

**DATE:** June 14, 2022  
**TO:** All Origination Staff  
**FROM:** Craig Timmins, Managing Director  
**RE:** Guideline Change on DSCR Loans

Effective immediately, for establishing the appropriate qualifying FICO score, we will use the highest middle score of all applicants when the cash flow of the subject property is used to repay the loan (i.e.: loan is qualifying under our DSCR Program). On Business Purpose loans where the borrower's provide bank statements and a DTI is calculated, we will continue to use the score of the documented primary wage earner. The primary applicant / guarantor must have sufficient tradelines and an acceptable score for the program. Additional applicants / guarantors do not need to meet the tradeline depth requirements or the minimum score for the program.

A red-lined version of the guideline changes is shown below:

#### 4.6 CREDIT SCORE DETERMINATION

##### -CONSUMER TRANSACTIONS-

Acra's grading criteria combines the credit score for consumer credit, the mortgage / rental rating and income analysis to achieve a loan grade.

The credit bureau score of the primary wage earner is the credit score assigned to the loan. The primary wage earner is the borrower who is paid the highest salary based on the employment and occupation information documented in the file. Should multiple applicants make the same amount as the primary wage earner, the lower score between them will be utilized for qualification. Similarly, if two Applicants are 50 / 50 owners of a business, the lower score is again utilized between these primary wage earners.

The credit score assigned to the loan is determined as follows:

- If three (3) scores are supplied on the primary wage earner, use the middle of the three (3) scores.
- If two (2) credit scores are supplied on the primary wage earner, use the lower of the two (2) scores.
- Acra does not extend credit where the primary wage earner has one (1) or less credit scores.

Example: If three (3) scores are supplied for each borrower on a loan application:

Borrower 1: 600, 630, 650 – middle score is 630

Borrower 2: 590, 600, 580 – middle score is 590

Whereas if Borrower #2 were the primary qualifier (as described above), 590 would be used as it is the lowest of the selected (in this case, middle score) score for both borrowers.

A co-borrower without scores or depth can be on the loan application should they contribute zero qualifying income to the file – regardless, a credit pull of this individual is required.

## -BUSINESS PURPOSE / DSCR TRANSACTIONS-

On Business Purpose / DSCR loans when the cash flow of the property is used to determine the repayment ability, the credit score assigned to the loan will be determined by using the highest middle score of all applicants. For loans that close in the name of an entity, the score will be determined by the highest middle score of the personal guarantors, presuming equal percentages of ownership. If ownership percentages differ, qualifying score will be off the individual with the highest concentration of ownership.

The primary applicant / guarantor must meet the tradeline qualifications and have a sufficient score for the program. Additional applicants / guarantors are not required to meet the tradeline qualifications or the minimum score for the program.

On refinance transactions, only the score of the applicant / guarantor on title will be used for determining the score (i.e.: an applicant that is newly introduced to title would not be the qualifying score, but instead the existing party(ies) score(s) would be considered).

Example-2: The loan will close in the name of an entity and there are three personal guarantors – each with matching percentage of ownership – with the following scores:

Guarantor 1: 670, 690 – lower of two scores is 670

Guarantor 2: 620, 640, 655 – middle score is 640

Guarantor 3: 720, 760, 755 – middle score is 755

The score for this loan is 755 since it is the highest qualifying score of all guarantors.