



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-  
FEDERAL HOUSING COMMISSIONER

April 9, 2004

MORTGAGEE LETTER 2004-13

TO: ALL APPROVED MORTGAGEES

SUBJECT: Credit Bureau Score Requirements for FHA-Insured Mortgages

The Federal Housing Administration (FHA) requires that mortgagees obtain a credit report to underwrite FHA-insured mortgages. Typically, a credit bureau score is provided with this credit report. Effective for all loan applications signed by borrowers on or after May 1, 2004, in those instances where a credit score is obtained, lenders will be required to enter those scores into the FHA Connection (or functional equivalent).

The three national consumer-reporting agencies (previously called "credit bureaus") that provide credit bureau scores are Equifax, Experian, and TransUnion. Each independently collects data from creditors, public records agencies, and other sources of financial information, and from this information can generate and provide a credit score. The credit bureau score provided by TransUnion is called Empirica®; for Equifax, it is Beacon®; and for Experian it is the Experian/Fair Isaac Risk Model score. If lenders have obtained a credit report that includes credit scores in connection with their underwriting of an FHA-insured loan application, these credit scores are to be entered into the FHA Connection.

Lenders are reminded that borrowers without credit bureau scores are not disqualified or in any way considered ineligible for FHA mortgages. FHA's policies regarding nontraditional credit, as described in Handbook HUD-4155.1 REV-5, remain intact. Additionally, certain borrowers, e.g., approved nonprofits, state and local government agencies, will also not have a credit bureau score and credit bureau scores are not required for streamline refinance transactions. If a borrower is not required to have a credit bureau score, as described above, or one is not generated due to insufficient trade lines on the credit report, the lender must indicate this by entering "n/a" in the credit bureau score field in the FHA Connection.

Mortgages that are risk scored by FHA's TOTAL (Technology Open To Approved Lenders) Mortgage Scorecard already have the credit bureau scores entered and no additional credit bureau score entries are necessary. TOTAL generates a risk rating by examining the credit bureau scores and other variables associated with the mortgage application.

The FHA Connection has been modified to capture lender input of borrower credit bureau scores. It will not, however, allow for a manual re-entry of a credit bureau score once the loan application is evaluated by TOTAL. If a mortgage is scored through an AUS employing TOTAL, the credit bureau scores remain permanent (unless re-scored through the AUS) and cannot be changed with manual input.

If you have any questions regarding this Mortgagee Letter, please contact your Homeownership Center (HOC) in Atlanta (888-696-4687), Denver (800-543-9378), Philadelphia (800-440-8647), or Santa Ana (888-827-5605).

Sincerely,

John C. Weicher  
Assistant Secretary for Housing-  
Federal Housing Commissioner

