

C. Delinquent Accounts

1. The Lender must obtain an explanation from the borrower for adverse credit ratings, including mortgage payments made consistently after the 15th of the month. Generally, a written explanation for a minor, isolated instance of poor credit or a late payment is not required.
2. Reports of foreclosure, numerous slow payments, collections, court suits or other adverse ratings may disqualify the borrower from further consideration unless valid and verified reasons can be established to minimize the probability of reoccurrence. Where it can be established that any adverse rating was caused by circumstances beyond the borrower's control (such as prolonged family illness or loss of employment) and the borrower has re-established his credit, favorable consideration may be given to receive loan approval. (See [Section 4005.10](#).) However, it is not realistic to expect the re-establishment of credit can be accomplished in less than one year.
3. Follow AUS for guidance on collection accounts. If manual underwriting is required, collection accounts with balances above \$250, as well as all judgments, garnishments, liens, and child support arrearages (See [.07](#) below), must be paid at or prior to loan closing.