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October 10, 2022

**To:** Clients and Friends

**From:** David F. Dulock

**Subject:** FHA Mortgagee Letter 2022-17 Rental History for First-time Homebuyers

On September 27, 2022, FHA issued the above Mortgages Letter ([ML 2022 -17](#)) to provide guidance to lenders regarding the introduction of positive rental history for First Time Homebuyers on forward purchase transactions.

To recognize such positive credit attributes, FHA is updating its TOTAL Mortgage Scorecard to allow for the utilization of positive rental payment history for the credit risk assessment when delivering credit decisions through TOTAL Mortgage Scorecard.

The effective date of this ML 2022-17 guidance is October 30, 2022, for case numbers assigned on or after September 20, 2021.

ML 2022-17 guidance will be incorporated into an update to Handbook 4000.1 section II.A.4.b.iii by adding new section: II.A.4.b.iii (L) reprinted below:

**(L) Positive Rental Payment History (TOTAL) (II.A.4.b.iii (L))**

**(1) Definitions**

Positive Rental Payment History refers to the on time payment by a borrower of all rental payments in the previous 12 months. A rental payment is considered to be on time when it is paid within the month due.

A First Time Homebuyer refers to an individual who has not held an ownership interest in another property in the three years prior to the case number assignment. First Time Homebuyer includes an individual who is divorced or legally separated and who has had no ownership interest in a principal residence (other than joint ownership interest with a spouse) during the three years prior to case number assignment.

**(2) Standard**

A Mortgagee may submit the transaction to TOTAL Mortgage Scorecard indicating a Positive Rental Payment History provided:

- the transaction is a purchase;
- at least one Borrower is identified as a First Time Homebuyer;
- the Minimum Decision Credit Score (MDCS) is 620 or greater; and
- at least one Borrower has a documented history of a positive rental payment history with monthly payments of \$300 or more for the previous 12 months.

**(3) Required Documentation**

To verify the Borrower's rental payment history, the Mortgagee must obtain a copy of the executed rental or lease agreement and one of the following:

- written verification of rent from a landlord with no Identity of Interest with the Borrower; or
- 12 months canceled rent checks; or
- 12 months bank or payment service statements documenting rents paid; or

(2 pages)

- landlord reference from a rental management company.

Borrowers renting from a Family Member must provide a copy of the executed rental or lease agreement and 12 months canceled checks or bank statements to demonstrate the satisfactory rental payment history.

Recipients should read ML 2022-17 and not rely only on the information in this memorandum.

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