with program guidelines. Automated Underwriting Findings (where required) should be evaluated to ensure new credit information does not change the terms of automated underwriting requirements or decisions. Debt to Income Ratio must remain eligible per product guidelines. Decision all requirements related to the Credit Report Loan Debt Monitoring Report document.
<p>New Derogatory Credit related to a New Trade Line (all programs)</p>	<ul style="list-style-type: none"> If ANY new derogatory credit presents itself, obtain a new tri-merged credit report to review the impact of the new derogatory credit information. The new derogatory credit will be reviewed and evaluated by underwriting to assure loan parameters still meet product guidelines; this includes mortgage

	<p>late payments, consumer late payments, collections (including medical), and other serious derogatory events.</p> <ul style="list-style-type: none"> ● Re-run AUS with the new credit report ID evidencing the new credit information as required by specific product guidelines and ensure acceptable automated findings are retained in accordance with product guidelines. Reminder: Not all jumbo investors require AUS to be run. ● Decision all requirements related to the Credit Report Loan Debt Monitoring Report document.
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Fair Credit Reporting Act

The Fair Credit Reporting Act of 1970, 15 U.S.C. § 1681, et. seq. (“FCRA”) establishes laws regarding the purpose and acquisition of credit reports used in conjunction with mortgage financing. The FCRA is intended to protect consumers from misinformation being used against them. It offers very specific guidelines on the methods credit reporting agencies use to collect and verify information and outlines reasons that information can be released. Mortgage Lenders must have a ‘permissible purpose’ and must obtain a consumer’s consent before they are allowed to acquire a credit report. To ensure Cardinal Financial Company, Limited Partnership’s (“Cardinal”) adherence to this law, the following policy and practices are effective immediately. (Note adverse actions under FCRA are addressed in Cardinal’s [Fair and Responsible Lending Policy](#).)

Policy & Standards

Permissible Purpose

Cardinal employees must have a permissible purpose to request a credit report on a consumer. An allowable permissible purpose for a mortgage lender includes requesting a credit report in connection with a credit transaction involving a consumer. A credit report will only be requested in connection with an application for a mortgage loan.

Authorization

Mortgage loan originators (“MLO”) may obtain a credit report for a consumer only in conjunction with a mortgage loan application. In accordance with applicable federal and state regulations, MLOs must ensure they have adequately identified the consumer and must obtain a consumer’s authorization prior to acquiring a credit report.

To verbally verify identity, a consumer must be able to provide their current address, full legal name, date of birth, and social security number. If credit report acquisition occurs subsequent to the application interview, the borrower must confirm their identity by confirming their full legal name, last four digits of the social security number, and either the subject property address or their current residence address.

A credit report may only be obtained with the express consent of the individual to whom the credit pertains (“Credit Subject”). Cardinal must obtain such permission either in writing or verbally. Permission may not be granted on behalf of another individual, even if such individual is the spouse of the Credit Subject. If a joint applicant is added to the loan after an initial credit report has been obtained, the additional person must provide their authorization. The method of authorization is subject to the following standards and requirements:

- If the borrower's application is completed online, authorization to acquire credit is captured via the internet during the application process.
- If the borrower's application is completed through any other method, authorization to acquire credit may be captured via phone, face to face, email, or mail.

Exception - Permission is not required to access new credit reports when:

- The borrower's written authorization has been provided, and
- The new credit report is being obtained to correct any data discrepancy related to the borrowers' legal name or social security number.

Credit Report | Required Actions for Name Variation, Other Discrepancies

Cardinal's minimum credit criteria require a new credit report when certain discrepancies apply between Octane and the original credit report.

The discrepancies are:

If Value Differs between Octane and the Credit Report	Then, a New Credit Report Is Required
Social Security Number	Yes
Borrower (Applicant) Last Name	Yes
Borrower (Applicant) First Name	Yes

Borrower (Applicant) Name Suffixes (Jr./Sr.)	Yes
Date of Birth	No
Borrower (Applicant) Current Address	No
Borrower (Applicant) Middle Name or Initial	No <i>Note: If Automated Underwriting is not successful and procedures related to a Force ReIssue don't resolve the issue, a new credit report may be required.</i>

Required Scripts

Cardinal does not have a formally required script to utilize for authorization to pull credit and will rely on the MLO's good judgment and professionalism to ensure applicant(s) are properly informed, and sufficient authorization is obtained. **At a minimum, the MLO must state, "Do I have your authorization to pull credit?"**

System Process and Data Capture

Before obtaining credit on any application, the MLO must capture in the system of record detailed information regarding the borrower's authorization indicating:

- The party who granted authorization,
- The method it was obtained, and
- The date it was obtained

Disclosure of Credit Scores

When a credit score is used in connection with the arranging or making of a mortgage loan, a disclosure titled "Notice to The Home Loan Applicant" is provided to the consumer. Cardinal contracts with its consumer reporting agencies to create and provide this disclosure to all consumers that Cardinal is provided a credit score.

Prescreened lists

At times Cardinal may initiate a marketing campaign that uses a list of prescreened consumer reports obtained from a consumer reporting agency that includes consumers that meet certain predetermined

creditworthiness criteria. When one of these lists is used, a firm offer of credit is made to each consumer on the list. In addition to the firm offer of credit, an opt-out notice will be provided to the consumer indicating the process a borrower can follow to opt-out of being included on prescreened lists.

Enforcement

If during any routine, random audit it is discovered that an MLO is in violation of this policy, they may be subject to disciplinary action, up to and including termination of employment.

References

Reference List
B3-5.3-09. DU Credit Report Analysis
Chapter 4 Eligible Transactions
TC Working the Loan Quality Initiative (LQI) Report

Revision History

Revision History is to be used as a reference only and will only provide a summary of document changes. For complete versioning, refer to the Google Docs versioning functionality, which is the system of record.

Date	Version	Description	Approver	Octane Alignment
2.25.26	V27	Updated Freddie Mac (LPA) guidance for Authorized Users stating effective for Loan Product Advisor submissions or resubmissions on or after 2.10.2026 for Accept Mortgages, assessment of authorized user tradelines on the borrower's credit report will not be required	Kristen Bellon	Pending
1.19.26	V26	Added clarification under Non-traditional Credit History to include two additional utility company references. This update is clarification and may be applied as of 1.14.26 to all loans in process	Kristen Bellon	-
11.14.25	V25	Added clarification under the Freddie Mac Positive Rental Payment History in Credit Assessment that a Verification of Rent and/or evidence of cash payments are not acceptable documentation when documenting an acceptable payment history	Kristen Bellon	-

		This guidance is effective for all loans in process as of 11.5.25		
11.10.25	V24	<p>Updated the Credit Score Determination section removing the guidance that for loan casefiles with more than one borrower, DU will use an average median credit score when determining if a loan casefile meets the minimum credit score requirement</p> <p>Additional guidance has been added explaining how DU will assess the credit risk of the loan instead of relying on a minimum credit score. Cardinal minimum Credit Score requirements as indicated in related product snapshots must still be met</p> <p>This guidance is effective for loan casefiles submitted on or after 11.16.25</p>	Kristen Bellon	Pending
9.24.25	V23	Renamed the Loan Quality Initiative Report section to Debt Monitoring Report and provided detailed guidance for a new automated feature within Octane related to the monitoring of public records, newly acquired debt and credit inquiries	Kristen Bellon	Complete
7.14.25	V22	<p>Added guidance under Positive Rental Payment History in Credit Assessment indicating for LPA mortgages, the borrower's rent payment history may impact the LPA credit assessment by upgrading a mortgage's Risk Class from Caution to Accept</p> <p>This update is effective immediately</p>	Kristen Bellon	Complete
3.24.25	V21	Clarified under Authorized User Accounts for Freddie Mac transactions that the payment must be included in the borrower's debt to income ratio when the borrower has been making payments on the account for the most recent 12 months. This update is effective with Note date on or after 4.1.25	Kristen Bellon	Complete
2.12.25	V20	Added guidance under Borrowers Without A Credit Score stating for loans underwritten using DU Version 12.0, transactions will no longer be subject to limitations on loan purpose or	Kristen Bellon	Pending

		occupancy and will be subject to standard eligibility guidelines		
4.3.24	V19	Indicated Cardinal Overlays to agency guidelines by highlighting text in our signature <i>Riptide</i> color. Overlays correspond to Cardinal Retail Overlay or TPO Overlay Matrix	Kristen Bellon	-
11.9.23	V18	Updated Timeshare Charge Offs or Foreclosures section aligning Fannie Mae and Freddie Mac guidance	Kristen Bellon	
9.29.23	V17	Updated chapter removing reference to the Temporary Operational Policy and Procedure document	Kristen Bellon	
6.20.23	V16	Updated Loan Quality Initiative Report Process table with clarification related to New Derogatory Credit	Kristen Bellon	
5.23.23	V15	Updated Significant Adverse Credit Waiting Periods to clarify AUS requirements and specify applicability to Freddie Mac/LPA loans	Kristen Bellon	
3.9.23	V14	Updated Extenuating Circumstances section to align with agency guidance	Kristen Bellon	
3.9.23	-	Removed seasoning period for Modified or Restructured Loans	Kristen Bellon	
7.26.22	V13	Updated Borrowers without a Credit Score section clarifying a borrower without a credit score earning more than 50% of qualifying income is eligible when non-traditional credit can be documented	Kristen Bellon	
1.28.22	V12	Added reference to Chapter 3 Automated Underwriting for scenarios involving a manually underwritten loan	Kristen Bellon	
12.16.21	V11	Immaterial changes. Corrected grammar and formatting to align with company standards		
10.27.21	V10	Added additional guidance for Authorized User Accounts	Kristen Bellon	
10.4.21	V9	Added Credit Score Determination section	Kristen Bellon	
8.16.21	V8	Updated Evidence of Mortgage Payment History section adding additional guidance for an automated verification credit supplement	Kristen Bellon	
7.14.21	V7	Removed requirement that all loans with extenuating circumstances exceptions must be approved through the Credit Committee using the Requesting Credit Exceptions process	Erica Price	

5.11.21	V6	Updated Past-Due, Collection, and Charge-Off of Non-Mortgage Accounts section splitting out FNMA and Freddie Mac requirements	Kristen Bellon	
5.11.21	V6	Added guidance for late mortgage payments reflected on credit for vacant land	Kristen Bellon	
4.20.21	V5	Clarified requirements for borrowers with no credit score and added LPA as an eligible AUS engine	Kristen Bellon	
4.12.21	V4	Added guidance for a foreclosure on vacant land	Kristen Bellon	
3.22.21	V3	Credit Report Required Actions for Name Variation, Other Discrepancies	Erica Price	
2.12.21	V2	Added Fair Credit Reporting Act section	Kristen Bellon	
2.11.21	V1	Added additional guidance for acceptable documentation related to the borrower's prior mortgage(s) when the payment history is not reflecting on credit	Erica Price	
9.10.20	-	Updated Timeshare Charge Offs or Foreclosures requirements for Freddie Mac	Kristen Bellon	
8.10.20	-	Updated Borrowers Without a Credit Score section to show one borrower with a credit score and one borrower without a credit score eligible with Fannie Mae only. Added guidance for Borrowers with Disabilities and Non-US Citizen and Foreign Borrowers	Ellen Clayson	
7.28.20	-	Updated Significant Adverse Credit Items Not Reporting on Credit section	Ellen Clayson	
6.25.20	-	Clarified FNMA and Freddie Mac requirements for an adverse credit event related to a timeshare	Kristen Bellon	
6.23.20	-	Clarified when a property is financed through the borrower's business, a mortgage rating is not required if it is documented the borrower is not personally liable for the debt	Ellen Clayson	
5.8.20	-	Provided requirements to allow the subject transaction to proceed when an active forbearance is canceled	Ellen Clayson	
5.5.20	-	Added guidance that if the subject mortgage, or any mortgage tied to other Real Estate Owned by the borrower, is in a forbearance status, the loan	Erica Price	

		is ineligible for financing		
4.28.20	-	Updated waiting period requirements for Significant Adverse Credit	Kristen Bellon	
4.27.20	-	Added clarification that if a mortgage payment does not escrow for taxes, the underwriter does not need to consider the payment history of the property taxes as part of the mortgage payment history	Ellen Clayson	
3.29.20	-	<ul style="list-style-type: none"> Moved Credit Report requirements to Chapter 2 Documentation Standards Removed requirement that all mortgage tradelines must show payment activity within 30 days of the loan application 	Ellen Clayson	
3.17.20	-	Added Initial Fraud Alert section	Erica Price	
1.5.20	-	<ul style="list-style-type: none"> Added Non-Traditional Credit References section Added requirements for Freddie Mac permitting one borrower with a credit score and one borrower without a credit score 	Ellen Clayson	
11.1.19	-	<ul style="list-style-type: none"> Added that a Chapter 12 Bankruptcy cannot be read by either DU or LPA and will render the loan ineligible THDA and WSHCA do not require LQI for government loans 	Erica Price	
10.1.19	-	<ul style="list-style-type: none"> Clarified LQI Process for Frozen Repositories and New Balance Procedures Added section, Subject Property Mortgage Debt not in Borrower's Name 	Ellen Clayson	
9.1.19	-	<ul style="list-style-type: none"> Formatted to Remove any Government Product Entries Clarified that the most recent and accurate credit report must be used in the loan decision 	Ellen Clayson	
8.1.19	-	Clarified Borrowers Without a Credit Score Must be run DU with at least One Borrower having Traditional Credit and Score.	Ellen Clayson	
7..1.19	-	Removed References to Non-Traditional Credit	Ellen Clayson	
4.1.19	-	Added Loan Quality Initiative Report	Erica Price	

11.1.18	-	Reduced Credit Inquiry Timeframe	Erica Price	
10.1.18	-	Authorized User Accounts	Erica Price	
3.1.18	-	Non-Traditional Credit	Erica Price	
1.1.18	-	Frozen credit, LQ Instant Merge, Modifications	Erica Price	
10.1.17	-	Clarification on treatment of reaffirmed debt with a later delinquency. Clarification of Non-agency direct verification of rent.	Erica Price	
9.1.17	-	Initial Approval	Erica Price	