

Nontraditional credit guidelines

A total of 3 credit references from the most recent 12 months, from either the credit report and/or nontraditional (sometimes referred to as “alternative”) sources, are required for each borrower whose income is being used for qualification. (Nontraditional credit is not acceptable for Reduced Documentation loans.)

If nontraditional credit sources need to be documented, the minimum requirement is a recent 12-month history. In order of importance, the following types of credit can be used as nontraditional credit sources:

- Housing payments (mortgage or rental)
- Utilities (if not included in housing payment), such as electricity, gas and water payments or telephone service, cable/satellite television service payments

We review the number and severity of late payments to determine whether a borrower’s credit history presents an acceptable risk. MGIC *generally* defines the acceptable level of late payments as follows:

Obligation	Acceptable Number of Late Payments	
	Last 12 Months	Last 24 Months
Housing (mortgage, rent)	<ul style="list-style-type: none"> • 0 lates 	<ul style="list-style-type: none"> • 1x30-day • 0x60-day or beyond
Utilities, telephone or cable service payments	<ul style="list-style-type: none"> • 1x30-day • 0x60-day or beyond 	<ul style="list-style-type: none"> • 2x30-day or 1x60-day • 0x90-day or beyond

The credit providers listed above should be contacted first to document nontraditional credit sources. If the credit sources listed above cannot be documented, then the references listed below should be used:

- Medical insurance coverage payments (excluding payroll deductions)
- Automobile insurance payments
- Life insurance policy payments (excluding payroll deductions)
- Household (renter’s) insurance payments
- Local store payments (department, furniture, appliance)
- Rental payments related to durable goods (including automobiles)
- Medical bill payments
- School tuition payments
- Ongoing child-care payments
- Payments on a loan obtained from an individual (Repayment terms must be documented in a written agreement.)

Acceptable documentation for all credit sources includes cancelled checks and bills marked paid.