

RURAL HOUSING GUARANTEED LOAN (USDA)PROGRAM

PRIMARY RESIDENCE		
Purchase and Rate & Term Refinance ²		
Units	LTV ¹ / CLTV	FICO
1 Unit	100%	580
<div><div>¹ LTV is based on the appraised value. The LTV may exceed 100% of the market value of the property when the Guarantee Fee is financed.</div><div>² Minimum loan amount is \$75,000.</div></div> <p>The Rural Housing Service (RHS) program provides very-low-, low- and moderate-income rural residents with better access to affordable housing finance options with little or no down payment or out-of-pocket costs.</p> <p>Borrowers may obtain a loan to purchase a new or existing home that is located in a designated rural area. A rural community generally has a population of 10,000 or less; however, a community with a population of 25,000 or less can be considered “rural” if it is located outside a metropolitan statistical area (MSA).</p> <p>To be eligible for USDA financing, borrowers must lack sufficient assets needed to obtain traditional uninsured conventional financing (less than 20% down payment).</p>		

Calculating the Guarantee Fee		
A Guarantee Fee of the Guaranteed Loan amount is due at closing. The fee can be financed in the loan amount, included as part of a Lender contribution, or collected directly from the borrower at closing.		
Transaction Type	Guarantee Fee Not Financed	Guarantee Fee Financed
Purchase	<div>1.00% of Total Loan Amount</div> <div>(Total Loan Amount = base loan amount ÷ .9725)</div> <div>Example: \$100,000 x 1.00% = \$1,000.00</div> <div>Loan Amount \$100,000 (appraised value) x 1.00% = \$1,000.00 Guarantee Fee</div>	<div>The fee is calculated as follows:</div> <div><div>1. Divide the base loan amount by .9725 = Total Loan Amount</div><div>2. Subtract the base loan amount from the Total Loan Amount = Guarantee Fee</div></div> <div>Example:</div> <div>\$100,000 ÷ .9725 = \$102,827.76 = \$2,827.76 Guarantee Fee</div> <div>Total Loan Amount \$102,827.76 x 1.00% = \$1,028.28 Guarantee Fee</div>
Rate and Term Refinance	<div>Multiply the loan amount by 1.00%</div> <div>Example: \$100,000 x .0100= \$1,000.00</div> <div>(Total Loan Amount = base loan amount ÷ .9725)</div>	<div>Follow steps 1 and 2 above,</div> <div>Example:</div> <div>\$100,000 ÷ .9725 = \$102,827.76 = \$2,827.76 Guarantee Fee</div> <div>Total Loan Amount \$102,827.76 x .0100 = \$1,028.28 Guarantee Fee</div>

GENERAL REQUIREMENTS	
Refer to 3555 SFH Program Handbook for topics not addressed in this matrix	
Documents	<p>Standard Fannie Mae / Freddie Mac Conventional or FHA loan documents are allowed. In addition, the following RHS documents are required for the Guaranteed Loan Program:</p> <ul style="list-style-type: none">Request for Single Family Housing Loan Guarantee (Form 3555-21). Must be signed and dated by borrower prior to submission to USDA (Note: this cannot be done up front. The underwriter will prepare and send to branch right before sending to USDA. Branch must get signed and returned to UW prior to USDA submission)Conditional Commitment for Single Family Housing Loan Guarantee (Form 1980-18) with completed Lender CertificationGuaranteed Loan Closing Report (Form 1980-19)Original Loan Note Guarantee (Form 1980-17)
Escrows/Impounds	<ul style="list-style-type: none">An impound account for collection of taxes and insurance (or additional escrow items) is required.
Guarantee Fee	<p>Upfront Guarantee Fee</p> <p>A Guarantee Fee of 1.00% of the Guaranteed Loan Amount is due at closing. The fee can be financed in the loan amount, including as part of a Lender contribution, or collected directly from the borrower at closing.</p> <p>Annual Fee</p> <p>An annual fee of 0.35% will be charged on all loans.</p> <ul style="list-style-type: none">The fee will be calculated based on the guaranteed loan amount and based on the average annual scheduled unpaid principal balance for the life of the loan.The fee will be calculated when the loan is made and every 12 months thereafter until the loan is paid in full or no longer outstanding and the guarantee cancelled or expired.This fee will be impounded monthly and paid annually beginning 12 months from the date of the loan.
Interested Party Contributions	<ul style="list-style-type: none">Seller contributions (or other interested parties) are limited to 6% of the sales price. Seller concessions may be in the form of loan discounts, loan origination fees, closing cost assistance, payment of condominium fees, down payment assistance, repairs or repair credits.
Underwriting	<ul style="list-style-type: none"><u>All loans must be submitted to Guaranteed Underwriting System (GUS)</u>Must manually downgrade an Accept decision to a Refer in the following instances (see Attachment 10-A for full details):<ul style="list-style-type: none">A GUS Accept must be downgraded to a Refer when the applicant has \$2,000 or more collectively in disputed derogatory accounts in the last 24 months.The loan must receive either an Accept/Eligible or Refer (manual).<ul style="list-style-type: none"><u>Must include the Accept/Eligible or Refer/Eligible in the file.</u>Non-traditional credit acceptable in accordance with Rural Housing’s guidelines.
BORROWER ELIGIBILITY	
Borrower Eligibility	<ul style="list-style-type: none">Maximum of 4 borrowers. (Cannot be an interested party to the transaction (seller, builder, real estate agent, etc.)U. S. Citizens with a valid Social Security NumberPermanent Resident<ul style="list-style-type: none">Provide a valid and current Permanent Resident Card (USCIS Form I-551)Unexpired Passport stamped “Processed for I-551, Temporary Evidence of Lawful Admission for Permanent residence. Valid until mm-dd-yy. Employment authorized”Military Borrowers<ul style="list-style-type: none">Must occupy as their primary residenceThe military borrower must express intent to meet occupancy requirements upon his/her discharge from the serviceA Military serviceperson who cannot physically reside in a property because they are on active duty will be considered to meet occupancy requirements if:<ul style="list-style-type: none">Serviceperson’s family will continue to occupy the property as their primary residenceCo-borrowers are allowed. They must occupy the property, take title and sign the Note and the Mortgage.Title must be placed in individual names only. Title cannot be taken in a TrustAll borrowers must be screened using CAIVRS to determine if any borrower is delinquent on a federal loan <p>Ineligible Borrowers</p> <ul style="list-style-type: none">Borrowers eligible for uninsured conventional financingBorrowers whose adjusted household income exceeds the income limit for the applicable areaNon-Permanent ResidentsForeign NationalsLiving TrustsFull-time StudentsCo-signors / Non-Occupant Co-Borrowers
FINANCING TYPES	
Eligible Products	<ul style="list-style-type: none">30-year fixed rate only. Owner occupied only.Cash out, Streamline Refinance, Streamline Assist, Rural Energy, Single Close Construction to Perm are not eligible.
Loan Amount	<p>Purchase</p> <ul style="list-style-type: none">The maximum loan amount is the fair market value per appraisal plus the upfront guarantee fee.Closing costs may be financed when there is equity above the contract price.

Loan Amount (cont.)	<div>Rate & Term Refinance</div> <ul style="list-style-type: none">The maximum loan amount cannot exceed the balance of the existing Rural Housing loan being refinanced plus:<ul style="list-style-type: none">Accrued interestFinanced guarantee feeReasonable and customary closing costsFund to establish a new tax and insurance escrow accountUnpaid fees, such as late fees due the servicer are not eligible to be included in the new loan amountBorrowers may be reimbursed at closing for any fees paid in advance (e.g., 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.The existing loan to be refinanced was closed at least 12 months prior to Rural Housing’s receipt of a conditional commitment request for refinance.The borrower has been current on their existing USDA loan for the 180-day period prior to the condition commitment request for refinance.At least one original borrower must remain on the new loan.
Properties Recently Listed for Sale	<ul style="list-style-type: none"><u>Rate and Term Refinance: the listing must have expired or been withdrawn prior to the application date.</u>
CREDIT	
Age of Documents	<ul style="list-style-type: none">Credit documents must be no more than 120 days old on the date the Note is signed, including credit reports and employment, income, and asset documents.
Credit	<ul style="list-style-type: none">Minimum 580 FICO score required. Each borrower must have at least one credit score to be eligible.Frozen credit data at any repository must be made available.Purchases: Manually underwritten loans with FICOs less than 680 require a rent history of 0x30x12, if the applicant pays rent.Refinances: The existing loan must have been current for the 180-day period prior to the conditional commitment request to refinance.GUS Accept Files: No credit score validation is required.GUS Refer, Refer with Caution, and Manually Underwritten files: Credit score validation is required.<ul style="list-style-type: none">Non-traditional credit history is acceptable to supplement the number of trade lines in accordance with Rural Housing requirements. <u>Borrowers must still have a minimum FICO of 580 to be eligible.</u><ul style="list-style-type: none">Applicants that utilize nontraditional credit to qualify are not eligible for debt ratio waivers.At least one borrower whose income or assets are used for qualification must have at least two eligible trade lines to validate the borrower’s credit score. Eligible trade lines consist of credit accounts with at least 12 months of repayment history reported on the credit report.Trade lines eligible to validate the credit score: loans (secured/unsecured), revolving accounts, installment loans, credit cards, collections, charge-off accounts, etc. The accounts may be open, closed, and/or paid in full.Authorized accounts may be used to validate the credit score when one of the following is met:<ul style="list-style-type: none">The trade line is owned by another applicant on the mortgage applicationThe owner of the trade line is the spouse of the applicant, orThe applicant can provide evidence they have made payments on the accounts for the previous 12 months prior the loan application.Public records (bankruptcy, foreclosures, tax liens, judgments, etc.), disputed and self-reported accounts are ineligible trade lines for credit validation.Clear CAIVRS and LDP/GSA is required.
Derogatory Credit	<ul style="list-style-type: none">Follow Rural Housing guidelines for seasoning requirements on GUS approved and manually underwritten loans.
Non-Purchasing Spouse	<ul style="list-style-type: none">When a borrower resides or the subject property is in a community property state, a credit report for the NPS must be obtained. The debts of the NPS must be included in the borrower’s debt ratio, except those specifically excluded by state law. The NPS’s credit history is not a reason to deny the loan application. Community property states include:<ul style="list-style-type: none">Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. Alaska is an opt in community property state meaning property is separate unless both parties agree to make it community property through a community property agreement or a community property trust.GUS will obtain a credit report for borrowers only. Therefore, the underwriter must obtain an acceptable credit report outside of the system and retain in the file.
Ratios	<ul style="list-style-type: none">Per GUS Findings.Non-purchasing spouse debts must be included in the borrower’s debt ratio.For outstanding student loans, regardless of the payment status, lenders must use:<ul style="list-style-type: none">The payment amount reported on the credit report or the actual documented payment, when the payment amount is above zero; orOne half (0.50) percent of the outstanding loan balance documented on the credit report or creditor verification, when the payment amount is zero.Student loans in the borrower’s name alone but paid by another party remain the legal responsibility of the borrower. The applicable payment must be included in the monthly debts.Student loans in a “forgiveness” plan/program remain the legal responsibility of the borrower until they are released of liability from the creditor. The applicable payment must be included in the monthly debts.

INCOME	
Income	<ul style="list-style-type: none">The borrower’s adjusted income may not exceed the Rural Housing’s limit for the area.2-year employment history is required.All loans require an IRS 4506-CFull time students age 18 and up that are not the applicant, co-applicant, or spouse of an applicant are not required to sign the 4506-C or have transcripts.Income or assets derived from the following sources are ineligible for qualifying:<ul style="list-style-type: none">The production or sale of marijuanaBitcoin or other cryptocurrencies
ASSETS	
Assets / Down Payment	To be eligible for USDA financing, the borrower(s) must lack sufficient assets needed to obtain traditional uninsured conventional financing (less than 20% down payment).
Funds to Close	<p>Cash to close remains the lender’s responsibility to verify and document that the borrower has sufficient funds to facilitate loan closing. Documentation must be retained in the permanent case file.</p> <ul style="list-style-type: none">Checking/Savings, provide the most recent two months statements. Any large deposits must be sourced.Gifts are allowed in accordance with Rural Housing guidelines. Gifts cannot be used for reserves.<u>Cash on hand is not permitted.</u> <p>The lesser of the two-month average balance or actual balance (as reported on the most recent statement) must be used in GUS to calculate the assets. In lieu of entering assets in GUS, the lender may underwrite to the most conservative approach with no consideration of assets in GUS.</p>
Reserves	<ul style="list-style-type: none">Cash reserves after closing are not required.
PROPERTY	
Appraisals	<ul style="list-style-type: none">A full appraisal is required.The appraisal must have been completed within 180 days of loan closing.Properties with unpermitted structural additions are allowed under the following conditions:<ul style="list-style-type: none">The quality of the work is described in the appraisal and deemed acceptable (“workmanlike quality”) by the appraiser;The addition does not result in a change in the number of units comprising the subject property (e.g., 1 unit converted into 2 units)If the appraiser gives the unpermitted addition value, the appraiser must be able to demonstrate market acceptance by the use of comparable sales with similar additions and state the following in the appraisal:<ul style="list-style-type: none">Non-Permitted additions are typical for the market area and at typical buyer would consider the “unpermitted” additional square footage to be part of the overall square footage of the property.The appraiser has no reason to believe the addition would not pass inspection for a permit.
Property Types	<p><u>Eligible</u></p> <ul style="list-style-type: none">Single Family Attached/DetachedPUDs and CondosLeaseholds with a minimum length of lease of 15 years beyond the maturity date of the loan.Purchase transactions must be located in an area designated as acceptable for Rural Housing. Refinances are permitted for properties in areas that have been determined to be non-rural since the existing loan was made.New Construction must meet Rural Housing inspection and Builder Warranty requirements, evidence must be included in the file. <p><u>Ineligible</u></p> <ul style="list-style-type: none"><u>Manufactured homes. This includes on-frame modular homes built on a permanent chassis.</u>Mobile HomesCooperativesCondotel/Hotel CondominiumsTimesharesGeodesic DomesWorking Farms and RanchesUnimproved Land and property currently in litigation2-4 unitsIncome producing properties that do not meet Rural Housing’s requirements. Examples include, but not limited to grain bins, silos, dairy farms, hog barns and multiple equestrian stables.