



## DEROGATORY CREDIT EXPLANATION LETTER

Prepared by: Agent \_\_\_\_\_  
Broker \_\_\_\_\_

Phone \_\_\_\_\_  
Email \_\_\_\_\_

**NOTE:** This form is used by a borrower, on their agent's recommendation, when the borrower receives a negative credit score usage notice in response to their application for a consumer mortgage, to provide the mortgage loan originator (MLO) or lender with an explanation of derogatory items on the borrower's credit report.

The borrower's letter prepared on page two and three assists the MLO or lender in determining creditworthiness by explaining why the derogatory items exist, what steps have been taken to resolve them and why derogatory items will no longer arise.

### INSTRUCTIONS:

In **Section 1** on page two, enter the application number for the loan rejected by MLO or Lender due to derogatory item(s) listed on your credit report.

In **Section 2** on page two, check the box or write the name of the Credit Bureau which issued the credit report containing the derogatory item(s) which are now negatively affecting your ability to obtain a Mortgage.

In **Section 3** on page two, in chronological order, list the derogatory item(s) which appear on your credit report. Include:

- 1) the name of the creditor;
- 2) the date the derogatory item(s) was added to your credit report; and
- 3) the amount of money involved in the derogatory item(s).

In **Section 4** on page two and three, provide an explanation for each derogatory item(s) which appears on your credit report you have obtained. Each explanation is in response to the corresponding derogatory item(s) listed in **Section 3**. For example, the explanation in **Section 4.1** will be in response to the derogatory item(s) of **Section 3.1**.

It is important to clearly describe the history of the derogatory item(s). Begin your explanation at a point necessary to establish the full context of the derogatory item(s), but do not include unnecessary data.

Be honest regarding the personal circumstances which colluded to create the derogatory item(s). If the item(s) was the result of your own negligence, acknowledge your mistake candidly. Approach the item(s) from a perspective which exhibits your reformed financial habits.

Discuss the steps and actions which have been taken to remedy the derogatory item(s). In your acknowledgment of the item(s), portray your present understanding of the necessity to repay debt. Provide concrete examples of how your financial health has improved and itemize what steps have been taken to ensure that similar negative item(s) will not occur again.

Check the box in **Section 5** on page three if additional pages of explanation are needed to thoroughly explain the derogatory item(s), and indicate the number of pages attached.

It is advised you attach supplementary documentation to evidence your explanation(s) provided in **Section 4**. Supplementary documentation adds weight and legitimacy to your explanation. For example:

- 1) job loss claims can be supported by layoff notices and unemployment records;
- 2) divorce based claims can be evidenced by divorce court and tax documents;
- 3) inability to work resulting from injury can be documented with workers' compensation records; and
- 4) spousal abuse can be shown with medical reports and police records.

Check the box in **Section 6** on page three if you've attached any supplementary documentation and indicate how many pages are attached. In **Section 6.1**, identify the nature of the supplementary documentation and reference what derogatory item(s) from **Section 3** and what explanation from **Section 4** the documents relate to.

Be truthful, persuasive and personal in your completion of the explanation letter.

**DEROGATORY CREDIT EXPLANATION LETTER**

**DATE:** \_\_\_\_\_, 20\_\_\_\_, at \_\_\_\_\_, California.

**TO LENDER:**

Address \_\_\_\_\_  
\_\_\_\_\_  
Phone \_\_\_\_\_ Cell \_\_\_\_\_  
Email \_\_\_\_\_

**FROM BORROWER:**

Address \_\_\_\_\_  
\_\_\_\_\_  
Phone \_\_\_\_\_ Cell \_\_\_\_\_  
Email \_\_\_\_\_

1. This letter is regarding the loan application number \_\_\_\_\_.

2. Name of Credit Bureau that issued report:

- Equifax  
PO BOX 740241, Atlanta, GA 30374  
1-800-685-1111
- Experian  
PO BOX 2002, Allen, TX 75013  
1-888-397-3742
- TransUnion  
PO BOX 1000, Chester, PA, 19022  
1-800-888-4213

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
Phone: \_\_\_\_\_

3. Derogatory item(s) listed on the credit report:

- 3.1 \_\_\_\_\_  
\_\_\_\_\_
- 3.2 \_\_\_\_\_  
\_\_\_\_\_
- 3.3 \_\_\_\_\_  
\_\_\_\_\_
- 3.4 \_\_\_\_\_  
\_\_\_\_\_
- 3.5 \_\_\_\_\_  
\_\_\_\_\_

4. This letter is intended to explain each derogatory item on my credit report you have obtained. Each explanation is in response to the corresponding derogatory item(s) listed above.

- 4.1 \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4.2

4.3

4.4

4.5

5.  See attached \_\_\_\_\_ pages of additional explanations.

6.  See attached \_\_\_\_\_ pages of supplementary documentation.

6.1 Attached supplementary documentation is described as \_\_\_\_\_

**The above explanations are true and correct**

See Signature Page Addendum. [RPI Form 251]

Date: \_\_\_\_\_, 20\_\_\_\_

Borrower: \_\_\_\_\_

Signature: \_\_\_\_\_

**The above explanations are true and correct**

See Signature Page Addendum. [RPI Form 251]

Date: \_\_\_\_\_, 20\_\_\_\_

Co-Borrower: \_\_\_\_\_

Signature: \_\_\_\_\_