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January 15, 2009

Directive 2009-1

MEMORANDUM: ALL PARTICIPATING LENDERS  
SUBJECT: CHANGES TO THE UNDERWRITING GUIDELINES

The purpose of this Directive is to inform you of the changes to the underwriting guidelines. For Maryland Mortgage Program (MMP) loans reserved on or after January 21, 2009, the changes outlined in this directive will become effective. Information relating to these changes to the underwriting guidelines will be updated on the website and Lender On-Line.

**MINIMUM REPRESENTATIVE CREDIT SCORE**

The minimum representative credit score for conventional loans will continue to be 620 and for government-insured and guaranteed loans it will be 580.

If the borrower does not have a credit score as evidenced by the credit score page of a credit report and the borrower's loan is a manually underwritten FHA-insured loan, the loan will be eligible if the borrower has acceptable non-traditional qualifying credit as determined by current FHA underwriting guidelines. Please note: This new policy takes the place of the policy relating to "Borrower with no credit score" in Directive 2007-14 and only applies to FHA-insured loans.

**MAXIMUM TOTAL DEBT-TO-INCOME RATIO**

For all (this includes government and conventional loans) manually underwritten loans, the Community Development Administration supports a benchmark total debt-to-income ratio of 36 percent but will allow the benchmark to be exceeded up to a maximum of 45 percent with strong compensating factors as per Fannie Mae's guidelines. If the total debt-to-income ratio exceeds 36 percent on a manually underwritten loan, the strong compensating factors must be listed on the underwriting worksheet. However, the maximum total debt-to-income ratio for all automated underwritten loans is 45 percent.

As always, we appreciate your continued participation in MMP. If you have any questions concerning this Directive or suggestions for improving our Program, please contact me directly at (410) 514-7508 or 1-800-638-7781 or by e-mail at [manahan@mdhousing.org](mailto:manahan@mdhousing.org).

Sincerely,

*William J. Manahan*

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