



**PRODUCT OVERLAYS**

- Program 3030USDA Overlays**
- Guaranteed loan program only, Direct loan program not available
  - Appraisals good for 120 days only
  - 640 Minimum FICO Score

**PRODUCT DESCRIPTION**

**PROGRAM CODES** 3030 USDA 30 Yr. Fixed

**LOAN TERMS**  
Government guaranteed  
30-year term  
Fully amortizing

**OCCUPANCY** Primary Residence

<b>MAXIMUM LOAN AMOUNT</b>	<b>Units</b>	<b>Contiguous US</b>	The maximum loan amount is based on the conforming balance limits.
	1	\$417,000	

<b>LTV/CLTV LIMITATIONS</b>	<b>Units</b>	<b>LTV</b>	<b>Min Credit Score</b>	<b>Max DTI</b>	<i>*Higher ratio allowed with GUS approval</i>
	<b>Purchase</b>				
1 unit		100.00%	640%	29/41*	
<b>Rate &amp; Term refinance (primary residence only)</b>					
1 unit		n/a	640%	29/41*	
<b>Streamline refinance-Guaranteed loan to Guaranteed loan Only</b>					
1 unit		n/a	640%	n/a	

**TYPES OF FINANCING**

- **Purchase Mortgages**
  - Maximum LTV is 102.04% of appraised value when guarantee fee of 2.00% is financed (Loans may exceed 100% LTV only to the extent that the excess represents the guarantee fee).  
*An Annual Guarantee fee of 0.40% also applies.*
  - CHDAP (CalHFA) allowed for closing costs (not to supplement sales price higher than value)
- **Regular Rate and Term Refinance**
  - Maximum Loan Amount: 1.50% over existing GRH loan balance. Under no circumstances may the new LTV exceed 101.5% based on the current appraisal.
  - Must be existing RD underlying loan and interest rate cannot exceed the interest of existing loan.
  - When the guarantee fee is not being financed, the maximum loan is 100% of the appraised value.
    - Subordinate - not allowed.
    - Cash Out Refinance - not allowed.
- **Streamline Refinance**
  - Without an appraisal, allows the financing of the unpaid principal balance and upfront guarantee fee only.
  - Must be existing RD underlying loan and interest rate cannot exceed the interest of existing loan.
    - Subordinate - not allowed.

**UNDERWRITING**

**QUALIFYING RATES AND RATIOS** Qualify at note rate  
Loans underwritten through Rural Development's Guaranteed Underwriting System (GUS) must receive "Accept" findings. GUS findings of "Refer with Caution" or "Ineligible" are not allowed.

- Purchase and Rate/Term Refinances must be submitted to GUS.
- Streamline Refinances are manually underwritten.

**BORROWER ELIGIBILITY** Borrower must be employed in the U.S.  
Borrower must have a valid Social Security number.  
Permanent Resident Aliens Unexpired Permanent Resident alien card required (green card). Refer to USDA [AN4556](#).  
Non-Permanent Resident Aliens Not permitted  
Loans in name of Trust Not permitted  
Non-occupant co-borrower Not permitted, all borrowers must occupy the property and take title to the property.

ELIGIBLE PROPERTIES	<p><b>Eligible Property types:</b>  1 Unit Primary Residences, Attached/Detached PUD's, condo's with FHA or VA, FNMA or FHLMC approval  Property must be single family non-farm residence.  Eligible Properties: Property must be located in a designated rural area. See "Stated Specific County Maps" for ineligible areas.  • Visit website for complete eligibility: <a href="http://eligibility.sc.egov.usda.gov">http://eligibility.sc.egov.usda.gov</a>.</p> <p><b>Ineligible properties:</b> income producing properties (includes a duplex or 3-4 units), second homes, non-owner occupied properties, properties with private roads with no Road Maintenance Agreement, properties not safe, sanitary, and adequate for family's needs, Non-Essential Buildings and Land, Mobile Homes, manufactured homes, properties with deed restrictions, properties on Indian leased land, Guest units/in-law-units &amp; properties with more than one kitchen are not permitted. Remote rural "off the grid" properties are not permitted.  **See page 8 for more Property related information</p>
GUS: Guaranteed Underwriting System	<p><b>All loans must be underwritten through the USDA's system (GUS: Guaranteed Underwriting System) and receive an approve/eligible finding, GUS findings of "Refer with Caution" or "Ineligible" are not allowed.</b>  <b>Streamline and credit qualifying streamline refinances: manual underwriting</b>  GUS does not recognize or analyze compensating factors or risk layers, so prudent manual validation should be performed to ensure that USDA guidelines are met.  • Purchase and Rate/Term Refinances must be submitted to GUS  • Streamline Loans should be manually underwritten and submitted to the local RD Office for approval as these transactions cannot be processed through GUS.  Loans receiving a GUS Refer may be manually underwritten and submitted to the local RD office for full approval. Note the following important requirements:  • Full documentation is required; documentation submitted per AN 4669 matrix.  • GUS documentation waivers are not permitted with a manual underwrite.  • Credit waivers and debt ratio waivers must be specifically requested on the 1008. Underwriter should indicate the request in all caps directly on the 1008 along with compensating factors for the exception.  The Underwriting and Loan Closing Matrix can be utilized to determine required documentation for both GUS Accept files and for Refer/manually underwritten files.  This matrix specifies the required documentation for file submission to RD.  Referenced in AN 4669, and found online at: <a href="http://www.rurdev.usda.gov/RegulationsAndGuidance.html">http://www.rurdev.usda.gov/RegulationsAndGuidance.html</a></p>
CREDIT-ADVERSE CREDIT	<p>• A 3 bureau merged in-file report must be obtained. • A minimum of 2, but preferably 3 credit scores is required for each borrower. All borrowers must have credit score.  • A single representative credit score must be obtained for each borrower. (Lower of 2 or middle of 3 scores). • Lowest of borrowers representative scores used for qualifying.  • Collection accounts are defined as adverse credit : Underwriter may require payoff depending on age, type &amp; potential to negatively affect clear title. Underwriter must justify rationale for allowing to remain unpaid  • Minimum 640 credit score is required by Essex regardless of GUS.  • Judgments must be paid in full  • Disputed Accounts: Downgrade to manual is not required if any of the following exist: tradeline has zero balance, is listed as paid in full or resolved OR the tradeline has a balance owned less than \$500 &amp; is more than 24 months old.  • Open Authorized User accounts: Downgrade to manual not required if any of the following exist; another applicant on our loan owns or the owner is the spouse of an applicant or applicant has been making payments for the last 12 months  <b>Credit report is required for non-participating spouse in a community property states and all debts of the spouse must be held in debt ratio's.</b></p>
INQUIRIES	<p>A detailed explanation letter that specifically addresses both the purpose and outcome of each inquiry is required. If additional credit was obtained, a verification of that debt must be obtained and the GUS findings must be updated to include the debt.</p>
MORTGAGE OR RENTAL LIENS	<p>Mortgage and credit history with a GUS Approve/Eligible is acceptable.  The following credit parameters will apply if the loan has been manually downgraded or is being manually underwritten for a GUS Refer:  12 months housing payment history verification is required for all borrowers with credit score less than 680 for manually underwritten loans.  • No 30 day late payments within the past 12 months. Maximum late permitted one (1) 30 day late within the past 36 months.</p>
BANKRUPTCY SHORT SALE & FORECLOSURE	<p>• <b>Bankruptcies/Foreclosures:</b> Chapter 7 Bankruptcies and Foreclosures must be discharged-completed at least 3 years with an acceptable credit history since the bankruptcy. Chapter 13 Bankruptcies must be dismissed/discharged for 12 months.  • Borrowers currently in a Chapter 13 plan are also eligible if they have 12 months payments in the plan with no lates and approval from the bankruptcy court/trustee.  • Manual Exceptions may be considered if credit profile demonstrates strong mitigating circumstances.  • Consumer Credit Counseling: Document that 12 months of the repayment period has elapsed under the plan with all payments made on time, and written permission from the counseling agency to enter into a mortgage transaction.  • Mortgage discharged in Bankruptcy where lender has yet to conclude foreclosure action, applicant still has ownership. Title must be quit claimed to the lender as well as remove responsibility for real estate taxes and HOA dues.  Until the title is transferred, borrower does not meet the credit requirements for a guaranteed loan.  • Short sales: any debts written off in the last 3 years indicate unacceptable credit history.</p>
LOAN MODIFICATIONS	<p><b>Loan Modifications:</b> Refinances of previously modified loans will be permitted as follows:  • Maximum refinance amount may not exceed the ORIGINAL BALANCE of the loan. The unpaid principal balance may not exceed the original loan balance, as that may indicate delinquent payments added to the loan.  • Loan modification may not have any of the following characteristics, which indicate a "restructured" loan.  • Forgiveness of a portion of principal and/or interest.  • Application of a principal curtailment to simulate principal forgiveness.  • Conversion of any portion of the original mortgage debt to a subordinate mortgage or Conversion of any portion of the original mortgage from secured to unsecured.</p>
DEBT PAYOFF	<p>Accounts may not be "paid down" to 6 months or less. Existing installment debt with less than 6 pmts remaining may be excluded ratio with GUS approval &amp; no manual downgrade</p>
REVOLVING	<p>Underwriters discretion to include in ratios regardless of when the debt will be paid off &amp; closed.</p>
INSTALLMENT	<p>Payments extending 6 or more months must be included in qualifying ratios, otherwise accounts must be paid in full in order to omit from ratios.</p>
LEASE PAYMENTS	<p>Must always be held in the ratios regardless of the number of months remaining.</p>
STUDENT LOANS	<p>All student loans must be included in the debt ratio calculation, and must have documentation to verify the current payment due.  <b>Conventional Fixed Payment Student Loans:</b> Student loans that are currently in repayment must have documentation to verify the current payment due (e.g. letter from a loan servicer, online account verifications, or other official written documentation). The credit report alone is not acceptable documentation.  <b>Graduated Payment Student Loans:</b> Graduated repayment plans typically start with low payments and then adjust every 12 months or more. Regardless of when payment adjustments occur, lenders must utilize the highest payment documented on the repayment plan agreement in debt ratios payments must be included in the borrower's long term debt.  <b>Deferred Student Loans:</b> Payments must be included in the borrower's long term debt. 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.</p>

CONTINGENT / CO-SIGNED LIABILITY	<p><b>Contingent liabilities</b> exist when an individual will be held responsible for payment of a debt should another party default. Unless the borrower can provide conclusive evidence from the debt holder that there is no possibility the holder will pursue debt collection against him/her should the other party default, the following rules apply:</p> <p><b>Mortgage Assumptions:</b> when a borrower remains obligated on an outstanding FHA, VA or conventional mortgage secured by a property that has been sold without a release of liability being obtained the liability must be considered unless (a) the origination lender of the mortgage being underwritten obtains, from the servicer of the assumed loan, a payment history showing that the mortgage has been current during the previous 12 months or (b) the value of the property, as established by an appraisal or the sales price on the HUD-1 from the sale of the property, minus the UFMP results in an LTV of 75% or less .</p> <p><b>Co-signed Obligations:</b> if the borrower is obligated on a car loan, student loan, mortgage or any other obligation, contingent liability applies unless the lender obtains documented proof that the primary obligor has been making payments during the previous 12 months on a regular basis &amp; has no history of delinquent payments. Copies of canceled checks for the last 12 months &amp; a copy of the security agreement showing the person making the payments is co-obligated.</p> <p><b>Business Debts:</b> Business debts showing on the borrowers personal credit report may be excluded if the debt is paid through a business account. Copies of 12 months cancelled checks or business bank statements required.</p>
NOT DEBT INCOME	Loans against personal assets such as 401K or retirement accounts are not considered debt
DOCUMENTATION REQUIREMENTS	<p><b>The USDA has issued guidance on identifying stable and dependable income sources that may be used for repayment consideration.</b></p> <p><b>GUS does not evaluate the stability and dependability of repayment income in the UW recommendation. THE LENDER MUST DETERMINE THE HISTORY AND STABILITY OF EARNINGS PRIOR TO ENTERING REPAYMENT INCOME INTO GUS. Sources of income that the lender cannot verify may not be used in the repayment calculation.</b></p> <p>Helpful link to income tool: <a href="#">income eligibility tool</a></p> <ul style="list-style-type: none"> <li>The program has three distinct income calculations that must be considered for program eligibility and repayment purposes: <ul style="list-style-type: none"> <li><b>Annual Income: All income received by adult household members that will reside in the home.</b></li> <li><b>Adjusted Annual Income: Annual income, minus eligible household deductions, determines whether the household is eligible for guaranteed loan benefits.</b></li> <li><b>Repayment income (qualifying income): The stable and dependable income that will be utilized to calculate housing and total debt ratios. Only the income of applicants that will be a party to the note will be considered.</b></li> </ul> </li> <li><b>Qualifying income for USDA and repayment income as calculated by underwriter may be different.</b></li> <li>Household income may not exceed 115% of the area's median income level as determined by Rural Development. (Qualifying income)</li> <li>Verify borrowers' income eligibility using RD Moderate Income limits at: <a href="http://eligibility.sc.egov.usda.gov">http://eligibility.sc.egov.usda.gov</a></li> <li>Qualifying income will be calculated by considering the borrower's two-year history. If the borrower has had a recent substantial increase in earnings, acceptance by the state or local RD office is required.</li> <li>Verify two year history for all sources of income. Income for each borrower to be obligated for the mortgage debt must be analyzed whether it can reasonably be expected to continue through at least the first 3 years of the mortgage</li> <li>Applicants not employed for 12 months with current employer are considered high risk. May be considered if the borrower recently changed but is in the same line of work, demonstrates income continuity or is a recent college graduate</li> <li>If any other adult member of the household is not presently employed but there is a recent history of employment, that person's income will be considered unless the applicant and the person involved sign a statement that the person is not presently employed and does not intend to resume employment in the foreseeable future.</li> <li>Household Assets: USDA requires that net family assets with a cumulative total of \$5000 or greater to be considered as income in the annual income calculation. Net family assets is defined as equity in real property, savings, IRA's, The greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate must be considered when calculating annual income.</li> </ul> <p><b>ADJUSTMENTS TO ANNUAL INCOME:</b></p> <ul style="list-style-type: none"> <li><b>Annual income may be reduced</b> by \$480 for each member of the family residing in the household, other than the borrower, spouse or co-applicant who is: <ul style="list-style-type: none"> <li>Under 18 years of age</li> <li>A full time student aged 18 or older or</li> <li>Disabled or handicapped 18 years of age or older (Form C6213 Certification of Disability or Handicapped must be completed)</li> <li>A one-time deduction of \$400 may be taken for any elderly family member (a person who is 62 or older).</li> <li>Child care expenses for the care of minor children age 12 &amp; under. Must have 12 months documentation to support the amount, 3rd party verifications from licensed childcare facility or provider on letterhead including name of child, date of enrollment, monthly payment due &amp; payment history. Letters prepared by relatives must include the same information and must include 12 months cancelled checks or bank statements to document child care paid. Applicants who have not yet placed their child into care are not eligible for this deduction. Before or after school programs are eligible. Private school tuition or child support payments are not an eligible deduction.</li> <li>Medical Expenses for Elderly Household (borrower or spouse age 62 or older) as fully documented by receipts, billing statements or invoices</li> <li>Disability Expenses for Disabled persons as defined in 1980.302a as fully documented by receipts, billing statements or invoices</li> <li>Unreimbursed employee expenses (IRS form 2106) must be deducted for both repayment and annual income calculations</li> </ul> </li> </ul>
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FAMILY SIZE	Defined: applicant and any coapplicant and all other persons who will make the applicants dwelling their primary residence for the next 12 months. If it is unclear if an applicant may claim a minor child as a household member for determining household income, refer to divorce decree custody agreement or tax return. The temporary absence of a child due to placement in foster care or foster children placed in borrowers home will not be taken into account to determine family size.
BONUS / OVERTIME	<p><b>Overtime and Bonus Income:</b> Income should be received for 2 years from the same employer in order to be considered stable and OVERTIME</p> <p>than 2 years must be adequately justified and documented. The employer must indicate that the overtime and bonus income has a p The borrower must have a two year history of receipt and be likely to continue</p> <p>varies significantly from year to year, a period of more than 2 years should be used in calculating average income.</p> <p>The lender must establish and document an earnings trend. If this income is declining, the lender must establish sound rationalization for including the income &amp; must consider the declining amount.</p> <p>A period of more than 2 years must be used if the income varies significantly from year to year</p> <ol style="list-style-type: none"> <li>Most recent YTD paystub documenting at least 30 days of YTD income</li> <li>W-2s covering the most recent two years.</li> <li>VOE to confirm this income is likely to continue. If VOE states unlikely to continue, it may not be used to qualify.</li> </ol>
COMMISSION	<p>The borrower must have a 2 year history of receipt for use in qualifying. The income must be averaged unless declining. Lender must establish and document an earnings trend. If this income is declining, the lender must establish sound rationalization for including the income &amp; must consider the declining amount.</p> <ol style="list-style-type: none"> <li>Most recent YTD paystub documenting at least 30 days of YTD income.</li> <li>W-2s and/or 1099s covering the most recent two years.</li> <li>Complete signed individual federal tax returns for the most recent 2 years.</li> </ol> <p>Employee-paid business expenses (2106) reflected on the borrower's tax returns must be deducted from the borrower's gross income when calculating income.</p>
PART TIME/2ND JOB/SEASONAL INCOME	<p>Part time and seasonal income may be used if the borrower has an uninterrupted two year history of working 2 jobs and be likely to continue.</p> <p>For qualifying purposes "part-time" income refers to employment taken to supplement the income from regular employment. Part-time employment is not a primary job.</p> <p>Seasonal income is considered uninterrupted &amp; may be used to qualify the borrower worked at the same job for the past 2 years &amp; expects &amp; is eligible to be rehired next season.</p> <ol style="list-style-type: none"> <li>Most recent YTD paystub documenting at least 30 days of YTD income. (Part time)</li> <li>W-2s covering the most recent two years</li> </ol> <p><b>Unemployment benefits as a sole source of income are not eligible</b></p>

SELF-EMPLOYMENT	<p>All self-employed Borrowers are required to be self employed for at least 2 years at the time of application and provide:  Copies of signed individual (and business if appropriate) federal tax returns, including all applicable schedules, for the most recent two years  Year-to-date Profit &amp; Loss &amp; Balance Sheet. If more than a calendar quarter has elapsed since the most recent calendar or fiscal tax year filed.  If the borrower has 25 percent or more ownership interest in the business entity, the borrower must also provide the most recent two (2) years; business tax returns (Corporate, Sub-S Corporate, or Partnership)  Lender must carefully analyze the business financial strength, including the source of the business income &amp; the general economic outlook for similar businesses in the area.  <b>Annual Income:</b> Business losses will count as zero for "annual income" calculations for program  <b>Repayment income:</b> Business losses must be deducted from repayment income prior to calculating debt ratio's.</p>
EMPLOYMENT BY FAMILY OR INVOLVED PARTIES	<p>If the borrower is employed by a relative, a closely held family business, the property seller, real estate agent, or any party to the real estate transaction, the following documentation must be obtained:  Borrower's signed and completed personal federal income tax returns for the most recent two-year period  W-2's for the most recent two tax years  Fully completed, signed and dated Verification of Employment form (VOE) and verification borrower owns no percentage of company  Current income reported on the VOE or pay stub may be used if it is consistent with W-2 earnings reported on the tax returns. If previous income is substantially lower than the current VOE or pay stub further investigation is needed to determine whether income is stable. Additional documentation may be required &amp; income averaging is likely.</p>
CHILD SUPPORT & ALIMONY	<p>Alimony or Child Support income may be considered effective repayment income if the payments are likely to be received consistently for the first 3 years of the mortgage and 12 months receipt is documented as documented by cancelled checks, bank statements, tax returns or court payment records. Child support may be grossed up as non-taxable income</p>
NON-TAXABLE INCOME	<p><b>Repayment income:</b> allows income to be grossed up by the amount of federal tax savings attributable as determined by tax returns. There is no flat percentage for all applicants.  Examples include: alimony/child support, pension/retirement, military income, social security/disability income,  <b>Annual income:</b> tax exempt income sources should not be grossed up for annual income purposes.</p>
SOCIAL SECURITY AND RETIREMENT	<p>All income from the Social Security Administration (SSA) including, but not limited to Supplemental Security Income (SSI), Social Security Disability Insurance (SSDI) and Social Security income can be used to qualify the borrower if the income has been verified, and is likely to continue for at least a three year period from the date of the mortgage application. Verify this income by obtaining any one of the following: Federal tax returns, the most recent bank statement evidencing receipt of income, a Proof of Income letter (aka a "Budget Letter or Benefits letter" that evidences income from the SSA or a copy of the borrowers Social Security Benefit Statements, SSA-1099-1042S. In addition to the verification of income, the lender must document the continuance of this income from the borrower (1) a copy of the last Notice of Award letter which states the SSA's determination on the borrowers eligibility for SSA income or (2) equivalent documentation that establishes the award benefits to the borrower. If any income from the SSA is due to expire within three years from the date of mortgage application, that income may only be considered as a compensating factor. <b>Annual income:</b> tax exempt income sources should not be grossed up for annual income purposes.</p> <ul style="list-style-type: none"> <li>• Social security income may be grossed up if deemed non-taxable by the IRS. The amount that the lender may gross up is limited to the amount of tax savings attributable to the non-taxable income. The lender must fully document and support the amount of income grossed up for any non-taxable source. Rural Development does not endorse a standard tax rate percentage (i.e. 125% or 120%).</li> <li>• Retirement income must be verified from the former employer, or from federal tax returns. If any retirement income, such as employer pensions or 401k distributions will cease within the first full 3 years of the mortgage loan, the income may only be considered as a compensating factor.</li> </ul> <p><b>Annual income:</b> Retirement or social security income that have a history of receipt and will continue for 12 months must be considered in annual income.</p>
RENTAL INCOME	<p>Applicants may retain one dwelling (1 unit) in addition to the new primary residence subject to Management review. The retained dwelling must be outside the applicants commuting area or not be functionally adequate. A manufactured home not on permanent foundation is considered functionally inadequate. The dwelling retained may not be financed with a Section 502 Direct or Guaranteed loan. gross rent less 25% vacancy less PITIA used for annual income.  <b>Repayment income for rents received 24 months or more:</b> Positive net rental income may be considered stable. Negative net rental income determined to be stable is treated as a liability.  <b>Repayment income for rents received for less than 24 months:</b> No rental income may be included for repayment purposes and corresponding mortgage liabilities must be included in debt ratio's (PITIA)  Rental income for repayment purposes should be verified with an average of 2 years tax returns (depreciation may be added back)  <b>Annual income:</b> Positive net rental income must be included in annual income. Negative net rental income is treated as \$0</p>
VA BENEFITS, SCHOLARSHIPS, TUITION	<p><b>Repayment income:</b> Direct compensation from the U.S. Dept. of Veterans Affairs (ie., regular payments for a service related disability) can be included as repayment income upon VA verification. Education benefits paid to a veteran for use in meeting the cost of tuition, fees, books and equipment may be considered of repayment.  <b>Annual income:</b> Direct compensation payments and the remainder of educational grants, scholarships, or VA benefits available for subsistence after deducting expenses for tuition, fees, books and equipment must be considered as annual income.</p>
GOVERNMENT ASSISTANCE PROGRAMS	<p><b>Repayment income:</b> Income received for programs such as unemployment, workers compensation, earned income credit, foster children, etc. may be counted as repayment income as long as it is expected to continue for at least the first 3 years of the mortgage. Unemployment benefits may be considered stable and dependable income for individuals employed on a seasonal basis (eg., farm laborers, construction workers, etc.) Applicants with a sole source of unemployment benefits as their earnings are ineligible.  <b>Annual income:</b> Unemployment compensation must be computed as the estimated amount for the upcoming 12 months with consideration to the history of this income type for the previous 24 months. Other government assistance programs for which a Federal statute specifies must not be used for denying or reducing Federal financial assistance of benefits, should not be included in annual income calculation.</p>
EMPLOYEE DIFFERENTIAL PAYMENTS HOUSING/ ALLOWANCES	<p><b>Repayment income:</b> The amount of these payments may be considered in repayment income when verified by the employer they are likely to continue into the first 3 years of the mortgage. Do not offset the mortgage payment, rather, add to income.  <b>Annual income:</b> the amount of these payments should be included as gross income when calculating the annual income</p>
AUTOMOBILE EXPENSE ALLOWANCE - PER DIEM	<p><b>Repayment income:</b> Include the amount of the payments that exceed the actual expenditure for which the allowance is provided. Verification &amp; documentation from the employer that the income has been received for the previous 2 years and that payments will continue is required.  <b>Annual income:</b> If the allowance/reimbursement is shown on the paystub as "gross earnings" they must be included in the annual income calculation.</p>

<b>MILEAGE REIMBURSEMENT</b>	If the applicant utilizes the standard per-mile rate to calculate automobile expenses as opposed to the actual cost method, the portion that the IRS considers depreciation may be added back to income. The amount of depreciation claimed must be listed on the appropriate IRS tax form to support this addition to repayment income.				
<b>SECTION EIGHT HOUSING VOUCHERS</b>	<b>Repayment income:</b> the monthly subsidy may be grossed up by 25% and added to income. <b>Annual income:</b> do not include this subsidy in annual income				
<b>ASSETS</b>					
<b>DOWN PAYMENT REQUIREMENTS</b>	<ul style="list-style-type: none"> <li>• Minimum 80.01% LTV is required on purchase transaction. The minimum LTV guideline is intended to discourage borrowers that have sufficient assets to provide a down payment on conventional or FHA financing from taking advantage of the Rural Housing program.</li> <li>• Maximum LTV is 102.04% of appraised value when guarantee fee of 2.041% is financed (call for factor if guarantee fee will not be financed). (Loans may exceed 100% LTV only to the extent that the excess represents the guarantee fee). An Annual Guarantee fee of 0.40% also applies.</li> </ul>				
<b>SELLER CONTRIBUTIONS</b>	Maximum of 6% paid by seller and/or real estate agents				
<b>GIFTS &amp; ACCEPTABLE DONORS</b>	<p>In order for gifts funds to be considered, there must be no expected or implied expectation of repayment to the donor .An outright gift of the cash investment is acceptable if the donor is:</p> <ul style="list-style-type: none"> <li>•The borrower's relative (including family member acting as real estate agent due a commission)</li> <li>•The borrower's employer or labor union</li> <li>•A close friend with a clearly defined and documented interest in the borrower</li> <li>•A charitable organization or government agency or public entity that has a program providing home ownership to low-moderate income families or first time homebuyers</li> </ul> <p>The gift donor may not be a person or entity with an interest in the sale of the property, such as the seller, the realtor, the builder or an associated entity. The gift donor also cannot be another person living in the household. Gifts from these sources are considered inducements to purchase and must be subtracted from the sales price. The gift donor also cannot be another person living in the household. Only family members may provide equity credit as a gift on property being sold to other family members.</p>				
<b>GIFTS &amp; ACCEPTABLE DOCUMENTATION</b>	<p>A gift letter signed by donor and borrower(s) that includes the amount of gift, name, address, phone number, relationship to the borrower and that no repayment is required.</p> <p>If gift funds are in the borrowers account: obtain a copy of the withdrawal document showing it was from the donor's account &amp; the borrowers deposit slip showing the deposit</p> <p>If gift provided at closing &amp; in the form of a certified check or cashiers check from the donor: obtain donors bank statement showing withdrawal &amp; copy of the check</p> <p>If funds provided at closing in the form of a wire transfer: the gift letter to include donor's bank &amp; account number. Provide copy of wire transfer to escrow showing bank &amp; acct number.</p> <p>Gift funds may not be used as reserves or as a compensating factor.</p>				
<b>CHECKING AND SAVINGS</b>	<p><b>Background:</b> Liquid assets considered in the credit and risk evaluation can influence the underwriting recommendation due to remaining cash reserves post closing. Although cash reserves are not required, the presence of reserves can affect the strength of the loan but are not required.</p> <p>When liquid assets are entered into the underwriting the analysis, the asset must be verified and documented in the lender's permanent case file. The following chart provides examples of the liquid assets often utilized, and the expected documentation when these assets are present on the loan application:</p> <table border="1"> <thead> <tr> <th>Liquid Asset Type</th> <th>Minimum Documentation Guidelines</th> </tr> </thead> <tbody> <tr> <td>           Depository types:           <ul style="list-style-type: none"> <li>• Savings Accounts</li> <li>• Checking Accounts</li> <li>• Certificate of Deposit</li> <li>• Money Market Fund</li> </ul> </td> <td> <ul style="list-style-type: none"> <li>• Quarterly statement no more than 90 days old or</li> <li>• 2 months bank statements dated within 45 days of the initial loan application</li> </ul> </td> </tr> </tbody> </table>	Liquid Asset Type	Minimum Documentation Guidelines	Depository types: <ul style="list-style-type: none"> <li>• Savings Accounts</li> <li>• Checking Accounts</li> <li>• Certificate of Deposit</li> <li>• Money Market Fund</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly statement no more than 90 days old or</li> <li>• 2 months bank statements dated within 45 days of the initial loan application</li> </ul>
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<b>STOCKS &amp; BONDS, IRA's, 401K &amp; Keogh</b>	<p>Brokerage statement(s) for each stock, bond or mutual fund account for the most recent 2 months. Evidence of liquidation not required.</p> <p>Savings bonds: government issued bonds are counted at original price unless eligibility for redemption value are confirmed. Receipt of funds at redemption must be verified.</p> <p>Retirement accounts: Most recent 30 day statement required. up to 60% of the value of these assets may be included in funds to close. Document terms of withdrawal and/or borrowing &amp; that the borrower is eligible for these withdrawals. Evidence of liquidation not required.</p>				
<b>FUNDS NOT ALLOWED</b>	<table> <tr> <td>1031 exchange funds</td> <td>Un sourced EMD funds or EMD not cleared borrowers bank</td> </tr> <tr> <td>Cash on hand</td> <td>Non-domestic funds (all funds must be in US bank)</td> </tr> </table>	1031 exchange funds	Un sourced EMD funds or EMD not cleared borrowers bank	Cash on hand	Non-domestic funds (all funds must be in US bank)
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<b>RESERVES</b>	<p>Reserves are not required</p> <p><b>Reserves may not be derived from a gift</b></p>				
<b>SALE OF REAL OR PERSONAL PROPERTY, REAL ESTATE COMMISSION</b>	<p>The net proceeds from an arms-length sale of a currently owned real property may be used. Provide copy of purchase contract &amp; fully executed final HUD-1 to document proceeds</p> <p>Personal property sale: Documentation to verify borrower owns the personal property being sold, the value of the property, evidence the item was sold and receipt of proceeds.</p> <p>Non exclusive documentation examples: appraisal of item, dealer estimate, philatelic or numismatic association, insurance policy, bill of sale, title transfer.</p> <p>Cash sale proceeds will not be considered</p> <p>Real estate commission: if borrower is a licensed real estate agent entitled to a commission from the sale of the subject, he/she may use that amount for cash investment.</p> <p>A family member entitled to the commission may also provide it as gift funds to borrower (subject to gift documentation requirements)</p>				

<b>COLLATERAL</b>	
<b>APPRAISAL &amp; NEW CONSTRUCTION</b>	<ul style="list-style-type: none"> <li>• Appraisal must be completed in compliance with HUD handbooks 4150.2 and 4905.1 and all subsequent pertinent Mortgagee letters &amp; report must state so. Vague comments "appear to meet" or "seems to meet" are not acceptable.</li> <li>• Appraisals must be completed by appraisers on FHA's approved roster and in compliance with MDIA. All properties must meet FHA minimum property standards (MPS)</li> <li>• 1004MC and Interior photos required</li> <li>• Standard FNMA appraisal forms are required: 1004 (SFR) / 1073 (condo)</li> <li>• Appraisals are valid for 4 months. Appraisal must be valid at the time of conditional commitment. Appraisal transfers of acceptable RD reports is acceptable. A transfer letter must be obtained from original lender.</li> <li>• Appraisals prepared for REO purposes are not acceptable.</li> <li>• Existing dwelling: completed for more than 12 months or completed less than 12 months but has been previously occupied. Properties completed less than 12 months or not previously occupied require new construction documentation.</li> <li>• New construction :If builder is providing 10 year warranty, provide final inspection</li> <li>• If providing 1 year warranty:Framing inspection, footing inspection, final inspection, thermal inspection (unless addressed in plan cert), Plan Cert #RD1924-25 completed by engineer or architect, Permits, Occupancy Certificate &amp; construction warranties</li> <li>• New construction homes that do not have acceptable evidence of construction inspections are limited to 90% LTV plus guarantee fee.(Buyers building their own homes) 1 year builder warranty not required.</li> </ul>
<b>ELIGIBLE PROPERTY TYPES</b>	<ul style="list-style-type: none"> <li>• Attached/Detached SFRs</li> <li>• Attached /Detached PUDs</li> <li>• Condos – Fannie Mae, Freddie Mac, HUD or VA approved projects are acceptable</li> <li>• The property must be located in a rural area, as designated by the local RHS office. To determine whether the property is located in a designated rural area, go to the RD Website and from the home page under "Property Eligibility" click "Single Family Housing". Property can be looked up by address or by viewing the "Additional Eligible Areas" or "Text Descriptions".</li> <li>• The property must be a single family non-farm residence.</li> <li>• The value of the site should not exceed 30% of the total value of the property. Higher site value may be acceptable if approved by the local Rural Development office. <a href="http://eligibility.sc.egov.usda.gov">http://eligibility.sc.egov.usda.gov</a>.</li> <li>• The property must be contiguous to and have access to a paved or all-weather surface street, road or driveway.</li> <li>• Termite reports and clearance required if noted by appraiser or required by state law</li> <li>• The property must have dependable water and waste disposal systems that are approved by local authorities.</li> <li>• Properties that include in-ground pools are not generally eligible. USDA may approve dwellings with in ground pool as long as any contributory value of the pool is not financed in the loan amount. An appraiser must not indicate that a pool as no value simply because this is a USDA Rural Housing loan. Under USPAP, the appraiser should address the pool under local market conditions.</li> <li>• Guest units-inlaw units &amp; properties with more than 1 kitchen are not permitted.</li> <li>• The property must have dependable water and waste disposal systems that are approved by local authorities.</li> </ul>
<b>HAZARD &amp; FLOOD INSURANCE</b>	<p>Properties located in Special Flood Hazard Zones which require Flood Insurance are not acceptable. Exceptions will be granted if approved by RHS.</p> <p>AZ, CA, &amp; OR: See Rural Housing website for state specific requirements and complete details. <a href="http://www.rurdev.usda.gov">http://www.rurdev.usda.gov</a></p>
<b>AGE OF APPRAISAL</b>	<ul style="list-style-type: none"> <li>• Appraisal report must be dated within 120 days from Note date</li> <li>• All Credit documents including, income, assets &amp; credit report/credit documents may not exceed 90 days at the date of Approval and 120 days at the date of the Note.</li> </ul> <p>The 90 day time frame is measured from the date the USDA RH commitment is issued to document date.</p>