

Maximum LTV/FICO Requirements

Purchase		Rate and Term Refinance	
LTV/CLTV	Min FICO	LTV/CLTV	Min FICO
100%*	640	100%*	640

*exclusive of financed guarantee fee

Appraisals

- A full appraisal (e.g. form 1004 or equivalent, accompanied by form 1004MC) is required for all submissions
- The appraisal must have been completed within six months of the date of the request for a conditional commitment is submitted to RHS.
- The appraisal must be completed by an FHA roster appraiser.
- Purchase Transaction for existing dwellings must meet the current requirements of HUD Handbooks 4150.2 and 4905.1, typically verified through an RHS Adequacy Certification (Existing Dwelling Inspection Report), or by the appraiser certifying in the comments section of the appraisal that the property meets HUD Handbooks 4150.2 and 4905.1.

Assets

Large Deposits:

Any large deposit that is not consistent with the applicant's employment, or earning and savings profile must be explained and sourced. Even if the deposit in question is not required for cash to close or reserves.

A large deposit can be a single deposit or multiple deposits over a period of time that in aggregate results in a large deposit. If the aggregate total of deposits during any calendar month, other than deposits for regular earnings, exceeds 15% of the applicant's gross qualifying monthly income, then the deposits must be sourced and seasoned from an acceptable source. Any deposits less than 15% may require further investigation and documentation if deemed necessary by the underwriter.

If the funds are deemed unacceptable or cannot be fully documented, they may be able to be backed out of the account balance with an acceptable letter regarding the source of the funds signed and dated by the borrower. If the funds are backed out, they would not be considered for funds to close or reserves. This decision is based on underwriter discretion after thoroughly reviewing assets and explanation.

Stocks, Bonds and Mutual Funds:

Stocks, government bonds and mutual funds are an acceptable source for the down payment, closing costs and reserves.

Must verify:

- The borrower's ownership of the account, and
- Value of the account at the time of liquidation, and
- The borrowers receipt of the funds.

When using for reserves, funds do not need to be liquidated however only enter 70% of value.

Retirement Accounts:

401K/IRA/SEP/Keogh accounts are an acceptable source for the down payment, closing costs and reserves.

Must verify:

- The borrower's ownership of the account, and
- Value of the account at the time of liquidation, and
- The borrowers receipt of the funds.
- Document terms of withdrawal for IRA, SEP and Keogh accounts
 - o Accounts that only allow withdraw upon termination of employment or death is not an acceptable source for down payment or reserves.

When using for reserves, funds do not need to be liquidated however only enter 60% of value.

Borrower Eligibility

- U.S. citizens
- Borrowers must have a valid Social Security Number
- Permanent resident aliens, with proof of lawful permanent residence
- Non-permanent residents are allowed as long as they are a qualified alien with proof of lawful residence.
- Non-occupant borrowers are ineligible
- Borrowers may not own a dwelling in the local commuting area. An exception is not required if the borrower owns a dwelling which is not structurally sound or functionally adequate
- The borrower must not have sufficient assets to obtain other traditional uninsured conventional financing (LTV ≤ 80%).

Condominiums

Must be located in an FHA, VA or Fannie Mae approved Condominium Project. Provide evidence of approval in the loan file.

Credit

- Each borrower must have at least two credit scores to be eligible.
- **Authorized User Trade lines:** A GUS underwriting recommendation of "Accept" with open authorized user trade lines must include evidence in the lender's permanent case file of one of the following: 1.) another applicant on the mortgage loan application owns the trade line in question, 2.) the owner of the trade line is the spouse of an applicant or 3.) evidence the applicant has been making payments on the account for the last 12 months. If one of these conditions cannot be met an underwriting recommendation of "Accept" must be manually downgraded to a "refer" and the file must be manually underwritten. Closed authorized user accounts require no consideration for manual or GUS loan submissions.
- **Disputed Credit Trade lines:** When an applicant's credit report indicates a trade line or public record is in dispute, a GUS underwriting recommendation of "Accept" may need to be downgraded by the lender to a "Refer." A downgrade is not required if any of the following conditions are met in regards to the disputed item listed on the credit report: 1.) the trade line has a zero dollar balance, 2.) the trade line is marked "paid in full" or "resolved," or 3.) the trade line has a balance owed of less than \$500 and is more than 24 months old. In the event a GUS underwriting recommendation is downgraded to a "Refer" the lender must fully remit a fully underwritten file to Rural Housing. For manually underwritten loan files all disputed trade lines with outstanding balances/payments that have been excluded from the debt ratios, must have evidence in the permanent loan file to support a justifiable dispute.
- **Non-Purchasing Spouse (NPS):** When an applicant resides or the property is located in a community property state, a credit report for the NPS must be obtained. The debts of the NPS must be included in the applicant's debt ratio, except for those specifically excluded by state law. The NPS's credit history is not a reason to deny the loan application.
- **Verification of Rent/Mortgage History:** Not required with a GUS accept. Manual underwriting requires a 12 month repayment history.
- **Student Loans:**
 - Fixed: Use the payment listed on the credit report or documentation provided.
 - Graduated Payments: Regardless of when payment adjustments occur, lenders must utilize the highest payment documented on the repayment plan agreement in debt ratios.
 - Deferred: Student loans that are not in repayment status may use an estimated payment of 1% of the loan balance reflected on the credit report, or a verified fixed payment provided by the loan servicer to document the payment that will be due once deferment ends.
 - Income Based Repayment (IBR): (1) If the IBR payment is less than \$100 and 1 percent of the total loan balance is more than \$100, a minimum payment of \$100 must be included in the debt ratios. (2) If the IBR payment is less than \$100, and 1 percent of the total loan balance is less than \$100, a minimum payment of 1% of the loan balance must be included in the debt ratios. (3) If the current IBR payment is over \$100, use that payment amount in the debt ratios.

Derogatory Credit

- 2 years elapsed since completion or discharge of Ch. 7, Ch. 13 Bankruptcy or Short Sales
 - The wait period for **short sales** can be waived if all of the following conditions are met:
 - The loan was current at the time of the short sale, and
 - The loan was paid on time in the 12 months preceding the short sale, and
 - All other installment debts were paid on time in the preceding 12 months.
- 3 years elapsed since completion of Foreclosure or Deed in Lieu
- **Federal debts:** Borrowers that are delinquent on Federal debts may be ineligible for a guaranteed loan or any delinquent Federal debt identified by CAIVRS (Credit Alert Verification Reporting System) shall cause the borrower to be ineligible until the Federal debt is paid in full or otherwise resolved.
- All judgments must be paid

The following are not required to be met with a GUS accept, but are required for a manual underwrite:

- No more than one debt payment being more than 30 days late in the last 12 months.
- No more than one rent or mortgage payments paid 30 days or more past due within the last 3 years
- No outstanding collections accounts without payment arrangements
- No accounts converted to collections in the past 12 months

Exclusionary List CAIVRS must be checked and cleared.

Financing Concessions Financing concessions cannot exceed 6% of the sales price.

Guarantee Fee

- Upfront Purchase Fee: 2% of the loan
- Financed Guarantee Fee calculated: (loan amount / .98) - loan amount
- Not financed Guarantee Fee calculated: loan amount * 2%
- Upfront Refinance Fee: 2% of the loan
- Financed Guarantee Fee calculated: (loan amount / .98) - loan amount
- Not financed Guarantee Fee calculated: loan amount * 2%
- Annual Fee: .40%
- Can be financed above the appraised value

Income, Annual

To be eligible for a Rural Development guaranteed loan, the Borrowers' adjustable household income cannot exceed the maximum allowable income limit set forth in Rural Development Instruction 1980-D 1980.348. The link below will allow you to determine what that amount is for the specific property address you are working with.
<http://eligibility.sc.gov.usda.gov/eligibility/incomeEligibilityAction.do?pageAction=state&NavKey=income@11>

Written Verification of Employment is required for all employed borrowers.

Newly Employed:

- A borrower who has less than a two-year employment history may have their income considered on a case by case basis as qualifying income if the borrower was either attending college or in a training program immediately prior to their current employment.
- Supporting documentation must be provided.

Re-entering the Workforce:

- For a borrower who is re-entering the work force after a six month or greater gap and has less than a current two year employment history, the borrower's income may be allowed as qualifying income if the file contains documentation to support that the borrower has been at their current employer for a minimum of six months and evidence of previous employment history to cover two years.

Employment by a Relative:

Full documentation is required when a borrower employed by a family member or employed by a family-held business. The business accountant must verify that the borrower is not self-employed by indicating his or her percentage of interest in the business. The accountant must be a disinterested third party.

All of the following income documentation is required:

- Most recent paystub documenting 30 days of income.
- W-2's covering the most recent 2 years.
- Complete signed individual federal tax returns for the most recent 2 years.
- If the borrower is newly hired, previous employment in the same or related field must be verified.

Self Employment:

Follow income documentation as required by GUS. Additional documentation may be required if the underwriter deems it necessary to support the decision to use the income. Two years' tax returns will be required. Profit and loss with balance sheet required if 90 days past the last tax filing date. This is for trending purposes only and will not be used for determining the income.

Tax Returns:

When tax returns are needed, follow documentation as required by GUS. When the most recent tax filing date has past and the borrowers filed an extension the following is required:

- Two years most recent returns that have been filed and signed.
- A copy of the filed extension request.
- A tax transcript reflecting "No record of return filed" for the most recent tax period.
- Evidence that any taxes owned have been paid.

4506-T:

- Signed and dated at application and closing, is required for all borrowers whose income is being used to qualify.

Transcript General Requirements:

Income Documentation Required per GUS Findings or an Underwriter	Number of Years Validated IRS 4506T Transcripts Required
YTD paystub	1 year
YTD paystub and most recent year W-2	1 year
YTD paystub and most recent 2 years W-2's	2 years
Personal 1040's for most recent year	1 year
Personal 1040's for most recent 2 years	2 years
Personal 1040's and business returns for most recent 2 years	2 years

Loan Purpose	<ul style="list-style-type: none"> • Purchase -Closing costs may be financed when there is equity above the contract price. • Rate & Term Refinance - The maximum loan amount cannot exceed the balance of the existing Rural Development loan being refinanced plus: <ul style="list-style-type: none"> o Accrued interest o Financed guarantee fee o Reasonable and customary closing costs o Fund to establish a new tax and insurance escrow amount - Unpaid fees, such as late fees due the servicer are not eligible to be included in the new loan amount - Borrowers may be reimbursed at closing for any fees paid in advance (for example, appraisal and credit report fee). A nominal amount of "cash-out" to the borrowers may occasionally result due to final escrow and interest calculations. This amount, if any, must be applied to a principal reduction of the new loan. - At least one original borrower must remain on the new loan. • Cash Out is not allowed
LTV Determination	Purchase transactions and Refinance Transactions are based on the appraised value.
Maximum Loan Amount	Maximum loan amount is constrained by the limitations applied when considering the maximum annual income at the program's maximum DTI.
Minimum Loan Amount	\$60,000
Mortgage Products, Eligible	<ul style="list-style-type: none"> • Fixed Rate 30 year term only • Temporary buydowns are not allowed • Interest only not allowed • Rural Energy Loans are not allowed • Discount points may only be financed for Rural Development-defined low-income applicants.
Occupancy	Owner Occupied Residences only
Property, Eligible Types	<p>MUST BE IN DESIGNATED RURAL HOUSING ELIGIBLE AREAS. The link below will allow you to determine if a certain property address fits the defined rural areas http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do</p> <ul style="list-style-type: none"> • 1 UNIT ONLY • PUD, Detached or Attached: • Condos - must be FHA of FNMA approved – see Condo Section for details. <p>• Purchase of dwellings which include an in-ground swimming pool as long as any contributory value of the swimming pool must be deducted from the appraised value before computing the maximum loan amount.</p> <p>- Appraised value must be reduced by the value of the pool as indicated by the appraiser (if any).</p> <p>• Site Value: Generally, the value of the site must not exceed 30 percent of the total value of the property. When the value of the site is typical for the area, as evidenced by the appraisal, and the site cannot be subdivided into two or more sites, the 30 percent limitation may be exceeded.</p> <p>• New Construction must meet Rural Housing inspection and Builder Warranty requirements; evidence must be included in the file.</p>
Property Flipping Policy (Properties resold within 90 days of purchase)	<p>Property flipping transaction is assessed using the seller's date of acquisition as the date of settlement on the seller's purchase of that property and the execution of a sales contract to another party restriction on resale's occurring 90 days or less after acquisition.</p> <ul style="list-style-type: none"> • Non arms-length transactions are prohibited. • Must contain a representative FICO of at least 680
Ratios	<ul style="list-style-type: none"> • Housing ratio of 29% - A higher housing ratio is acceptable with a GUS Accept or Rural Housing Approval. • DTI of 41% - A higher DTI is acceptable with a GUS Accept or Rural Housing Approval.
Recently Listed Properties	Rate/Term Transaction - the listing must have expired or been withdrawn prior to the application date.
Reserves	Not required.
Rural Housing Documentation	<p>RD 1980-18 Conditional Commitment for Single Family Housing Loan Guarantee</p> <ul style="list-style-type: none"> • Must include completed, signed, and dated Lender Certification pages. The lender's signature on the Lender Certification certifies to Rural Development the loan was closed in accordance with all applicable conditions listed and no adverse changes have occurred since the commitment was issued. • Loans may not have an outstanding contingent Conditional Commitment. All documentation used to satisfy the Conditional Commitment must be included in the file.
Secondary Financing	Allowed in accordance to Rural Development requirements.
Utilities	<p>For Purchase Transactions, Rural Housing requires the following inspections:</p> <ul style="list-style-type: none"> • Private Well/Water Supply: The local health authority or a state certified laboratory must perform a water quality analysis. The water quality must meet state/local standards. • Private Septic System: The septic system must be free of observable evidence of failure. An FHA roster appraiser, government health authority, licensed septic professional, or qualified home inspector may perform the septic system evaluation. An FHA roster appraiser or qualified home inspector may require an additional inspection due to their observations. Existing dwellings appraised by a HUD roster appraiser, who has indicated the dwelling meets the required HUD handbooks does not require further septic certification.
UW Method	<ul style="list-style-type: none"> • GUS Feedback Cert with "Accept" Risk Class recommendation. • Manual verification of all program requirements • Concurrence of Approval from the USDA prior to doc draw and funding • Manual underwrites are allowed with significant compensating factors offsetting reasons for GUS refer.