

Who is a Non-Occupant Borrower?

Fannie Mae defines a non-occupant borrower as anyone, such as a parent, who is willing and financially able to be a borrower on the mortgage but will not live in the home. These individuals are often included in loan scenarios when the primary borrower or co-borrowers cannot qualify for a loan independently.

GSE Guidelines for Non-Occupant Borrowers

The guidelines from Fannie Mae and Freddie Mac can vary based on whether the loan is reviewed manually or through an Automated Underwriting System (AUS), like Fannie Mae's Desktop Underwriter (DU) or Freddie Mac's Loan Product Advisor (LPA).

Here are some key points:

- » The non-occupant borrower must sign the mortgage or deed of trust note.
- » For manually underwritten loans, the maximum Loan To Value ratio (LTV), Combined Loan To Value ratio (CLTV), or Home Equity Combined Loan To Value ratio (HCLTV) may not exceed 90%.
- » For loans approved through AUS, like DU or LPA, the maximum LTV, CLTV, HCLTV is 95%.
- » For manually underwritten loans, the maximum Debt-To-Income ratio (DTI) is 43% for the occupying borrower.
- » For loans underwritten through DU or LP, the DTI max applies to both borrowers.

Example Scenarios

Scenario 1

Consider this: A first-time homebuyer earns \$5k/month but has liabilities amounting to \$2.6k/month. The proposed mortgage payment would push her DTI ratio over 52%, disqualifying her from securing a loan independently.

Her father, who earns \$8k/month with only \$1.2k in liabilities, offers to join as a non-occupying co-borrower.

Can they qualify for a loan with their combined income and liabilities?

Yes, they can. Their combined income (\$13k/month) and liabilities (\$3.8k/month) result in an acceptable DTI of 29%. If this scenario was underwritten with valid AUS parameters and within guidelines, it would meet GSE requirements for an application with a non-occupant borrower.

Scenario 2

In another case where borrowers are purchasing a two-unit primary residence but lack sufficient assets to do so independently, they enlist help from another family member.

Can the borrowers qualify for the loan if it is manually underwritten and there is a non-occupant borrower?

Yes, they can, provided certain conditions are met according to GSEs' guidelines:

- » The occupying borrowers need at least 5% down payment.
- » Two-unit properties are allowed even when there's a non-occupying co-borrower.
- » For a two-unit property, GSEs require 5% down payment.

Therefore, the non-occupant borrower would need to provide additional funds to help the borrowers qualify for the loan.

Resources:

- [Fannie Mae Selling Guide B2-2-04, Guarantors, Co-Signers, or Non-Occupant Borrowers on the Subject Transaction \(09/02/2020\)](#)
- [Fannie Mae Non-Occupant Borrower Fact Sheet](#)
- [Freddie Mac Selling Guide 5103.1, Mortgages including a non-occupying Borrower](#)

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