



Non-participating Spouse's Estoppel Certificate

Credit decisions are affected when the spouse of a borrower chooses not to accept personal liability on a loan. A new option is now in place to allow for a non-obligor spouse. This exception to standard underwriting guidelines will be considered when using a current joint financial statement and income related to the non-obligor spouse is not included in the income and expense trends and the loan continues to qualify after the potential impacts are taken into account.

Examples of Spousal Income Sources

- W-2 Income
- Social Security / IRA / Other Retirement Income
- Schedule E Income (Non-obligor Spouse Share)
- Rental Income (Non-obligor Spouse Share)

In order to qualify for this exception, the non-obligor spouse must execute a Non-participating Spouse's Estoppel Certificate at closing. For underwriting purposes, a Preliminary Non-participating Spouse Estoppel Certificate (see attached) is required to be submitted with the initial Loan Application to insure spousal agreement upfront with the loan request.

The Current Financial Statement is to be prepared on a joint basis with no adjustments for the non-obligor spouse. The Estoppel Certificate is used to subordinate any right, title interest and/or claim that the Non-participating Spouse might have in the assets listed on the Financial Statements to 100% of the liability created by the Borrower's (and/or Guarantors) execution of the loan. Upon agreement and execution of said certificate, Non-participating Spouse will not sign on the Promissory Note. However in most states they will still need to sign the Mortgage / Deed of Trust documents at closing.

In addition, the current practice of placing a fictitious term liability equal to 50 percent of the individual's net worth, amortized over 25 years to the Pro-Forma Balance Sheet and Income Statement is still an alternative option where the amortized payment is included in the pro forma total debt coverage ratio. This process also analyzes the potential impact of dissolution on the borrower's leverage position and their ability to service debt.

Non-participating Spouse's Estoppel Certificate

Date: _____

Borrower: _____

Borrower's Mailing Address: _____

Non-participating Spouse: _____

Non-participating Spouse's Mailing Address: _____

Guarantor (if different than Borrower): _____

Guarantor's Mailing Address (if different than Borrower): _____

Lender: _____

Lender's Mailing Address: _____

Lender's Note: Note dated _____, in the original principal amount of \$ _____, executed by Borrower and payable to Lender (the "Loan") and [check if applicable] ☐ Guaranteed by Guarantor.

Property: _____

Non-participating Spouse certifies to Lender the following:

- 1) The assets indicated in the financial statement(s) (the "Financial Statements") of Borrower (and Guarantor, if applicable) attached hereto as Exhibit A are subject to the liabilities of the Borrower (and Guarantor, if applicable), created by the above described Loan regardless of the ownership, title vesting, and/or community/separate property nature of those properties listed without the further consent or action of Non-participating Spouse.
- 2) Non-participating Spouse hereby subordinates any right, title, interest and/or claim that Non-participating Spouse might have in the assets listed on the Financial Statements to 100% of the liability created by the Borrower's execution of (and Guarantor's guaranty of, if applicable) the Loan.

Non-participating Spouse understands that Lender will rely on this information in connection with the closing of the Loan.

Non-participating Spouse:

**Non-participating Spouse
Estoppel Certificate**

This preliminary Non-Participating Spouse Estoppel Certificate is required to be submitted with Initial Loan Application Package when requesting Underwriting Guideline Exception as it pertains to Non Signing Spouse to insure spousal agreement upfront for underwriting purposes. Actual Certificate is to be signed and notarized at time of closing.