



## **Compensating Factors Used When Layers of Risk are Present**

- 1. The Borrower has successfully paid housing expense => proposed 12-24 months**
- 2. The Borrower makes a down payment =>10% from their own funds**
- 3. A conservative attitude toward use of credit**
- 4. Previous credit history shows the Borrower has the ability to devote a greater portion of income to housing expense**
- 5. The Borrower receives documented compensation that directly affects ability to pay mortgage**
- 6. There is only a minimal (20% or less) increase in the Borrower's housing expense**
- 7. The Borrower has documented liquid reserves (at least 6 months PITI after closing**
- 8. The Borrower has substantial (25%+) nontaxable income currently not being considered in qualifying ratios**