

USDA Rural Housing Guidelines

PURCHASE

Units	Loan Amount	LTV / CLTV ¹	FICO	DTI
1 Unit	\$40,000 min; Max loan amount ²	100 / 100	Per GUS	Per GUS

RATE & TERM REFINANCE

Units	Loan Amount	LTV / CLTV	FICO	DTI
1 Unit	\$40,000 min; Max loan amount ³	100 / 100	Per GUS	Per GUS

¹ The LTV may exceed 100 percent of the market value of the property when the Guarantee Fee is financed. Max CLTV unlimited if secondary financing is from a government entity.

² The fair market value per the appraisal plus the up-front guarantee fee will be the maximum loan amount.

³ The maximum loan may include the principal and interest balance of the existing loan, reasonable and customary closing costs up to the new appraised value. The appraised value may only be exceeded by the amount of the financed upfront guaranteed fee.

ELIGIBILITY

Age of Documents	Credit / Income / Asset documentation must be less than or equal to 120 days from Note date
Assets / Down Payment	<ul style="list-style-type: none"> • Not required • When used: <ul style="list-style-type: none"> ○ Must be part of qualifying including any co-mingled business assets ○ Verify that assets are not transferred from a personal account to a business account and vice versa. The accounts should function separately. If the accounts are co-mingled, the assets would need to be included in the calculation of net family assets for qualifying. ○ Overdraft/Non-Sufficient Funds (NSF), lenders may choose to include these types of fees in monthly debt, and that underwriters should consider these types of events in their credit decision <p><u>Personal Accounts</u></p> <ul style="list-style-type: none"> • VOD or 2 months bank statements on purchase transactions required. Retirement funds that allow for immediate withdrawal are eligible at 60% of the vested account balance to allow for withdrawal penalties. <p><u>Business Accounts</u></p> <ul style="list-style-type: none"> • Two months of recent bank statement, or • Verification of Deposit (VOD) and a recent bank statement, or alternative evidence to support account activity and monthly balances • The lesser of the current balance or the previous month's ending balance must be used.
AUS	<p>GUS:</p> <ul style="list-style-type: none"> • Accept/Eligible or • Refer/Eligible <p>USDA requires full file documentation and documented mitigating circumstances/compensating factors when approving a loan that received a "Refer" from GUS.</p>
Bankruptcy	<p>GUS Refer:</p> <ul style="list-style-type: none"> • Must obtain documentation to verify that the 12 months of the debt restructure plan has elapsed and retain in the permanent loan file.
Borrower Eligibility	<p>Eligible:</p> <ul style="list-style-type: none"> • U.S. citizen • Permanent resident alien • Non-permanent resident alien • Obtain and upload to Doc File a SAVE determination to validate a non-US citizen's eligibility • Applicants must have a valid SSN and be eligible to work in the United States <p>Not Eligible:</p> <ul style="list-style-type: none"> • No co-signers or non-occupant co-borrowers

Cash Back	<ul style="list-style-type: none"> • Borrower cannot receive cash back except for out-of-pocket expenses.
Child Support	<p>The following adverse credit items will render an applicant ineligible for a guaranteed loan:</p> <ul style="list-style-type: none"> • Presently delinquent court ordered child support payments subject to the collection by an administrative offset unless the applicant has brought payments current, the debt is paid in full, or otherwise satisfied by a documented release of liability; • Presently delinquent court ordered child support (not subject to an administrative offset) unless the applicant has an approved repayment agreement in place with three timely payments made prior to loan closing; the arrearage is paid in full prior to loan closing, or a release of liability is documented
Credit	<p>All of the following are considered unacceptable;</p> <ul style="list-style-type: none"> • More than one 30 day late in the past 12 months (unless GUS Accept) , • A previous USDA loss within the last seven years • BK or foreclosure in previous 3 years, • Outstanding tax lien or delinquent government debt, • Outstanding judgment within past 12 months, • Any account converted to a collection account in the past 12 months, • Outstanding collection accounts with no satisfactory payment arrangements.
Credit Inquiries / Undisclosed Debt	<p>Undisclosed debts not listed on the loan application but discovered during the mortgage loan application process must be manually entered into GUS.</p>
Employment / Income	<p>Annual income includes all eligible income sources from all adult household members, not solely parties to the loan note. The annual income for the household is used to calculate the adjusted annual income for eligibility purposes.</p> <p>Online Eligibility Tool: https://eligibility.sc.egov.usda.gov/eligibility/incomeEligibilityAction.do?pageAction=state</p> <p>Online lookup for income limits by state / county: https://www.rd.usda.gov/files/RD-GRHLimitMap.pdf</p> <p>4506-C:</p> <ul style="list-style-type: none"> • Required for all adult household members regardless of whether they will be parties to the Note; • Must be processed for the previous two tax years. <p>Job gap:</p> <ul style="list-style-type: none"> • Letter of explanation required for 30 day or greater <p>Employment history:</p> <ul style="list-style-type: none"> • Two-year employment history is required: <p>Employed income</p> <ul style="list-style-type: none"> • Current pay stubs for previous 30 days with YTD income and; • W -2s for previous 2 years • VVOE within 10 days of closing • Previous 2 years tax transcripts <p>Self-employed (25% or greater ownership) requires:</p> <ul style="list-style-type: none"> • 2 years signed federal tax returns w/all schedules. • YTD P&L with balance sheet and • YTD Income & Expense Statement • 2 years signed federal business tax returns with all schedules • Confirmation the business is operational dated within 30 days of the Note date • Negative business income is treated as \$0 income for annual calculation purposes <p>Rental Income</p> <ul style="list-style-type: none"> • GUS auto-calculates net rental income by employing a 25% vacancy factor <p>Amended Tax Returns:</p> <ul style="list-style-type: none"> • Original tax return and the amended tax return must be obtained reviewed for consistency with previous filings to determine whether the use of the amended return is warranted. • When using an amended return after application, the Seller must provide justification and commentary on the transmittal summary regarding its use. • Tax transcripts for the amended tax returns must be obtained and be provided from the IRS • Borrower obtained tax transcripts for amended tax returns are not allowed. • An explanation for the amended tax returns is required to be obtained from the borrower if the income is being used to qualify. • If the borrower owes taxes to the IRS, the full amount must be paid in full. Installment agreements for taxes are allowed when Agency guidelines are met



Escrow Waiver	Not permitted
Federal Debt (Tax)	<ul style="list-style-type: none"> • Proof of repayment plan(s) is required and a minimum of three timely payments is required on each active repayment plan(s) • An applicant with multiple approved IRS repayment plan(s) is eligible but the underwriter must review and determine if the applicant(s) is an acceptable credit risk.
Federal Debt (Non Tax)	<p>Ineligible:</p> <ul style="list-style-type: none"> • Presently delinquent non-tax Federal debt
Financing Type	<p>Refinance:</p> <ul style="list-style-type: none"> • Existing mortgage loans for existing guaranteed and direct borrowers may be refinanced. • Refinance mortgage debt that is not financed or guaranteed by USDA is not eligible • A new appraisal is required • Subject Property must meet HUD Handbook 4000.1 minimum property requirements. • Appraisal transfers allowed • The maximum loan may include the principal and interest balance of the existing loan, reasonable and customary closing costs up to the new appraised value. The appraised value may only be exceeded by the amount of the financed up-front guarantee fee. • Additional borrowers may be added to the new guaranteed loan. • Existing borrowers on the current mortgage note may be removed when one of the original borrowers remains on the refinanced loan. • The existing loan must have closed 12 months prior to the Agency's receipt of a Conditional Commitment request and have a mortgage payment history which must not reflect a delinquency equal to or greater than 30 days within the previous 180-day period. <p>Mortgage Refinance Seasoning must be met:</p> <ul style="list-style-type: none"> • The note date of the refinance loan must be on, or after, the later of: • The date on which the borrower has made at least six-monthly payments on the loan being refinanced; and • The date that is 210 days after the first payment due date of the loan being refinanced.
Gift Funds	<p>Allowed:</p> <ul style="list-style-type: none"> • Closing costs or; • May be applied to guarantee fee or; • For voluntary down payment on purchase transactions. <p>Ineligible Sources:</p> <ul style="list-style-type: none"> • Any source that has an interest in the sale of the property(seller, builder, real estate agent, etc.). • Cash on hand is not an acceptable explanation for the source of funds. • Gift funds are ineligible as a source of reserves
Hazard Insurance	<ul style="list-style-type: none"> • Deductibles should not exceed the greater of \$1,000, 1% of the policy coverage, or the minimum deductible offered by the borrower's chosen insurance carrier
Housing History	<p>GUS Accept/ Accept with Full Documentation</p> <ul style="list-style-type: none"> • No Verification of Rent (VOR) is required. No credit exception is required. <p>GUS Refer</p> <ul style="list-style-type: none"> • A VOR may be required. Refer to the GUS Underwriting Findings Report to determine if a VOR is required for a complete loan application. • If a full 12-month VOR is not available, Sellers may verify the amount of rental history. <p>One rent or mortgage payment paid 30 or more days past due in the previous 12 months is significant derogatory credit and will require a credit exception.</p> <p>Rent or mortgage payments received from family members or other interested party must include 12 months of canceled checks, money order receipts, or electronic payment confirmations</p>
Manual Underwriting	Permitted
Minimum Loan Amount	\$40,000.00
Non-Purchasing Spouse in a	Community Property States: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, Wisconsin



Community Property State	<p>If property is located in a community property state, or the borrower resides in a community property state the following requirements apply:</p> <ul style="list-style-type: none"> • A credit report for the non-purchasing spouse (NPS) is required to determine joint and individual debts. The NPS's authorization to pull a credit report must be obtained. If the NPS refuses to provide authorization for the credit report, the loan must be rejected. <ul style="list-style-type: none"> ○ Even if the NPS does not have a social security number a credit report is required. ○ The credit report for the NPS should not be a joint report, it must be obtained separately • Obligations must be considered in the qualifying ratios. <ul style="list-style-type: none"> ○ Disputed debts of the NPS need not be counted provided the file contains documentation to support the dispute. <p>The non-purchasing spouse's (NPS) credit history does not need to be considered; however, the NPS's liabilities must be considered to determine the extent of the household liabilities. Credit History of the NPS should not be the basis for declining the loan.</p>
Occupancy	Owner Occupied Only
Power of Attorney	Allowed
Private Transfer Fee	Not Permitted
Property Types	<p>Eligible</p> <ul style="list-style-type: none"> • 1 Unit SFR • PUD • Condos (FNMA, FHA, and VA approved projects) • No second home or investment properties <p>Ineligible</p> <ul style="list-style-type: none"> • Manufactured Homes • Properties with C5 or C6 condition ratings • Condotels • Working Farms • Earth Homes, Geothermal, geodesic domes or homes built into or underground either fully or partially. • Conventional leasehold condos without PERS approval • Properties held in a Community Land Trusts • Commercial Properties • Properties in which the highest and best use is not considered residential
Qualifying Ratios	Ratios evaluated by GUS
Real Estate Owned	<p>Current ownership of a dwelling is only permitted if the below criteria are met:</p> <ul style="list-style-type: none"> • The current dwelling is not financed with a Rural Development guaranteed or direct loan • The borrowers are financially qualified to own more than one house • The borrowers do not own more than one other single family housing unit • The borrowers will occupy the subject dwelling as their primary • The current home owned no longer adequately meets the borrower's needs (deemed unsafe/structurally unsound, or functionally inadequate)
Reserves	<p>Not required</p> <p>Gift funds not eligible for reserves, when using in transaction</p>
Secondary Financing	<p>Eligible:</p> <ul style="list-style-type: none"> • Purchase transactions when provided by a government entity. • Must be resubordinated on refinance transactions; may not be included in new loan amount.
Seller Contributions	<ul style="list-style-type: none"> • Seller can pay 100% discount points and borrowers non allowable closing costs • Seller can provide an additional amount not to exceed 4% of the allowable closing costs and prepaids.
Temporary Buydowns	<p>2-1 and 1-0 buydowns are permitted.</p> <ul style="list-style-type: none"> • The mortgage loan must be underwritten at the full note rate. • Buydown funds may come from the seller, lender, or other third party. Buydown funds may not come from the borrower. • "Accept/Eligible" GUS recommendation required
Solar	Allowed per USDA guidelines.