



USDA GUARANTEED RURAL HOUSING GUIDELINES

Last Updated 6/30/2020

Overlays to Rural Housing guidelines are underlined

PURCHASE			
Occupancy	Units	FICO	LTV/CLTV
Primary Residence	1	<u>620</u>	100/ <u>100</u>
RATE AND TERM REFINANCE			
Occupancy	Units	FICO	LTV/CLTV
Primary Residence	1	<u>660</u>	100/ <u>100</u>

Product Guidelines	
AUS and Underwriting	<ul style="list-style-type: none"> • <u>All loans must be submitted to Guaranteed Underwriting System (GUS).</u> • The loan must receive either an Accept/Eligible. To ensure the property location and annual income complies with Rural Housing requirements, the loan file must include the Accept/Eligible or Refer/Eligible. • Lenders must manually downgrade an Accept decision to a Refer in the following instances (see Technical Handbook Section 10.7B for full details): <ul style="list-style-type: none"> ○ Unable to validate the credit score ○ When lender must manually input liabilities into GUS, except for manual entry of non-purchasing spouse's debts in a community property state, child support, alimony, garnishments, and other debts that are not typically reflected on a credit report. Credit supplements may not be used to verify debts as supplements cannot be uploaded into GUS. ○ Disputed accounts as outlined in Credit History section. ○ Authorized user accounts that do not meet the requirements outlined in Credit History section. ○ Potential derogatory or contradictory information, including any pre-foreclosure sale within 3 years of the request for the conditional commitment.
ATR/QM Rule	<ul style="list-style-type: none"> • All loans must meet the Ability to Repay (ATR) and Qualified Mortgage (QM) provisions of the Dodd-Frank Act.
Age of Documents	<ul style="list-style-type: none"> • All credit documents must be dated within 120 days (180 days for new construction) of the note date, including credit reports and employment, income and asset documents.
Appraisal	<ul style="list-style-type: none"> • A full appraisal (e.g. form 1004 or equivalent, accompanied by form 1004MC) is required for all submissions. • The appraisal must be no more than 150 days old at loan closing.

<p>Borrower Eligibility</p>	<ul style="list-style-type: none"> • U.S. citizens • Permanent resident aliens, with proof of lawful 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 must have a valid Social Security Number
<p>Condominiums</p>	<ul style="list-style-type: none"> • Condominium project must meet HUD/FHA, VA, Fannie Mae, or Freddie Mac project standards.
<p>Credit History</p>	<ul style="list-style-type: none"> • See LTV/CLTV grid for minimum FICO scores. • <u>Each borrower must have at least two credit scores to be eligible.</u> • Purchases – Manually underwritten loans with FICOs less than 680 require a rent history of 0x30 in last 12 months, 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. • At least one borrower whose income or assets are used for qualification must have at least two eligible tradelines to validate the borrower's credit score. Eligible tradelines consist of credit accounts with at least 12 months of repayment history reported on the credit report. <ul style="list-style-type: none"> ○ Authorized user accounts may not be considered in the credit score and credit reputation analysis unless the applicant provides documentation that they have made payments on the account for the previous 12 months prior to application. ○ A trade line in a documented dispute with 12 months of history is considered an eligible trade line. ○ Required for GUS approved and manual loans – The inability to validate credit scores used by GUS will require lenders to downgrade an “Accept” underwriting recommendation to a Refer. Non-traditional credit history is acceptable to supplement the number of tradelines, in accordance with Rural Housing's requirements. • Authorized User Tradelines <ul style="list-style-type: none"> ○ A GUS underwriting recommendation of “Accept” with open authorized user tradelines must include evidence in the lender’s permanent casefile of one of the following: <ul style="list-style-type: none"> ▪ Another borrower on the mortgage loan application owns the tradeline in question, ▪ The owner of the tradeline is the spouse of a borrower, ▪ Evidence the borrower has been making payments on the account for the last 12 months, or ▪ There are two or more other tradelines listed on the credit report, which are not authorized user accounts, with at least 12 months of payment history listed to validate the credit score. ○ 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. • 30-Day Accounts <ul style="list-style-type: none"> ○ Must verify the outstanding balance is paid in full on every 30-day account each month for the past 12 months. 30-day accounts that are paid monthly in full are not included in the applicant’s long-term debt ratio. ○ If the credit report reflects any late payments in the last 12 months, a long-term monthly payment will be included. Utilize 5% of the outstanding balance as the applicant’s monthly debt. ○ Utilize the credit report to document the applicant paid the balance on the account monthly for the previous 12 months. • Disputed Credit Tradelines

	<ul style="list-style-type: none"> ○ When a borrower’s credit report indicates a tradeline 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: <ul style="list-style-type: none"> ▪ The tradeline has a zero dollar balance, ▪ The tradeline is marked “paid in full” or “resolved,” or ▪ The tradeline has a balance owed of less than \$500 and is more than 24 months old. ○ For manually underwritten loan files, all disputed tradelines with outstanding balances/payments that have been excluded from the debt ratios must have evidence in the loan file to support a justifiable dispute.
<p style="text-align: center;">Credit: Liabilities</p>	<ul style="list-style-type: none"> ● Non-Purchasing Spouse (NPS) <ul style="list-style-type: none"> ○ When a borrower resides or the subject 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 borrower’s debt ratio, except for those specifically excluded by state law. ○ The Non-Purchasing Spouse’s credit history is not a reason to deny the loan application. ● Verification of Rent/Mortgage History <ul style="list-style-type: none"> ○ Not required with a GUS accept. ○ Manual underwriting must follow Rural Housing repayment history requirements. ● Installment debts with more than ten months repayment remaining must be included in the debt ratio. ● Revolving debts with loan balances on the credit report must have a monthly payment included in the debt ratios. If a payment is not listed the lender may estimate a monthly payment of 5% of the loan balance. ● Student Loans <ul style="list-style-type: none"> ○ Lenders must include the greater of: <ul style="list-style-type: none"> ▪ One percent of the outstanding loan balance, or ▪ The fixed payment as reflected on the credit report. Income Based Repayment (IBR) plans; graduated plans, adjustable rates, interest only and deferred plans are examples of repayment plans that are subject to change and do not represent a fixed payment or repayment plan. These types of repayment plans are unacceptable to represent a long term fixed payment repayment plan. ● Co-signed Debt <ul style="list-style-type: none"> ○ In order to exclude the payment from total debt, the lender must provide 12 month’s payments from the other party or conclusive evidence from the debt holder that there is no possibility that the debt holder will pursue debt collection against the applicant, should the other party default. Individual debt must be included in the DTI. ● Payments that will come due in the next 24 months, including deferred loans and balloon payments. ● Short term obligations must be included in DTI if there is significant impact on repayment. Significant impact is defined as 5% or greater of the gross monthly income of the applicant. ● Long-term obligations with more than 10 months repayment remaining on the credit report, including all installment loans, alimony, child support or separate maintenance payments, student loans and other continuing obligations must be included in the DTI.
<p style="text-align: center;">Derogatory Credit</p>	<ul style="list-style-type: none"> ● Bankruptcy Chapter 7 <ul style="list-style-type: none"> ○ GUS approval has no minimum seasoning. Follow Rural Housing guidelines for manually underwritten loans. ○ When a Chapter 7 Bankruptcy absolved the mortgage debt for the borrower any foreclosure or remaining foreclosure pending

is an action against the property, not the borrower. The foreclosure action is not considered as adverse credit in the borrower's evaluation. A loan underwritten with the assistance of GUS will not be required to be manually down-graded when the bankruptcy discharge included the mortgage debt.

- **Bankruptcy Chapter 13** – GUS approval has no minimum seasoning. Follow Rural Housing guidelines for manually underwritten loans.
- **Foreclosure, Deed in Lieu, or Short Sale/Pre-Foreclosure**
 - Must have 3 years elapsed since completion.
 - Short Sales Manually underwritten only:
 - Exceptions can be made when the borrower was not delinquent at the time of Short Sale, or if due to divorce, at the time of divorce, and
 - The prior mortgage payment history must reflect all mortgage payments due were made on time for the 12 month period preceding the short sale, or time of divorce, and all installment debt payments for the same period were also made within the month due.
- **Federal debts** – A borrower is ineligible for a guaranteed loan if they are presently delinquent on a tax or non-tax Federal debt.
- **All Judgments** must be paid in full, or
 - Payment arrangements with the creditor have been made.
 - The borrower has made regular and timely payments for the three months prior to loan application.
 - Prepaying scheduled payments as a means of meeting minimum requirements is unacceptable.
 - Lenders will obtain a copy of the payment agreement and validate payments have been made in accordance with the payment agreement.
 - The payment agreement will be included in the debt-to-income ratio.
 - Exception: If the repayment plan was already established and the applicant has a history of consistent repayment, the payment may be excluded if there are less than 10 months remaining and the lender determines the debt does not have a significant impact on the repayment of the applicant.
- **Collection Accounts** – Underwriting will consider the following during the capacity analysis of the loan request for GUS Approved and Manual Underwrites:
 - Determine if the total outstanding balance of all collections accounts of all borrowers is equal to or greater than \$2,000. Unless excluded by state law, collection accounts of a non-purchasing spouse in a community property state are included in the cumulative balance of all collections.
 - Remove all medical collections and all types of charge off accounts from the total balance. Medical collections and charge off accounts must be clearly identifiable on the credit report.
 - If the remaining outstanding balance of collection accounts are equal to or greater than \$2,000, any of the following actions will apply:
 - Payment in full of all collection accounts at or prior to closing.
 - Payment arrangements are made with each creditor for each collection account remaining outstanding. A letter from the creditor or evidence on the credit report is required to validate the payment arrangements. The agreed upon monthly payment for each outstanding collection account will be included in the borrower's debt-to-income ratio.
 - In the absence of a payment arrangement, the lender will utilize in the debt-to-income ratio a calculated monthly payment. For each collection utilize 5% of the outstanding balance to represent the monthly payment.

Escrow Accounts

- An escrow/impound account for collection of taxes and insurance (or additional escrow items) is required. unless prohibited by Applicable Laws.

Escrow Holdbacks	<ul style="list-style-type: none"> Loans with pending escrow holdbacks for postponed improvements are eligible subject to USDA requirements. Properties must be suitable for immediate occupancy and postponed improvements must not impact safety, soundness or habitability. <u>Max allowable cannot exceed the lesser of 10% of the value of the property or \$5000.</u>
Exclusionary Lists	<ul style="list-style-type: none"> CAIVRS and GSA list must be checked and cleared.
Financing Concessions	<ul style="list-style-type: none"> Financing or sales concessions cannot exceed 6% of the sales price.
Funds to Close	<ul style="list-style-type: none"> Verification of funds is not required unless the borrower's contribution is greater than 2% of the purchase price. In those cases the following are the most common sources: <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 must be specifically identified as a gift in GUS in order to omit from reserves. <u>Cash on Hand is not permitted.</u> 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 most conservative approach with no consideration of assets in GUS may be used.
Guarantee Fee	<ul style="list-style-type: none"> Upfront Guarantee Fee: 1% of the loan <ul style="list-style-type: none"> Financed Guarantee Fee calculated as: $(\text{Loan Amount} / .99) - \text{Loan Amount}$ May be financed above the appraised value Not financed Guarantee Fee calculated as: $\text{Loan Amount} * 1\%$ Annual Fee: .35%
High Cost	<ul style="list-style-type: none"> Not Eligible
High Priced Mortgage Loans (HPML)	<ul style="list-style-type: none"> Higher Priced Mortgage Loans (HPML) transactions are eligible for purchase. HPML guidelines require: <ul style="list-style-type: none"> Establishment of an escrow account for taxes and insurance premiums on any transaction secured by a principal residence. Must meet all applicable state and/or federal compliance requirements.
Home Ownership Counseling	<ul style="list-style-type: none"> Certain Rural Housing State Offices require Home Ownership Counseling for first time homebuyers. It is the lender's responsibility to ensure the home buyer education is completed in those states and include documentation to satisfy Rural Housing's requirements in the file.
Income: Annual	<ul style="list-style-type: none"> The borrower's adjusted income may not exceed the Rural Housing's limit for the area. Refer to the USDA Income and Property Eligibility website: http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?NavKey=home@1
Income: Repayent	<ul style="list-style-type: none"> Salaried: <ul style="list-style-type: none"> Paystubs covering the most recent 4 weeks period with YTD earnings and W2s for the prior two years. Or, WVOE allowed. VOE within 10 business days prior to closing required. Self-Employed: <ul style="list-style-type: none"> Two consecutive years of signed tax returns with all schedules filed with the IRS, or IRS transcripts that include all applicable schedules, along with a recent profit and loss statement (not required to be audited), and Two consecutive years of signed business tax returns with all schedules filed with the IRS, or IRS transcripts that include all

	<ul style="list-style-type: none"> ○ applicable schedules, if required for the business type, ○ Confirmation the business is operational must be obtained within 30 days of the note date/loan closing. ● Other Types of Income: See <i>HB-1-3555, Chapter 9, Attachment 9-A, Income and Documentation Matrix</i> ● A 4506T, signed at application and closing, is required for all transactions.
Interest Rate Maximum	<ul style="list-style-type: none"> ● Maximum interest rate for all loans is the Fannie Mae rate for a 30 year fixed rate conventional loan with 90-day delivery plus 100 basis points, rounded up to nearest .25%.
Loan Purpose	<ul style="list-style-type: none"> ● Purchase <ul style="list-style-type: none"> ○ Closing costs may be financed when there is equity above the contract price. ● Rate & Term Refinance <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 interest ▪ Financed guarantee fee ▪ Reasonable and customary closing costs ▪ Fund to establish a new tax and insurance escrow am ○ 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. ○ 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 conditional commitment request for refinance ○ At least one original borrower must remain on the new loan ○ Up to 2 discount points may be financed, and must represent a reduction to the interest rate. ● Cash Out is not allowed ● <u>Streamline refinances are not allowed.</u>
Minimum Loan Amount	<ul style="list-style-type: none"> ● \$50,000
Occupancy	<ul style="list-style-type: none"> ● Primary Residence
Power of Attorney	<ul style="list-style-type: none"> ● Power of Attorney must be approved by CenterState prior to closing.
Property, Eligible Types	<ul style="list-style-type: none"> ● Single Family Attached/ Detached ● PUDs ● Condominiums ● Leaseholds 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. ● Purchase of dwellings which include an in-ground swimming pool are acceptable. ● New Construction must meet Rural Housing inspection and Builder Warranty requirements; evidence must be included in the file.

Property, Ineligible Types	<ul style="list-style-type: none"> • <u>Manufactured homes. This includes on-frame modular homes built on a permanent chassis.</u> • 2-4 Units • Mobile Homes • Cooperatives • Condotels • Hotel Condominiums • Timeshares • Working Farms and Ranches • Unimproved Land and property currently in litigation • Income 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.
Ratios	<ul style="list-style-type: none"> • Maximum DTI 29/41 • CenterState will allow a higher housing and/or DTI ratio with a GUS Accept or Rural Housing Approval. DTI may not exceed 50% for credit scores < 640.
Recently Listed Properties	<ul style="list-style-type: none"> • <u>No Cash-Out Transaction - the listing must have expired or been withdrawn prior to the application date.</u>
Reserves	<ul style="list-style-type: none"> • Not required • When reserves are entered into the GUS, a two month average must be developed. Assets such as 401ks, IRAs, etc., may be included up to only 60% of the vested value.
Tax Transcripts	<ul style="list-style-type: none"> • Tax transcripts for all adult household members are required for the most recent two years. • Transcripts may be provided in lieu of tax returns • W2/1099 transcripts are not sufficient. • Each adult household member must complete and sign IRS Form 4506-T for the previous two tax years at the time of loan application. The 4506-T must request full transcripts with all schedules. • IRS Transcripts are not required for full time students age 18 and older as long as the student is not an applicant, co-applicant not the spouse of an applicant • Guaranteed loans cannot be made to a household that exceeds the applicable adjusted annual income limit. The transcripts provide a qualify control measure to ensure all income and asset earnings reported to the IRS have been disclosed to the lender.
Utilities	<ul style="list-style-type: none"> • For Purchase Transactions, Rural Housing requires the following inspections: <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, which must be no greater than 120 days old at loan closing. 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.