

USDA Rural Development Single Family Guaranteed Rural Housing Program Purchase and Non-Streamlined Refinance

Fixed Rate

Primary Residence Full Documentation			
<i>Transaction Type</i>	<i>Units</i>	<i>LTV</i>	<i>Credit Score</i> ^{3,4}
Purchase	1	90%	580 ³
Purchase	1	100% ¹	620 ⁴
Limited Cash-out	1	90%/90%	580 ³
Limited Cash-Out ²	1	100%/100% ¹	620 ⁴

Footnotes:

1. Maximum LTV when financing the guarantee fee is 102%. The maximum loan amount is 100% of the appraised value plus the upfront guarantee fee, if financed. Eligible closing costs and lender fees may be included in the loan amount up to 100% LTV. 100% LTV may **only** be exceeded when financing the upfront guarantee fee. Existing subordinate financing must be re-subordinated; no new subordinate financing.
2. Loan being refinanced must be a USDA Guaranteed or Direct loan; conventional, FHA or VA loans **cannot** be refinanced under this program. Refer to the [Refinance Transactions](#) topic for additional requirements and restrictions.
3. Borrowers with a credit score of 580-619 are subject to specific guidelines restrictions. Refer to the [580-619 Credit Score](#) topic for details.
4. Borrowers with a credit score of 620-639 and the subject property is in a specified state are subject to additional requirements. Refer to the [Credit Score 620-639](#) topic to view requirements.

In addition to USDA Rural Development GRH purchase and non-streamlined programs REMN Wholesale offers the USDA Rural Development Streamline Refinance program. Refer to the Streamline matrix for guidelines specific to that USDA programs.

Complete USDA Guaranteed Rural Housing guidelines can be accessed at [USDA LINC Training and Resource Library](#)

USDA Guaranteed Rural Housing (GRH) Program Highlights

- The Guaranteed Rural Housing program offers 100% financing for low to moderate income buyers in rural areas subject to availability of funds from USDA.
- Income must be ≤ 115% of the area median
- No maximum purchase price
- Not limited to first time homebuyers
- No down payment required
- No reserves required
- Gift funds are eligible for closing costs, guarantee fee or voluntary down payment

Guarantee Fee

- Upfront guarantee fee for purchase transactions: 2% of the total loan amount
- Upfront guarantee fee for refinance transactions: 2% of the total loan amount

Annual Fee - Applicable for the life of the loan

- Conditional Commitment issued **prior to** October 1, 2014: Annual fee: 0.40%.
- Conditional Commitment issued **on or after** October 1, 2014 Annual fee: 0.50%

Topic	Guideline
4506-T	<ul style="list-style-type: none"> Signed 4506-T required prior to loan closing for both personal and business tax returns (if applicable) Tax transcripts for personal tax returns are processed per GUS 4506-T results must be validated against the income documentation Broker provided processed 4506-T results are in eligible
Age of Documents	<ul style="list-style-type: none"> All credit, income and asset documentation must be ≤ 120 days from the Note date. Appraisal is valid for 6 months from the effective date and must be valid at time of Conditional Commitment request.
Appraisals	<ul style="list-style-type: none"> Appraisals may be ordered from a REMN Wholesale approved AMC and the appraiser must be an FHA roster appraiser. Appraisal photos must be taken of the front and rear of the property, at opposite angles, to show all sides of the subject property. Additional photos are required for any improvements with contributory value that are not captured in the front and rear photos. Properties with an in-ground swimming pool, the appraiser is responsible to address the value of the pool. The contributory value of the in-ground pool cannot be financed in the loan amount. The street scene photo must include a portion of the subject property. <ul style="list-style-type: none"> - If the subject property is proposed construction and the improvements have not been started, the photos must include the grade of the vacant lot. The source of the closed comparable sales used in the appraisal must be from one of the following or a desk review will be required: <ul style="list-style-type: none"> - A Multiple Listing Service (MLS), or - MRIS (www.mris.com), or - Midwest Real Estate Dated (MRED) (www.mredllc.com), or - North Texas Real Estate Information Systems, Inc. NTREIS at (www.ntreis.net) - San Antonio Board of Realtors (www.sabor.com), or - GeoData at www.geodataplus.com , or - Comps Inc. at www.compsny.com. <p>NOTE: Comparables from a public independent source are only eligible in the states of Vermont and Maine.</p> The comparable photos must include the front view of each comparable sale used. Use of MLS photos to exhibit comparable condition at the time of sale are acceptable, however, the appraiser must include their own photos to document compliance with the Score of Work which requires the appraiser to inspect each comparable sale from the street. A Market Conditions Addendum to the Appraisal Report (Fannie Mae Form 1004MC) is required on all appraisals. The appraiser must certify that an existing property meets the requirements detailed in HUD Handbooks 4150.2 and 4905.1. USDA defines “existing” as a property that has been completed for 12 months or more or has been completed < 12 months but has been previously occupied.

Appraisal (cont.)	<ul style="list-style-type: none"> • Properties < 1 year old require the cost approach section of the appraisal to be completed. Properties ≥ 1 year old, the cost approach section must be completed when need to comply with the site value analysis required by Rural Development. • Appraisal must identify and address properties located within a declining market. When the property is located in a declining market, the appraiser is required to: <ul style="list-style-type: none"> - Provide, at minimum, two comparable sales that closed within 90 days of the subject property appraisal. - The comparables must be as similar to the subject property as possible. - The appraisal must include, at minimum, two active listings or pending sales. • Modular/prefabricated homes: The appraiser must address the marketability of the property • At minimum, REMN Wholesale requires the following on all properties: <ul style="list-style-type: none"> - A conventional heat source with the ability to maintain a temperature of 50° in areas of the property where there is plumbing - Any broken glass that is a health hazard must be removed and the opening closed. • Appraisals are valid for 6 months from the effective date. A new appraisal will be required if the appraisal is more than 6 months old at funding. • REO appraisals are not eligible <p>Properties located in a FEMA Disaster Declaration area will be subject to additional appraisal review.</p>
Appraisal Transfers	Allowed.
Appraisal Management Companies (AMC)	<p>The following is a list of REMN Wholesale approved AMCs:</p> <ul style="list-style-type: none"> - ACT Appraisal Management - AMC Settlement Services - Appraisal-Tek - Axis Management Solutions - BRIDGE Appraisal Management Corp - Integrity Appraisal Management LLC - Lender's Choice Inc. (LCI) - MaxVantage Appraisal Management Company - Mortgage Management Consulting (MMC) - Nationwide Property & Appraisal Services - ORDERPRO - Streetlinks Lender Solutions - Valuation Management Group - Valuation Partners <p>Click here to go the REMN Wholesale Order an Appraisal page on the REMN Wholesale website</p>
Assets	<ul style="list-style-type: none"> • Borrowers must lack sufficient assets to obtain uninsured conventional financing (borrower has < 20% down payment for a purchase transactions). • Assets include checking/savings accounts, gift funds, sale proceeds from currently owned property, 401K/retirement accounts, and stocks/bonds and must be documented as follows on all purchase transactions and refinance transactions: <ul style="list-style-type: none"> - 2 months most recent bank statements (dated within 45 days of the initial loan application date) - Stocks and bonds require the most recent statement monthly or quarterly statement. • Cash on hand and unsecured funds are ineligible sources for assets. • Retirement funds that allow for immediate withdrawal are eligible at 60% of the vested account balance to allow for withdrawal penalties. • Retirement accounts that restrict withdrawals to retirement, employment separation, etc. cannot be considered for cash reserves.
Assumptions	Not allowed

AUS	Manual underwriting is allowed, all loans are submitted to the Guaranteed Underwriting System (GUS)
Available Markets	<ul style="list-style-type: none"> All 50 states with the exception of Massachusetts Guam, Puerto Rico and the Virgin Islands are ineligible. Property must be located in a rural area as defined by Rural Development. Refer to the Properties - Eligible topic for a link to the Rural Development Property Eligibility website.
Borrowers – Adding/Deleting	Borrowers may be added or deleted on a refinance transaction as long as one original borrower remains on the loan.
Borrowers - Eligible	<p>Borrowers who do not qualify for conventional credit and whose income does not exceed the maximum limit set by the USDA for the applicable area. Borrowers must also be:</p> <ul style="list-style-type: none"> A U.S. citizen, or A permanent resident alien with an unexpired “Green Card” issued by the U.S. Citizenship and Immigration Services (USCIS). A copy of both the front and back of the card is required, or Revocable inter vivos trust A non-permanent resident alien. Non-permanent resident aliens are eligible as follows: <ul style="list-style-type: none"> - Borrower has a valid Social Security number (cannot be used as evidence of eligible work status). - Borrower has an unexpired Employment Authorization Document (EAD) issued by the United States Citizenship and Immigration Services (USCIS) as evidence of eligible work status. If the authorization for temporary residency status expires within one year, continuation may be assumed when a prior history of renewals. If no continuation has been previously granted the underwriter must determine the likelihood based on evidence from USCIS. <p style="margin-left: 40px;">NOTE: Borrowers residing in the United States under refugee or asylee status granted by the USCIS are automatically eligible to work in the U.S. therefore an EAD is not required</p> All borrowers are required to have a social security number; a TIN is not acceptable. Non-Borrowing/Non Purchasing Spouse: Generally have no ownership interest in the property and are not liable for the debt. In community property/marital rights states the non-borrowing spouse does have an interest in the property and is required to execute the security instrument and all applicable documents as determined by state law. A full credit report will be required for a non-purchasing spouse in community property states and the debt obligations (except as excluded by applicable state law) must be entered on the 1003 in the “Asset and Liabilities” section and their debts must be included in the borrower’s debt ratio. Community property states include Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin. The non-purchasing spouse’s credit history is not a reason to deny the loan application.
Borrowers – Ineligible	<ul style="list-style-type: none"> Foreign Nationals Borrowers with diplomatic immunity Borrowers without a social security number Non-U.S. citizens with no lawful residency in the U.S. Non-occupant co-borrowers Co-Signers Borrowers who qualify for conventional credit
CAIVRS/LDP/GSA	<ul style="list-style-type: none"> CAIVRS at CAIVRS <ul style="list-style-type: none"> - All borrowers must be checked against the Credit Alert Interactive Voice Response System (CAIVRS) to determine if they have delinquent federal debt. A clear CAIVRS is required. - All federal debt and judgments must be paid in full or otherwise resolved and have supporting documentation. - CAIVERS claims: The borrower must provide official documentation that the delinquency has been paid in full or otherwise resolved prior to loan processing. LDP / GSA LDP / GSA <ul style="list-style-type: none"> - All of the following parties to the transaction, as applicable, must be checked against HUD’s Limited Denial of Participation list and the General Service Administration’s Excluded Parties List System.

	<ul style="list-style-type: none"> - Borrower(s), - Broker, - Loan Agent, - Seller, - Real Estate Listing and Selling Agent(s), - Appraiser.
Cash Back to Borrower	<p>The borrower cannot receive any cash back from the transaction with the exception of out of pocket money (with supporting documentation) as follows:</p> <ul style="list-style-type: none"> • Earnest money deposit • First year of homeowners insurance paid • Loan application fees • Appraisal/inspection fees • Paid repairs <p>Tax credits, excess loan funds, excess seller concessions, and items paid with credit cards cannot be refunded to the borrower; a principal reduction is required.</p>
Contingent Liabilities	<p>A contingent liability exists when an individual is responsible for payment of a debt if another party, jointly or severally obligated, defaults on the payment.</p> <ul style="list-style-type: none"> • Co-Signed Debt <ul style="list-style-type: none"> - Co-signed debt is not required to be included in the borrower's DTI calculation if all of the following applies: <ul style="list-style-type: none"> - Documentation is provided that the borrower is not primarily responsible for payment of the debt, and - The credit report indicates no late payments on the account, and - 12 months most recent consecutive cancelled checks are provided documenting the primary party obligated on the debt has been making the payments (the checks cannot be from an account co-owned with the borrower). - Co-signed debt must be included in the borrower's DTI calculation if: <ul style="list-style-type: none"> - It cannot be properly documented that the primary party obligated on the loan is making the payments, or - A 12 month pay history, by the primary party, cannot be established, or - The credit report indicates there have been late payments on the debt, or - Another party is making the payments but the borrower is the only party responsible for the debt. • Business Debt <ul style="list-style-type: none"> • Include business debts listed on personal credit reports unless the business is legally obligated and evidence of the most recent 12 months payments have been made by the business
Credit History	<p>The borrower's credit history must indicate the borrower has a reasonable ability and willingness to pay their obligations.</p> <ul style="list-style-type: none"> • Any of the following are considered unacceptable credit history per Rural Development: <ul style="list-style-type: none"> - More than one 30 day late within the past 12 months (including more than one late payment on a single account) - Bankruptcy or foreclosure that occurred within the past 3 years - Outstanding tax liens or delinquent government debt with no satisfactory arrangements for payments, regardless of age if they are currently delinquent or due and payable. - Outstanding judgments within the past 12 months. - Two or more rent payments 30 days or more late within the past 3 years. - Any account converted to a collection account in the past 12 months (utility bills, medical bills, etc.) - Outstanding collection accounts with no satisfactory arrangements for payments, regardless of age if they are currently delinquent or due and payable - Any debt written off within the last 3 years (charge-offs) • Borrowers with a foreclosure on a previous Rural Development loan are ineligible.

Credit Report/Scores	<ul style="list-style-type: none"> • A minimum credit score of 580 is required. • A tri-merged credit report is required for all borrowers. • The representative credit score is determined as follows: <ul style="list-style-type: none"> - If there are three (3) valid scores, the middle score is used. If two of the three scores are a duplicate, the duplicate score is used. - If there are two (2) valid scores, the lower of the two is used - If there is one (1) valid score, that score is used • The borrower(s) must address all credit inquiries indicated on the credit report within the previous 120 days and indicate the reason for and result of the inquiry (i.e. was new credit obtained or not). • Authorized user tradelines require underwriter review to ensure the trade lines are an accurate reflection of the borrower's credit history. When there is an open account(s) one evidence of one of the following is required: <ul style="list-style-type: none"> - The tradeline belongs to another borrower on the loan application, or - The owner of the tradeline is the spouse of one of the borrowers, or - The borrower has been making the payments on the tradeline for the past 12 months. If none of the above can be documented the loan is downgraded to a manual underwrite. • Disputed accounts are acceptable subject to the following: <ul style="list-style-type: none"> - The account has a zero balance, or - The account is marked "paid in full" or "resolved", or - The account has a balance owed of < \$500.00 and is more than 24 months old. If none of the above applies, the loan is downgraded to a manual underwrite. • A full credit report is required when the borrower lives in a community property state and there is a non-purchasing spouse. Community property states include Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin.
Credit Score 580-619	<p>The following applies when the borrower's credit score is between 580-619:</p> <ul style="list-style-type: none"> • Maximum LTV/CLTV: <ul style="list-style-type: none"> - Purchase transactions: 90% LTV/CLTV. Minimum 12 months documented mortgage/housing history 0x30x12. < 12 months mortgage/housing history ineligible. 10% borrower own funds required for the down payment. Eligible documentation of mortgage/housing history: <ul style="list-style-type: none"> - In-file credit report indicating 0x30 in 12 months, - Copies of checks or evidence of bank withdrawals (rental history) NOTE: VOR (private or professional management company, landlord letter, etc. are ineligible to document mortgage/housing history. - Refinance transactions: <ul style="list-style-type: none"> - Maximum 90% LTV/CLTV - Minimum 2 year payment history on the current loan with 0x30 in previous 24 months verified by an in-file credit report is required on all refinance transactions • With GUS "Accept" maximum DTI 45% regardless of GUS decision. DTI 41.01%-45% requires REMN Wholesale review and approval. Manual underwrites require a Debt Ratio Waiver be submitted to USDA. USDA must approve request to exceed 29%/41% • No gifts or DPA funds allowed for down payment on purchase transactions. Gift funds eligible for closing costs and/or to reduce LTV only after 10% borrower own funds for down payment requirement is met. <ul style="list-style-type: none"> - Two (2) months bank statements required to document borrower own funds requirement. Bank statements provided must be dated for the two months prior to the application date - A letter, signed by all borrowers, stating that all funds used for the 10% down payment requirement are borrower own funds, will be required. • Property flips (property being re-sold ≤ 90 days from acquisition) are ineligible.

Credit Score 580-619 (cont.)

- VA residual income requirements apply to USDA loans with a credit score 580-619. Refer to the residual income chart below for requirements.
- Maximum payment shock is 100%. Payment shock > 50% - 100% is subject to the following:
 - Standard **residual income requirement must be doubled** (i.e. if VA normally requires residual income of \$350 a minimum of \$700 would be required).

Residual Income Requirements*

Loan Amounts ≤ 79,999				
Family Size	Northeast	Midwest	South	West
1	\$390	\$382	\$382	\$425
2	\$654	\$641	\$641	\$713
3	\$788	\$772	\$772	\$859
4	\$888	\$868	\$868	\$967
5	\$921	\$902	\$902	\$1,004
Over 5	Add \$75.00 for each additional family member up to 7.			
Loan Amounts ≥ 80,000				
Family Size	Northeast	Midwest	South	West
1	\$450	\$441	\$441	\$491
2	\$755	\$738	\$738	\$823
3	\$909	\$889	\$889	\$990
4	\$1,025	\$1,003	\$1,003	\$1,117
5	\$1,062	\$1,039	\$1,039	\$1,158
Over 5	Add \$80.00 for each additional family member up to 7			

Geographic Regions as Identified by VA			
Northeast	Connecticut	New Hampshire	Pennsylvania
	Maine	New Jersey	Rhode Island
	Massachusetts	New York	Vermont
Midwest	Illinois	Michigan	North Dakota
	Indiana	Minnesota	Ohio
	Iowa	Missouri	South Dakota
	Kansas	Nebraska	Wisconsin
South	Alabama	Kentucky	Puerto Rico
	Arkansas	Louisiana	South Carolina
	Delaware	Maryland	Tennessee
	District of Columbia	Mississippi	Texas
	Florida	North Carolina	Virginia
	Georgia	Oklahoma	West Virginia
West	Alaska	Hawaii	New Mexico
	Arizona	Idaho	Oregon
	California	Montana	Utah
	Colorado	Nevada	Washington
			Wyoming

*Reminder, residual income requirements must be **doubled** if payment shock is 50.01% to 100%

Credit Score 620-639	<p>If the subject property is located in Arkansas, Connecticut, Delaware, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maryland, Mississippi, Missouri, New Jersey, New Mexico, New York, Oklahoma, South Carolina, Tennessee, or Utah AND the borrower has a credit score of 620-639, the following applies:</p> <ul style="list-style-type: none"> • Gifts are not permitted for the down payment. Gift funds may be used after the borrower meets the down payment from own funds requirement for closing costs or to further reduce the LTV. Grants, DPA & Community 2nds are eligible as allowed per USDA guidelines • 0x30 in past 12 months housing history required • Borrowers without prior 12 months housing history maximum 90% LTV. Housing history acceptable documentation is 12 months cancelled checks or copies of money orders. A VOR is acceptable from a previous landlord only. <p>NOTE: The additional requirements detailed above do not apply to borrowers with a credit score \geq 640 even if the property is located in one of the states identified above or to borrowers with a 620-639 credit score and the subject property is not in one of the states above.</p>
Derogatory Credit	<p>Chapter 7 Bankruptcy Bankruptcy must be discharge a minimum of 36 months from date of application</p> <p>Chapter 13 Bankruptcy Borrower must have 12 months history with paid as agreed and permission from the bankruptcy court is required.</p> <p>Foreclosure A foreclosure must be dismissed a minimum of 36 months from the application date. Borrowers with a previous foreclosure on a Rural Development loan are ineligible.</p> <p>Delinquent Child Support Delinquent child support must be paid current or in a payment plan. On a case-by-case basis this requirement may be waived subject to underwriter review.</p> <p>Judgments Open judgments, garnishments and all outstanding liens must be paid off prior to or at closing and documentation of sufficient funds to satisfy these obligations must be obtained.</p> <p>Consumer Credit Counseling</p> <ul style="list-style-type: none"> • One year of payout under the plan has elapsed • All payments have been made on time • The Counseling Agency has provided written permission for the borrower to enter into a mortgage transaction • If an "Accept/Eligible" Finding is received, no explanation or other documentation is required from the borrower. <p>Collections/Judgments</p> <ul style="list-style-type: none"> • Collection accounts require satisfactory arrangements for payment. • Accounts converted to collections within the previous 12 months indicate unacceptable credit risk. • Federal judgments require payment in full.
DTI	<p>Maximum 45% regardless of GUS decision. DTI 41.01%-45% requires REMN Wholesale exception approval.</p> <ul style="list-style-type: none"> • All debts with 6 months or more payments remaining must be included to ensure accurate debt ratio. • Non-purchasing spouse debts must be included in the borrower's debt ratio.
Down Payment	Not required

Employment	<p>A two year employment history is required.</p> <p>NOTE: If the borrower has any gaps in employment that are > 30 days, a letter of explanation from the borrower will be required unless employment is clearly seasonal.</p> <p>Wage Earners</p> <ul style="list-style-type: none"> • A verbal verification of employment (VVOE) is required within 10 calendar days of the Note date for salaried borrowers and 30 days for self-employed borrowers. <p>Self-employed Borrowers</p> <ul style="list-style-type: none"> • Self-employed borrowers are individuals who have 25% or greater ownership interest in a business. <ul style="list-style-type: none"> - Self-employed borrower's business requires verification of the business by a third party source (e.g. CPA, Federal Tax ID Certificate, Business License). - A self-employed borrower with 1-2 year self-employment history may be eligible subject to the following: <ul style="list-style-type: none"> - Borrower has 2 years documented previous successful employment in the line of work in which they are self-employed or it is a related occupation, or - A combination of one year of employment and formal education or training in the line of work in which the individual is self-employed or in a related occupation is also acceptable. <p style="margin-left: 20px;">NOTE: < 1 year of income from self-employment is not considered effective income</p> <ul style="list-style-type: none"> - Annual earnings that are stable or increasing are acceptable, while businesses that show a significant decline in income over the analysis period are not acceptable, even if the current income and debt ratios meet FHA guidelines. - Income must not be declining more than 10% per year. If income declining more than 10% the lowest income must be used to qualify. - Depreciation and/or depletion may be added back - Signed and dated individual tax returns, with all applicable tax schedules, for the most recent two years are required. - Corporations, S-Corporation or partnership are required to provide signed copies of Federal Business income tax returns for the last 2 years with all applicable tax schedules. <p>Employed by Family Business</p> <ul style="list-style-type: none"> • In addition to normal employment verification, a borrower employed by a family owned business is required to provide evidence that they are not the owner of the business. Acceptable evidence includes; <ul style="list-style-type: none"> - Copies of signed personal tax returns, or - Signed copies of the corporate tax returns showing ownership percentage.
Escrow Holdbacks	Not allowed
First Time Homebuyer	First time homebuyers may be required to complete homebuyer education at the discretion of Rural Development.

Gift Funds	<ul style="list-style-type: none"> • Gift funds are eligible for closing costs, voluntary down payment or may be applied to guarantee fee. There must be no expected or implied repayment requirement of the gift funds. • Gift funds may not be used for cash reserves as a compensating factor. • A gift letter is required which includes the following: <ul style="list-style-type: none"> - The dollar amount of the gift, - Signature of the donor and the borrower, - The date the funds were transferred, - The donor(s) name, address, phone number, and relationship to the borrower, and - A statement by the donor that no repayment of the gift funds is expected. • The gift fund donor cannot be affiliated with the builder, developer, real estate agent, broker, or any other interested party to the transaction including household members. • Regardless of when gift funds are made available to the borrower, it must be determined that the gift funds were not provided by an unacceptable source and that the gift funds were the donor's own funds. • Gift fund availability and transfer of the funds must be documented. Verification of transfer of funds must be documented as noted below: <ul style="list-style-type: none"> - Gift funds given prior to closing <ul style="list-style-type: none"> - Copy of the donor's cancelled check (front and back) and conclusive evidence that the money was withdrawn from the donor's account (conclusive evidence might be a withdrawal slip or bank statement and the borrower's deposit slip and/or bank statement verifying the deposit. - Gift funds given to closing agent: <ul style="list-style-type: none"> - Must be received at least one day prior to closing to allow for underwriter review; gift funds the day of closing are not allowed. - A copy of donor's check to the closing agent is required, and - Gift must be reflected on HUD-1. <p style="margin-left: 40px;">NOTE. When a bank statement is used to document funds, the donor may be required to document large deposits to ensure the funds did not come from an interested third party.</p> • Gift funds are eligible from any acceptable source provided the borrowers are not obligors to any Note to secure the money borrowed for the gift.
Gift of Equity	<ul style="list-style-type: none"> • Allowed from an immediate family member only. • A gift letter must be provided (refer to gift funds above for gift letter requirements) • The HUD-1 must indicate "gift of equity".
Impound Account	Required on all loans, no exceptions.
Income	<p>The borrower's adjusted household income cannot exceed the limit set by Rural Development for the state/county where the property is located. To view the GRH income limits by state click here: Rural Development Single Family Housing Guaranteed Loan Income Limits</p> <p>To determine income eligibility, complete the REMN Wholesale USDA Rural Development Borrower Questionnaire and Income Eligibility Worksheet and enter the information on the Rural Development Income Eligibility website.</p> <p>NOTE: The Rural Development system will indicate eligible/ineligible for both the Guaranteed Rural Housing Loan Program and the Direct Rural Housing Loan Program. REMN Wholesale only offers the Guaranteed Rural Housing program. A screen shot of the Income Eligibility Determination Summary is required.</p>

Income (cont.)

Rural Development has three separate income calculations that are required.

- **Annual income** – The total income and assets of **all** adult household members, **including borrower(s) and non-applicants 18 years old and older**. The gross amount (prior to any payroll deductions) of wages, salaries, overtime pay, commissions, fees, tips, bonuses and any other compensation for personal services of all adult members of the household must be included. This is projected income, not an average of previous years' income. Unreimbursed employee business expenses are deducted from annual income and repayment income calculations.

Annual income also includes any interest, dividend, social security, unemployment, disability, retirement fund, pension, public assistance income, or alimony/child support (unless payments are not received and a reasonable effort has been made to collect).

Income must be calculated on any net family assets in excess of \$5,000. Net family assets include the value of equity in real property, savings, IRAs, market value of stocks, bonds and other forms of capital investments.

Social security and disability income require a 3 year continuance documented with an award letter.

Alimony and child support income must continue for 3 years and have a minimum 12 month history documented with bank statements.

If an adult member of the household is currently unemployed but there is recent history of employment that person's income must be considered unless the borrower and the adult unemployed person sign a statement that the person is not presently employed and does not intend to become employed again in the foreseeable future.

- **Adjusted income** – The household's annual income (as described above) minus eligible deductions equals the adjusted income. The adjusted income determines GRH program eligibility. Eligible deductions include:
 - Dependents - \$480 per person
 - Elderly (head of household or spouse is 62 years of age and older and a borrower on the loan) - \$400 (one time deduction; not per person)
 - Disability expenses (Unreimbursed expenses in excess of 3% of annual income)
 - Medical expenses exceeding 3% of gross annual for elderly households only
 - Child care expenses for children 12 years old and under, and
 - Attendant care expenses for disabled members. The adjusted income determines program eligibility.
- **Repayment income** – Determined by the stable/dependable income of the borrowers only. Borrower must have a history of receiving the income and there must be a reasonable expectation of continued receipt. Repayment income is the qualifying income and is used to calculate DTI. In addition the following income may be included in the repayment income calculations:
 - Income from employed minors (under 18 years of age)
 - Foster care income
 - The value of any food stamps received
 - Sporadic or irregular cash gifts
 - Lump-sum additions to family assets (e.g. inheritance, capital gains, insurance for health, accident, hazard or workers comp)
 - Reimbursements for medical expenses
 - Amounts of education scholarships paid directly to the student or to the educational institution
 - Amounts paid by the government to a veteran for use in meeting tuition costs, fees, books and equipment.
 - Hazardous duty pay to a service person away from home and exposed to hostile fire
 - Tax exempt income may be grossed up 25%.

Income Documentation	<p>Salaried Borrowers</p> <ul style="list-style-type: none"> Current paystubs for previous 30 days with YTD income W-2s for prior 2 years Written VOE <p>Self-Employed Borrowers</p> <ul style="list-style-type: none"> 2 years signed tax returns including all schedules YTD P&L (audited or unaudited) with balance sheet YTD Income & Expense statement
Inspections	<ul style="list-style-type: none"> Well inspections are always required on purchase transactions. The water quality must meet state/local standards. Not required on refinance transactions. Septic inspections are only required when the appraiser indicates there is evidence the septic system may be failing. Termite inspections are only required when the purchase contract requires one, or the appraiser indicates there is evidence of active infestation.
Liabilities	<p>All debts are entered in GUS to ensure accurate GUS Findings. Debts with 6 months or more payments remaining must be included to ensure accurate debt ratio.</p> <p>401K Loans Not counted in debt ratios.</p> <p>Alimony/Child Support/Garnishments Must be included in the debt ratios.</p> <p>Installment Debt Not required to be included in the debt ratio if 6 months or less remaining</p> <p>Revolving Debt Revolving debt must be included if there is a balance indicated on the credit report. If the monthly payment is not included in the credit report the underwriter will calculate the payment using the greater of \$10.00 or 5% of the outstanding balance. If the actual dollar amount is documented by the creditor or a current monthly statement, that amount may be used for qualifying.</p> <p>Student Loans Verification of the repayment type is required from the loan servicer or online account statement for loans currently being repaid.</p> <ul style="list-style-type: none"> Graduated repayment – use the highest payment due on the repayment schedule Income Based Repayment (IBR) – IBR payments are not fixed and may increase annually. It is not acceptable to use \$0 in the DTI calculation. IBR repayment are subject to the following: <ul style="list-style-type: none"> - IBR payment is < \$100 and 1% of the total loan balance is > \$100, a minimum of \$100 payment is used for DTI calculation. - IBR payment is < \$100 and 1% of the total loan balance is < \$100, a minimum of 1% of the loan balance must be used for the DTI calculation. - If the current IBR payment is > \$100 use that payment amount for the DTI calculation. <p>Deferred Student Loans All deferred student loans must be included in the DTI regardless of the deferment period. Use one of the following for payment:</p> <ul style="list-style-type: none"> Payment provided by the loan servicer, or Use 1% of the loan balance indicated on the credit report.

Mortgage/Rental History	<p>Purchase Transactions</p> <ul style="list-style-type: none"> • > 680 credit score not required • ≤ 680 12 month housing history required <p>Refinance Transactions</p> <ul style="list-style-type: none"> • 0x30 in previous 12 months. A minimum of 6 payments must have been made on current mortgage.
Non-ARMs Length/Identity of Interest	<ul style="list-style-type: none"> • A non-arm's length transaction is a purchase transaction where there is a relationship or business affiliation between the buyer and seller of the property • Non-arm's length transactions are eligible for re-sale properties • An identity of interest transaction involves parties who are not related and do not have close personal ties, however they have a strong interest in the transaction (i.e. broker acting for both buyer and seller, broker is both realtor and mortgage broker, realtor is selling own property, etc.). Identity of interest transactions are eligible on owner-occupied transactions, however additional review will be required to ensure validity of the transaction, value, etc. Additional documentation and/or a desk review or second appraisal may be required at underwriter discretion
Non-Purchasing Spouse	<p>The debts of the non-purchasing spouse must be included in the borrower's qualifying ratios, unless specifically excluded by state law, if:</p> <ul style="list-style-type: none"> • The borrowers reside in a community property state, or • The property being purchased is located in a community property state <p>NOTE: The credit history of the non-purchasing spouse is not considered a reason to deny a loan, however, their obligations must be considered in the DTI unless excluded by state law. A full credit report for the non-purchasing spouse must be obtained to determine if the obligations should be included in the DTI. Community property states include Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin.</p>
Occupancy	Owner-occupied 1-unit primary residence
Other Real Estate Owned	Borrower cannot own another home within the local commuting area unless that home has been deemed unsafe/structurally unsound or it is no longer an adequate size for the family (e.g. family of 6 living in a 2 bedroom home).
Payment Shock	<p>Payment shock is considered a risk layer when:</p> <ul style="list-style-type: none"> • The DTI is > 29%, and • The new PITI is > 100% of the borrower's current housing payment or the borrower does not have a housing payment history. <p>Payment shock calculation: Proposed PITI divided by current housing/rent payment minus 1 multiplied by 100 equals the % of payment shock.</p> <p>REM N Wholesale will consider loans with payment shock on an exception basis only. There cannot be any additional risk layers and there must be strong, documented compensating factors (cash reserves, high credit score, etc.)</p>
Power of Attorney	Allowed on an exception basis for closing only; cannot be used for the execution of the initial application and disclosures.
Prepayment Penalty	Not permitted
Products	<p>30 year fixed rate.</p> <p>The maximum interest rate may not exceed the Fannie Mae 90 day Actual/Actual Yield for a 30 year fixed rate loan, plus 60 basis points, rounded up to the nearest quarter of one percent (e.g. Fannie Mae 90 day rate is 5.12 + 60 basis points = 5.72 rounded up + 5.75%)</p>

Properties – Eligible	<p>The property must be located in an eligible rural area as determined by the USDA Rural Development department or purchase transactions. Refinance transactions, the property is not required to still be in a rural area. To determine eligibility click here Rural Housing Property Eligibility, select “Single Family Housing” under the “Property Eligibility” header in the menu and enter the information requested. A screenshot showing that property is located in an eligible area is required.</p> <ul style="list-style-type: none"> Single family dwellings PUDs (attached/detached) Condominiums (If Fannie Mae, FHA or VA approved no action required. If currently not approved, a Fannie Mae Full Review will be required on purchase transactions; a Limited Review is not allowed). Modular/prefabricated properties. Factory built but not built on a permanent chassis; built on-site similar to stick-built homes; permanently affixed to the foundation; must conform to local building codes. Property is legally classified as real property and assumes characteristics of stick-built such as permanent connections to water, electrical and waste disposal systems. Properties with an in-ground pool are only eligible if the value of the pool is not financed in the loan amount. The appraiser must address the value of the pool in the appraisal.
Properties - Ineligible	<ul style="list-style-type: none"> Properties not located in a rural area as defined by USDA Rural Development. Condominium projects not approved with Fannie Mae (or not eligible with Full Review, FHA or VA) Cooperative projects 2-4 units Investment property Second/vacation homes <ul style="list-style-type: none"> Manufactured/mobile homes. Manufactured housing is defined as any dwelling built on a permanent chassis. Manufactured homes are ineligible even if the towing hitch, wheels and axles have been removed. Condo Hotels (projects managed or operated as hotel/motel, hotel/motel conversions) Unique properties Commercial property Farms, orchards, ranches New construction Properties identified by Rural Development as “remote” rural Leaseholds Income producing properties Properties with large farm service building or with buildings/equipment for specific income producing purposes Properties with wind mills/wind turbines or cell phone towers located on the property

Purchase Agreements Amended / Re-negotiated	<ul style="list-style-type: none"> • Not eligible if the sales price was increased after the original appraisal was completed if: <ul style="list-style-type: none"> - The appraised value is higher than the originally contracted sales price that was provided to the appraiser, and - The new purchase agreement and/or addendum to the purchase agreement is dated after the appraisal, and - The only change to the purchase agreement was the sales price. • If the purchase agreement was renegotiated after the completion of the appraisal, the LTV will be based on the lower of the original purchase price or the appraised value, unless: <ul style="list-style-type: none"> - The re-negotiation was only for seller paid closing costs and/or pre-paids where the seller paid closing costs/pre-paids are common and customary for the area and are supported by the comparables.
Refinance Transactions	<p>USDA Rural Development offers 3 types of refinance transactions; Non-Streamlined Refinance, Streamlined Refinance, and Rural Refinance Pilot. The Non-Streamlined refinance guidelines are below.</p> <p>Refer to the Streamlined Refinance on the REMN Wholesale website for detailed guidelines for those specific programs.</p> <p>NOTE: REMN Wholesale does not offer the Pilot Refinance program.</p> <p>Non-Streamlined Refinance</p> <ul style="list-style-type: none"> • Appraisal required • Credit report required • Maximum loan amount cannot exceed the current appraised value. The guarantee fee may be financed. • The base loan amount may include the principal and accrued interest of the existing loan being refinanced, closing costs, and lender fees included funds to establish a new escrow account if including does not exceed the appraised value. Unpaid late fees may not be included in the new loan amount. • Subordinate financing cannot be included in the new loan amount. Any existing secondary financing must subordinate to the new first lien. • Borrowers may receive reimbursement from loan proceeds at settlement for personal funds advanced for loan purposes (e.g. appraisal fee, credit report, etc.) Borrower may not receive any cash back resulting from final escrow or interest calculations; these must be applied as a principal reduction. • Continuity of obligation requires that at least one of the borrowers on the refinance transaction is currently on the title of the property being refinanced. • Rural Development loan being refinanced may be a Section 502 Direct or Guaranteed loan. • Properties that are now outside of a rural area as previously defined by Rural Development are eligible. • Income eligibility must be met. • Property must remain primary residence. • Properties now located in a flood zone with require flood insurance (elevation certificate not eligible). • Properties that were listed for sale in the previous 12 months must be taken off the market prior to the application date.

Reserves	Not required
Seller Contributions	Maximum contribution is 6%. Seller concessions may be in the form of loan discount points, loan origination fees, closing cost assistance, payment of condominium fees, down payment assistance, repairs or repair credits.
State Restrictions	Not eligible in the states of Massachusetts
Subordinate Financing	Not applicable on purchase. Down payment assistance programs and mortgage credit certificates (MCCs) are not eligible. No new subordinate financing on refinance transactions. Any existing subordinate financing must be resubordinated.
Temporary Buydowns	Not allowed
Transactions – Ineligible	<ul style="list-style-type: none"> Cash-out Rural Housing Direct Loan (purchase transactions) Refinance of any loan that is not a current Rural Development loan
USDA Forms and Links	<p>Updated USDA Rural Development forms are available at USDA LINC Training and Resource Library</p> <ul style="list-style-type: none"> Request for Single Family Housing Loan Guarantee (RD Form 3555-21) is used to request a loan guarantee from Rural Development. Must be completed at time of origination and signed by the borrower(s). <p>NOTE: Any increase in the loan amount or interest rate from what was indicated on the initial Form 3555-21 will require a new Form 3555-21 be submitted to USDA by REMN Wholesale which will delay the loan process. Loans cannot be closed with a higher loan amount/interest rates than noted on the Conditional Commitment; a new Commitment will be required.</p> <ul style="list-style-type: none"> Conditional Commitment for Single Family Housing Loan Guarantee (RD Form 3555-18) is issued by Rural Development to indicate the loan appears to be eligible for a GRH loan. The Conditional Commitment is valid for 60 days from issuance.