

Rural Housing Program Guidelines



The following guidelines apply to USA DIRECT FUNDING's Rural Housing Program. All loans must adhere to the criteria of these guidelines or the individual loan programs. While USA DIRECT FUNDING makes every attempt to include all guidelines, the user may also consult the guidance from the USDA at

<http://www.rurdev.usda.gov/RHS/>

Please note, however, that USA DIRECT FUNDING Rural Housing Guides will supersede any conflict with the information located on the USDA site. USA DIRECT FUNDING may, at its discretion allow exceptions to the guidelines. Exceptions must be requested by a Loan Officer or Processor. Any exception granted will have a price adjustment. USA DIRECT FUNDING's philosophy is to consider all the risk factors inherent in the loan file. Consideration is given to each individual transaction, applicant profile, documentation provided, and collateral. Because each loan is unique, underwriters are expected and encouraged to use professional judgment in making a lending decision based on the entire profile presented and the relative risk for USA DIRECT FUNDING.

Our commitment to fairness and equal opportunity is clear. In keeping with that, all transactions/borrowers will be treated in a consistent and fair manner. And all customers/clients should receive the HIGHEST level of customer service.

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Appraisal	<p>General Guidelines:</p> <ul style="list-style-type: none">• Should be completed by FHA certified appraiser – otherwise a full home inspection will be required.• Property must meet HUD Handbook 4150.2 and 4905.1 standards. <p>Age of appraisal:</p> <ul style="list-style-type: none">• USA DIRECT FUNDING will not accept appraisals dated more than 12 months prior to the note date.• An Appraisal Update is required on all appraisals dated more than 120 days prior to the note date.• If the appraisal indicates that the subject property was previously sold within the last 12 months, the underwriter is required to determine the change in value. If the value has increase, the lender must document improvements that support the increase and/or the appraiser must document rapid increases in value within the market.• All Appraisals must contain 2 comparable sales within the past 90 days, as well as one current listing. All comparables used must contain information regarding how many days they were listed on the market before being sold.• Any appraisal reviews done to verify value of the home will first need to be approved by the broker prior to being ordered; the cost for the review is the responsibility of the broker.
Borrower Eligibility	<p>Eligible:</p> <ul style="list-style-type: none">• Individuals only.• Social security number required. A Tax I.D. Number will not be acceptable. <p>Permanent Resident Aliens:</p> <ul style="list-style-type: none">• As long as the borrower holds a “Green Card” (an Alien Registration Receipt Card, INS Form I-551), the loan is eligible under the same guidelines/terms as a loan made to a U.S. citizen. A copy of the front and back of the Green Card must be included in the file. An approved Green Card application will not be acceptable. <p>Non-Permanent Resident Aliens:</p> <ul style="list-style-type: none">• Temporary residents. Granted the right to live and/or work in the U.S. for a specified period of time.• One of the following valid Visas are required:<ul style="list-style-type: none">- H-1B, Temporary Worker.- L-1, Intra-Company Transferee.- E-1, Treaty Trader.- G series (G-1, G-2, G-3, G-4).- TN or TC NAFTA VISA - Used by Canadian or Mexican citizens.• The loan file must contain a copy of the front and back of the eligible Visa. The approved application for one of the visas listed above will not be acceptable and a copy of the actual visa must be obtained.• All Non-Permanent Resident Aliens must have a minimum 2 year history of residency, credit and employment and currently reside and work in the U.S. Income should be expected to continue for at least 3 years.• If tax returns are required, they must be U.S. federal returns. If income is in foreign currency, 75% of the currency exchange value may be used for qualifying the borrower.

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<p>Cash Reserves</p>	<ul style="list-style-type: none"> Funds for closing must be in U.S. bank accounts. If funds were transferred from a foreign depository, the borrower must provide evidence that they owned the funds prior to transfer. <p>Ineligible:</p> <ul style="list-style-type: none"> Foreign nationals. Borrowers with diplomatic immunity. Borrowers without social security numbers. <p>The borrower must not have sufficient assets to obtain other traditional conventional financing. The borrower may, however, qualify for an FHA or VA loan. In other words, applicants may have liquid assets and be eligible to participate in the GRH Program. Those assets, however, should not be sufficient to meet the down payment and closing cost requirements associated with a conventional uninsured mortgage product (LTV ≤ 80%). This means applicants do have a choice of USDA-Guaranteed Rural Housing, FHA, VA, or a conventional mortgage product with private mortgage insurance.</p>
<p>Condos/PUDs</p>	<p>Must be FNMA/FHLMC/FHA/VA approvable</p> <ul style="list-style-type: none"> All units, common elements, and facilities within the project must be 100 percent complete, and the project cannot be subject to additional phasing or annexation. At least 51 percent of the total units in the project must have been conveyed to owner-occupant principal residence or second home purchasers. However, this requirement shall not apply when a lender delivers a mortgage to us that is secured by an owner-occupant principal residence or second home. Lenders must review the homeowners' association actual budget to determine that it is adequate (i.e., it includes allocations for line items pertinent to the type of condominium), provides for the funding of replacement reserves for capital expenditures and deferred maintenance (at least 10 percent of the budget), and provides adequate funding for insurance deductible amounts. No more than 15 percent of condominium/association fee payments can be more than one month delinquent. No single entity (the same individual, investor group, partnership, or corporation) may own more than 10 percent of the total units in the project. No more than 20 percent of the total square footage of the project can be used for nonresidential purposes. All facilities related to the project must be owned by the unit owners or the homeowners' association. The developer may not retain any ownership interest in any of these facilities. In addition, the amenities and facilities—including parking and recreational facilities—may not be subject to a lease between the unit owners or the homeowners' association and another party. The individual units should be separately metered. If they are not, the project's plans should provide for the ready adoption of unit metering. The units in the project must be owned in fee simple or leasehold, and the unit owners must be the sole owners of, and have rights to the use of, the project's facilities, common elements, and limited common elements.

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Credit History	<p>Acceptable Individual Credit Reports:</p> <ul style="list-style-type: none"> Residential Mortgage Credit Report Merged in-file credit report with information pulled from at least two (2) national credit repositories. Individual in-file credit reports from at least two (2) national credit repositories. Minimum of 3 trade lines with at least 24 months history required. <p>Credit Score Determination</p> <ul style="list-style-type: none"> Use FNMA/FHLMC qualifying score criteria: lower of two (2), middle of three (3). Use the lowest score of all borrowers on the loan. <p>Credit Score Requirements:</p> <ul style="list-style-type: none"> Unless otherwise stated, all borrowers must have a minimum 660 credit score. An exception can be requested if there are strong compensating factors present. Any exception granted will come with an exception pricing adjustment (see rate sheet). Alternate credit will not be allowed <p>Bankruptcy/Foreclosure/Deed In Lieu</p> <ul style="list-style-type: none"> No Bankruptcy/Foreclosure/Deed In Lieu allowed in the past 4 years. <p>Non-purchasing Spouses. The community property states are: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington & Wisconsin.</p> <p>If the borrower resides in or the subject property is located in a community property state and only one spouse is the borrower, a credit report of the non-purchasing spouse must be pulled and all of the debts included in the qualifying ratios for the loan. The payment history is not factored into the loan decision and LDP & GSA checks are not completed for the non-purchasing spouse.</p>
Documentation	<p>AGE OF DOCUMENTATION</p> <ul style="list-style-type: none"> Credit documentation may not be dated more than 120 days prior to the Note date. Please refer to Appraisal requirements for age of appraisal criteria.
Down Payment/ Funds to Close	<p>The following minimum down payment requirements apply:</p> <ul style="list-style-type: none"> While there is no down payment required on the Rural Housing program, if the borrower(s) wish to put money down into the transaction, the first 5% must come from their own seasoned funds (see Asset documentation requirement below). <p>Asset documentation requirements: Fully executed VOD or 2 months' recent bank/brokerage statements and must be sourced and seasoned for 60 days.</p> <p>Gift Requirements: Gift funds are acceptable with following requirements:</p> <ul style="list-style-type: none"> Donor must be family member or a person with a significant prior relationship. Gift letter is obtained indicating the amount of the gift, date gift will be given, donor's name and address, relationship to borrower, and that no repayment is expected. The funds are verified in either the borrower or donor's account.

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	<ul style="list-style-type: none"> • Document transfer of funds from donor to borrower. <p>Unacceptable sources of down payment include:</p> <ul style="list-style-type: none"> • Sweat Equity, Cash on Hand, proceeds from unsecured loans or personal loans, Salary/bonus advances received against future earnings, and cash advances from a credit card or other revolving account.
Escrow/ Escrow Holdbacks	<p>Escrows are required on all Rural Housing loans.</p> <p>Escrow holdbacks are NOT allowed.</p>
Features	<p>Closing costs may be financed when there is equity above the contract price as supported by the appraisal. (Discount points, however, are only eligible for financing for low income households as defined by Rural Development.)</p> <p>Seller contributions without any limitation are available to assist the borrower in paying closing costs. If they exceed 6% of the sales price, a comment from the appraiser with respect to the impact to value is required.</p>
Income documentation	<p>In order 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.</p> <p>http://eligibility.sc.egov.usda.gov/eligibility/incomeEligibilityAction.do?pageAction=state&NavKey=income@11</p> <ul style="list-style-type: none"> • Full Documentation type is permitted only. 4506T required to be executed by all borrowers on all loans. • Employment History: <ul style="list-style-type: none"> • Both salaried and self-employed borrowers must have a consecutive 2 year history of employment. • Documentation waivers not permitted. Full traditional documentation ONLY • Any job gaps must be explained by the borrower and must be back on the current position for a min of 6 months. • Salaried Borrower- Income must be documented as follows: <ul style="list-style-type: none"> • Income calculations for qualifying income sources must be documented on the 1008. • Written VOE required on all borrowers. • Notice of Extensions: If tax returns are required and the tax-filing deadline has passed without the borrower's filing, we must obtain a properly executed notice of extension for our review and loan file. • All non-taxable income sources used for qualifying must be grossed up by 25% and be fully documented as being a non-taxable source. Some examples of non-taxable income sources include, but are not limited to: child support, municipal bond interest, foster care income, rail road retirement, and some civil service annuities.

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	<p>Self-employed Borrowers- Defined as owning 25% or more interest in the business. Borrowers who own 25% or more of their businesses must be analyzed to ensure the reasonableness and recurring income stream from the business.</p>
Leaseholds	<p>Allowed per USDA requirements.</p> <ul style="list-style-type: none"> • Lease term must have remaining term of 5 years after the maturity date of the loan. • Appraisal to show market acceptance • Not allowed on condos – Exception only
Liabilities	<ul style="list-style-type: none"> • Revolving charges. If no payment is showing, use 5% of the outstanding balance (paying off revolving debts to qualify is not permitted) • Installment debts >6 months remaining • Lease payments are always included regardless of # of payments remaining • Real Estate loans • Automobile loans • Automobile leases (must be included in the DTI even if fewer than 10 payments are remaining). • Net rental losses from real estate owned • Alimony, child support or maintenance payments with 10 or more remaining payments. • Divorced and separated borrower’s joint obligations will be considered in accordance with co-signed and divorce debt guidelines. • Divorced: previous mortgage debts of a property that was awarded to an ex-spouse without release of liability need to be included in debt ratio unless you can obtain 12 months cancelled checks. Provide a copy of the divorce decree along with a release of liability from the mortgage creditor must be provided. Quit claim deeds do not remove liability for mortgage debts). <p>Business Debt: Debts paid by the business will not be considered in the borrower’s ratios if 12 months’ canceled checks drawn on the business account are provided.</p> <p>Co-Signed Debt: If a borrower is a co-signer or guarantor on any loans, those liabilities must be indicated on the loan application. The payments for these loans will be included in the borrower’s total monthly debt unless satisfactory documentation is provided to prove that the primary debtor has been making the payments on a regular basis (<i>12-Months canceled checks will be required</i>)</p> <p><i>A co-signed debt refers to an agreement where the applicant is liable for the note with other parties. Liabilities solely in the applicant’s name must always be considered in the debt ratio, regardless of who is making the payment.</i></p>
Loan Terms	<ul style="list-style-type: none"> • 103.5% of appraised value may be financed. • May include closing costs and required repair costs in financing of purchase • 30 Yr fixed rate fully amortized loans • Buy downs allowed with exception only
Mortgage Insurance	<p>Monthly mortgage insurance is not required. However an upfront funding fee of approximately 3.5% is required on Purchases and 1% on refinances.</p>
Non Occupant	

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Co borrowers	Not allowed
Number of Properties Financed	Borrower may not have any other “adequate” dwelling. If the borrowers’ current residence is no longer adequate – NO rents can be used to qualify.
Occupancy	Owner occupied only. Income producing properties of ANY kind are not allowed
Property Eligibility	<p>ELIGIBLE PROPERTY TYPES – 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.</p> <p>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 Approved – see Condo Section for details • Unique properties allowed with exception only. <p>INELIGIBLE PROPERTY TYPES</p> <ul style="list-style-type: none"> • Purchase transactions of Properties sold at auction by the builder, developer or construction lender. • Income producing properties • In ground swimming pools • Properties purchased from a builder who is purchasing the borrower’s existing residence • Houseboats • Vacant land • Coops or Condo-Hotels • Timeshares, syndicated units or segmented ownership projects • Properties located in a coastal barrier resource system, federally declared wetlands or other federally protected areas. • Properties which represent an illegal use under zoning regulations, or subject to hazards, noxious odors, etc. • Properties on Native American Reservations • Manufactured Homes and other Factory Built Housing • Properties that are landlocked, without full utilities and/or not accessible year round • Non-Warrantable Condo • Refinances on Properties listed For Sale in the last 6 months prior to loan application • Working farm, ranch or orchard • PROPERTIES LOCATED IN A FLOOD ZONE. <p>Assignment of Purchase Contract Transactions where the purchase contract is in the name of the “borrower and/or assignees”, “seller and/or assignees”, or “borrower and/or nominees” or has been assigned to the borrower or seller are NOT acceptable.</p> <p>Purchase Money Transactions: The purchase contract for all purchase money transactions must be provided to the appraiser so that sales contributions or concessions can be accounted for in the valuation</p>

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Ratios	Maximum 31/43% - higher ratios are possible with compensating factors and AUS approval.
Refinances	<ul style="list-style-type: none"> Only allowed if paying off a current USDA loan. Rate and term only. Cash out not allowed. Nominal c/o that occurs at closing must be applied to a principal reduction. Can include principal and interest on the existing loan, closing costs and funds to establish new tax and insurance escrows. Loan amount can only exceed current appraised value by the financed guarantee fee. <p>Rate must be fixed and lower than current rate.</p>
Seller Contributions	Typically limited to 6% - If exceeding 6% appraiser must comment as to the effect on the transaction.
Subordinate Financing	Not allowed
Title Reports	<p>A 24 month chain of title will be required for all transactions. Your title commitment/preliminary title report must show an acceptable history or the underwriter must pull it from another acceptable source.</p> <p>Judgment/lien search required on all borrowers/title holders.</p>
Underwriting	<p>This program requires:</p> <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 Funding <p>Manual underwrite are allowed with significant compensating factors offsetting reasons for GUS decline.</p>