

Product Guidelines

USDA Matrix

(Guidelines Based on Updated USDA Handbook Effective 12/01/14)

PROGRAM CODES: U30F, UH30F

Version 4.5 –06/05/17



PURCHASE & RATE/TERM REFINANCE PRIMARY RESIDENCE

Maximum LTV/CLTV*	Max Loan Amount	Min FICO	Max Ratios	Mortgage/Rental History
100% / 100% Excluding USDA Guarantee Fee	Determined by qualifying ratios and county maximum income limits	550*	Per GUS**	0 x 30 last 12 Months

LTV/CLTV is calculated on the appraised value. The appraised value can only be exceeded by the guarantee fee.

*Refer to Credit History section below for information regarding 550 - 580 FICO limitations.

**Refer to Debt Ratio Waiver section for manually underwriting loans.

STREAMLINE REFINANCE

Maximum LTV	Max Loan Amount	Min FICO	Max Ratios	Mortgage/Rental History
100% Excluding USDA Guarantee Fee	Determined by qualifying ratios and county maximum income limits	550*	Per GUS**	0 x 30 last 12 Months

Streamline Refinance transactions must pay off an existing USDA Guaranteed loan. Section 502 Direct loans are not eligible for streamline. Appraisal is not required on a USDA streamline. All other credit criteria apply including 0x30 mortgage rating for previous 12 months.

*Refer to Credit History section below for information regarding 550 - 580 FICO limitations.

**Refer to Debt Ratio Waiver section for manually underwriting loans.

Underwriting Guidelines Requirements

MAXIMUM LOAN AMOUNTS

Maximum Loan Amt (Base) for Purchase & Rate/Term Refinance	Maximum loan amount cannot exceed 100% of the appraised value. The total loan amount cannot exceed the sum of the appraised value plus guarantee fee, if financed. On purchase transactions, if the sales price is lower than the appraised value, closing costs may be financed into the loan amount up to the sum of the appraised value plus guarantee fee.
Maximum Loan Amt (Base) for Streamline Refinance	Maximum loan amount cannot exceed the unpaid principal balance of the existing loan plus accrued interest, reconveyance fee (if collected by the existing servicer) and the guarantee fee. Delinquent interest, late fees, closing costs, and other fees cannot be financed. The new loan amount may not exceed the original purchase loan amount.
Eligibility Website	To determine if a property is located in an eligible USDA area, visit http://eligibility.sc.egov.usda.gov

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USDA GUARANTEE FEE TABLE

The USDA guarantee fee is calculated on the loan amount. The fee may be financed. When financing the guarantee fee, the LTV/CLTV may not exceed 100% of the appraised value plus the financed Guarantee Fee.

	Guarantee Fee	Annual Fee
Purchase transactions	1.00%	0.35%
Refinance transactions	1.00%	0.35%

COLLATERAL

Appraisal Requirements	Full appraisal with interior and exterior inspection performed by an FHA Roster approved appraiser. The appraiser must confirm the property meets FHA Minimum Property Standards as stated in the HUD 4000.1 Handbook. The appraisal cannot be greater than 120 days at the time of closing or a new appraisal is required. Appraisal updates are not acceptable. HPML loans may require second appraisal.
Eligible Collateral	All dwellings must provide decent, safe, and sanitary at a modest cost (a dwelling with a purchase price not exceeding the FHA Single Family mortgage limit for its county is considered modest), Owner Occupied Only. 1 Unit, PUD's, Condos, Manufactured Homes permanently affixed to the foundation, built on or after June 15, 1976, and meet all RD requirements, Modular Homes.
Ineligible Collateral	Mobile homes, single-wide manufactured homes, co-ops, Condo Hotels, State approved medical marijuana producing properties, income producing farms, ranches, mixed use, commercial properties, energy efficiency, leaseholds, properties not located in an eligible USDA area, properties served by cisterns, properties with sink holes, properties serviced by hauled water, properties with a wastewater stabilization pond/lagoon (aka sewage lagoon), properties with individual water purification systems required to make the water safe for human consumption (does not include systems installed to improve the taste or softness of the water).
Recent MLS Activity/ Properties Listed For Sale	Property cannot be listed for sale at time of application. Underwriter to validate MLS cancellation prior to loan application date. Borrower to provide letter of explanation for all MLS activity within 6 months of application date and provide letter confirming intent to retain property as primary residence.
Condos	Must meet FHA minimum project standards and be on FHA's approved condominium project list. A current HOA questionnaire and master policy are required to certify the project. The 1008 must reflect the project certification along with the FHA project number.
Manufactured Homes	Newly constructed manufactured homes permanently affixed to the foundation are eligible. Manufactured homes completed within the previous 12 months are considered new. This is measured from the date the unit was manufactured (located on the data plate) to the date of the purchase contract. Existing manufactured homes are only eligible if already RD Guaranteed or is REO formerly serviced by a Housing and Community Facilities Program (HCFP)/USDA.

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New Construction	<p>Properties completed within the previous 12 months or properties completed more than 12 months ago but have never been occupied as classified as new construction. The following is required for all new construction loans:</p> <ul style="list-style-type: none"> • Certificate of occupancy. If the local building authority does not issue certificates of occupancy, a copy of the eligible building permit along with 1) the inspections prior to footing and foundation poured, 2) inspections of plumbing, electrical and mechanicals before the shell is enclosed and 3) a final inspection will be acceptable • Minimum 1 year builder warranty. If the builder issues a 10 year insured warranty, this will be acceptable and evidence of the construction inspections may be waived. • Thermal performance requirements must meet 2006 IECC code and is evidence through the certificate of occupancy, final inspection, or 10 year insured builder's warranty.
Existing Construction	Existing construction is defined as properties completed more than 12 months or properties completed in less than 12 months but have been previously occupied. A certificate of occupancy is not required on existing construction.
Property Condition	Properties in C5 or lower condition are not eligible. Any repairs needed to make the dwelling structurally sound, functionally adequate, prevent health/safety issues, and to make the property functionally adequate must be completed prior to closing. Repair escrows are not permitted.
Flood	Existing properties located in a flood zone must have flood insurance coverage. Flood insurance is not required if the subject property is not in a flood zone. New construction properties located in the flood zone are permitted with a Letter of Map Revision (LOMR) or Letter of Map Amendment (LOMA) issued by FEMA.
Septic Certification	Private septic systems must be free of observable evidence of failure. The septic evaluation may be performed by the appraiser, a government health authority, a licensed septic professional or a licensed home inspector. Evidence of the evaluation and findings are required. A septic certification may be required if noted by the appraiser or at the underwriter's discretion.
Termite Inspections	Termite inspections are required if noted in the purchase contract, by the appraiser, required by state law or at the underwriter's discretion.
Thermal Performance Construction Standards	All dwellings secured by a USDA loan must meet the thermal performance standards as provided in RD Instruction 1924-A. Existing homes that do not meet the thermal performance standards are not eligible for USDA financing.
Well Certification	Private well systems require a water quality analysis by the local health authority or state certified laboratory. A certification confirming the well/water meet state and local standards is required.
Limitations on other R.E. owned	Typically borrowers owning another home are not eligible for USDA financing. Exceptions can be considered if borrower's current home is at least 50 miles away from the subject property or if the current home is not structurally sound or functioning inadequately. Documentation is required to support borrower's need to purchase a new home through USDA. If borrower owns another residence, it cannot be financed with a Section 502 Direct or Guaranteed loan from USDA. Borrower may retain one dwelling along with the new USDA loan.
TYPES OF FINANCING	
Purchase Transactions	Permitted up to 100% of the appraised value. If the sales price is lower than the appraised value, closing costs may be included in the maximum loan amount up to 100% of the appraised value. The LTV can exceed 100%, up to 102%, with the guarantee fee.
Rate/Term Refinance	Borrowers may obtain USDA financing to pay off an existing guaranteed loan on the property. The new loan amount can include the payoff of the existing loan plus the 2% guarantee fee.

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Cash Out Refinance	Not eligible
Down Payment Assistance	Down Payment Assistance programs are permitted. Please refer to the CMS Down Payment Assistance approved list and webpage for program details and requirements. http://carringtonhome.corp.int/mortgage/lending/Pages/Down-Payment-Assistance-Programs.aspx .
CREDIT	
Social Security Numbers	Required for ALL borrowers.
FICO Validation	At least 1 applicant whose income or assets are used for qualification must have at least 2 open and current tradelines for at least 12 months. Applicant must have at least 2 credit scores. Use the lower score of 2 repositories or the middle score of 3 repositories. If applicant has only 1 credit score or no credit score, then non-traditional credit is required. Refer to Non-traditional Credit topic below for additional information.
Non-Traditional Credit	Borrowers with no traditional credit history are permitted. Non-traditional credit may not be used to offset a poor credit history or insufficient credit. Borrowers with non-traditional credit are permitted with max financing per program matrix. 2 trade references are required when at least 1 of the trade references includes verification of rental housing payments or mortgage loan payments. If unavailable, a minimum of 3 non-traditional trades, each rating for at least 12 months are required. Refer to USDA Underwriting Guidelines for list of non-traditional tradeline sources.
CAIVRS and Exclusionary List	CAIVR clearance must be obtained for all borrowers on the transaction. GSA/LDP/SAM clearance is required for all parties of the transaction within 30 days of USDA's Conditional Commitment date. Documentation of the clearance must be completed through the SAM website (https://www.sam.gov/portal/SAM) for all USDA loans as USDA does not permit third-party verifications such as the DataVerify report.
Credit History	Borrowers must have a history demonstrating their ability and willingness to meet their obligations in a timely manner. Borrowers with an unacceptable credit history are not eligible without acceptable resolution: <ol style="list-style-type: none"> 1. Temporary situation: The circumstances that caused the credit problems were temporary in nature, beyond the applicants control, and have been removed and resolved for 12 months prior to application. 2. Reduced housing expenses: The loan will significantly reduce the applicant's housing expenses, which will result in improved debt repayment ability. A significant reduction in housing would be 50% or more. Supporting documentation is required to support the credit decision. Unacceptable Credit is defined as: <ol style="list-style-type: none"> 1. Bankruptcy < 3 years 2. Foreclosure < 3 years 3. Short Sale < 3 years 4. Any recent collections Consumer counseling services must be paid in full prior to closing. Credit Scores of 580 and below will generally not be approved without strong documentation supporting the extenuating circumstances for adverse credit on the credit report, re-established credit over the most recent 12 months and compensating factors to justify the new loan.
Bankruptcy	GUS Accept: Eligible provided the bankruptcy is reported accurately on the credit report and 1003 declarations read by GUS. GUS Refer: Ch. 7 discharged for 36 months. < 36 months may be acceptable if it meets credit exception requirements. Currently in Ch. 13 requires 12 months satisfactory pay history and court permission to enter into transaction. Extenuating circumstances required. If there are no extenuating circumstances then Chapter 13 must be discharged for a minimum of 12 months.

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Collections	This will be determined by the underwriter when evaluating the strengths of the credit profile. Refer to Capacity Analysis Section below.
Capacity Analysis - Collections	Capacity Analysis is completed regardless of underwriting method. The Underwriter must complete a capacity analysis off collection accounts with an aggregate balance >= \$2,000. Non-purchasing spouse's collections are included in the combined balances for community property states. Exclude medical collections and charge-off accounts from the total balance. If aggregate balance is >= \$2,000: 1) payment in full of collection accounts at or prior to closing. 2) Payment arrangements are made from the creditor and a letter from the creditor or evidence on the credit report is required to validate the payment arrangements. The monthly payments must be included in the DTI. 3) If there is no payment arrangement, 5% of the outstanding balance will be used to calculate payment.
Judgments/Liens	All outstanding judgments and liens must be paid prior to closing, includes non-purchasing spouse. Tax liens with a repayment plan require a minimum 3 month payment history paid as agreed. Copy of the agreement is required prior to credit approval. Borrower(s) may not prepay the scheduled payments in order to meet the 3 month requirement. Payment is included in the DTI.
Foreclosure / Deed-in-lieu	GUS Accept: Eligible provided the foreclosure is reported accurately on the credit report and 1003 declarations read by GUS. GUS Refer: Must be >3 years from date of trustee's deed. Documentation required, credit report is unacceptable. (CAIVRS-if applicable). If foreclosure was on a property guaranteed by USDA, borrower is not eligible for new financing. < 3 years (36 months) may be acceptable if it meets credit exception requirements.
Short Sale / Short Refi/Modification	A borrower is not eligible if a short sale was pursued to take advantage of declining market conditions and purchase a similar or superior property within reasonable commuting distance of prior residence. A borrower in default at time of short sale/restructure or pre-foreclosure is not eligible for 3 years from date of pre-foreclosure sale. Borrower's current at time of short sale must have 0x30 mortgage and installment debt pay history for the preceding 12 month period. Borrower(s) with prior CMS Short Sale are not permitted.
Late Payments	Borrowers with more than 1x30 day late in the previous 12 months, 2x30 day late in the previous 36 months, collections filed in the previous 12 months, charge offs within the last 36 months, judgments filed in the previous 12 months and open tax liens with no repayment plan are indications of unacceptable credit and may adversely effect loan eligibility.
Disputed Accounts	Disputed accounts are not considered in the credit score. For manually underwritten loans, all disputed accounts must have a letter of explanation and documentation supporting the dispute. Loans will be downgraded to a manual "refer" unless the following conditions are met on the credit report: <ol style="list-style-type: none"> 1. the disputed tradeline has a zero dollar balance. 2. the disputed tradeline is marked "paid in full" or "resolved". 3. the disputed tradeline has a balance owed of < \$500 and is more than 24 months old.
Credit Waiver	A credit waiver may be recommended by the underwriter and approved by RD provided the borrower supplies satisfactory documentation evidencing the adverse credit was the result of extenuating circumstances or the circumstances were temporary in nature and beyond the borrower's control. Compensating factors are required when requesting a credit waiver. Refer to CMS USDA underwriting guidelines for list of compensating factors.
Monthly Debt Payment	Payments on all installment debts with more than 10 months remaining are to be included in the qualifying ratio. This includes open collection accounts and debts that are in deferment or forbearance. Monthly payments on revolving debt are always included regardless of payments remaining.
Minimum Payment	5% of outstanding balance for revolving accounts if no payment is indicated.

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Student Loans	Student loan payments for debt consideration must be fixed and fully amortizing for the life of the loan. Student loan payments that are subject to change are not eligible to be used, and must be recalculated to a fully amortizing payment, or a minimum payment of 1% of the outstanding loan balance must be used. Payments that are subject to change include deferred payments, graduated payment plans, income-based repayment (IBR) plans, adjustable rates, etc. If the payment reported on the credit report is less than 1% of the balance, then documentation must be provided from the servicer to show that it is fixed for the life of the loan, or a minimum 1% payment must be used.
Debt not report on the credit report	Third party documentation is required for verification of payment history of debt not reported on the credit report. Examples are alimony, child support, separate maintenance fees. The recorded legal documents showing monthly payment and duration are required along with the most recent 12 months payment history verifying timely payments.
Mortgage/Rental History	For loans receiving a GUS Accept, the amount of rent input into GUS must be verified with a copy of a cancelled check, a bank statement or a rental agreement. Per GUS findings. If the credit report does not provide the housing history rating, a VOM/VOR or cancelled checks is required. If the borrower rents from a relative, the most recent 12 months consecutive cancelled checks is required. Mortgage/Rental Delinquencies: 0x30 in the previous 12 months. >= 680 FICO or GUS accept = No VOR requirement. < 680 = VOR required.
Payment Shock	> 29% PITI and payment shock > 100% or no prior housing history require compensating factors.
Co-signed Debt	Payment may be excluded if primary obligor has made timely payments for 12 months (must provide documentation). Joint debts must be included in the DTI. Individual debts paid by another party must be included in the DTI.
Non Purchasing Spouse	Credit report required in community property states. Debts must be added to DTI Ratio and Credit History may be considered. Non-purchasing spouse may be added to title on a purchase transaction or may remain on title when refinancing. No other party other than the borrower or their spouse may be permitted to have a vested interest to the property.
Community Property States	The following states are known community property states: AZ, CA, ID, LA, NV, NM, TX, WA, WI
INCOME/ASSETS	
Ratios	The maximum ratios for Rural Development loan are 29%/41%.
Debt Ratio Waiver	Requires RD approval or acceptance by GUS. ""Accept"" by GUS does not require a ratio waiver. Purchase - Manually underwritten loans must be 680 or greater and at least 1 acceptable compensating factor is identified and supported. Refer to CMS USDA Guidelines for list of compensating factors. The maximum ratios are 32/44. Refinance – The Agency will consider all requests for exception and weigh the proposal based on any additional layers of risk. Compensating factors must be cited, refer to CMS USDA Guidelines for examples of compensating factors acceptable for a refinance transaction.
Military Borrowers	Must occupy as primary residence. Proof of discharge must be received within 1 year and the service person's family will continue to occupy the property if they are assigned to combat zone or other hazardous duty prior to discharge.
Income	All qualifying borrowers must have stable and dependable income with a 24 month history. Gaps > 30 days require a letter of explanation from the borrower. Wage earner income to be documented with a written VOE and one month's current paystubs or one month's current paystubs and two years W2's.

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Annual Income Limits	<p>Annual income is the basis for determining adjusted income. Annual income includes the total gross income of the borrower, co-borrower, and any other adult (age 18 and up) household members, any amount anticipated to be received from a source outside of the family during the 12-month period, and all amounts derived during the 12-month period from assets to which any member of the family has access. If a cost of living allowance or a proposed increase in income has been estimated to be in effect prior to the first month's mortgage payment due date, this amount must be included as income. For annual income, count only the first \$480 of earned income from adult full time students who are not the borrower, co-borrower, or spouse.</p> <p>Rental income is included regardless of duration. Include total rental real estate income reported on most recent IRS form 1040 Schedule E for previous 12 months. If no schedule E, cancelled checks, money order receipts, bank statements, or other documents may be used to support rent amounts received.</p>
Adjusted Income	<p>The adjusted income is used to determine if the household income is within the maximum income limits for the program. The adjusted income allows for deductions associated with varying household expenses such as disability assistance, medical expenses, childcare expenses. Medical expenses are not an allowable deduction with nonelderly households. The income for all household members is considered when calculating the adjusted income. This includes the applicant, co-applicant, spouse, other adult, dependents (children under 18), and full time students over 18. Note - the income of a full-time student 18 yrs or older who is not the applicant, co-applicant, spouse is excluded after it exceeds \$480.</p> <p>Eligible deductions are:</p> <ul style="list-style-type: none"> • Each dependent - \$480 • Each disabled individual who is not the applicant or co-applicant - \$480 • Each adult full time student \$480 • 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 (actual cost of care and must be documented), and • Attendant care expenses for disabled members. <p>Income limits are published for each county in the Exhibits of RD Instruction 3555-D and online at http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do</p>
Repayment Income	<p>Repayment income is determined by the stable and dependable income of the borrowers only. The repayment income is used to calculate the DTI. Borrower must have a history of receiving the income and there must be a reasonable expectation the income will continue for the next 3 years. In addition to wages, income from employed minors, reimbursements for medical expenses, education scholarships paid directly to the student or the educational institution. tuition paid by the government directly to the veteran may also be included in the repayment income. Foster care for children or adults and supplemental Nutrition Assistance Program payments are ineligible for repayment consideration. Refer to RD Instruction 3555-D for additional requirements and allowable repayment income sources.</p>
Non-Taxable Income	<p>Nontaxable income such as Social Security, Pension, Workers Comp and Disability Retirement may be grossed up 25%.</p>

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Rental Income	Rental income must be received for 24 months or greater. 2 years tax returns and copy of the signed current lease. Positive rental income may be considered for repayment purposes (always considered for annual income). Negative rental income is considered a liability.
Tax Transcripts	Each adult (18 or older) member of the household must complete and execute an IRS Form 4506-T for the previous 2 years at the time of application. Note: The information gathered from the IRS on household members not included on the loan is not intended to document income, but to validate the income documentation and disclosures provided by the applicant(s) on all adult members of the household in order to verify eligibility for the loan program only. All IRS Form 4506-T(s) are processed by CMS prior to issuance of Conditional Commitment.
Documentation/4506T or 2907 Puerto Rico Tax Returns	Full income and asset documentation loans only. IRS Form 4506T must be processed and income validated for most recent 2 years. Borrowers with income from Puerto Rico must: Sign form 2903 to obtain tax transcripts, returned Modelo SC 2907 transcripts for 2 years, and transcripts must be translated to English and notarized by 3rd party. The 4506T must be in the file with confirmation that states "no records found" when using Puerto Rico tax returns. The confirmation must be from the IRS website and contain the borrowers name and SSN.
Assets	<ul style="list-style-type: none"> Household Assets – All household assets must be disclosed and documented; household assets in excess of \$5000 are added to household income at the rate of 1% or actual income earned per tax returns, whichever is greater. Common sources of household assets include the 2-mth average balance of depository accounts (checking, savings, etc.), current balance of securities (stocks, bonds, mutual funds, etc.), earnest money deposits, HUD-1 proceeds from the sale of property, and equity in retained real property. Household assets do not include retirement accounts (IRA, 401k, 203b, pensions, etc.). Funds to Close – Must have sufficient liquid assets to close. Acceptable assets are checking, savings, gift funds, stocks/bonds, 401K/retirement, and proceeds from sale of other real estate owned. Funds borrowed against retirement accounts may be used for loan closing. Unacceptable sources are cash on hand, unsecured borrowed funds, retirement accounts that restrict withdrawal to retirement/employee separation.
Debt Payoff / Paydown to Qualify	Payoff of revolving debt is allowed if paid in full prior to or at closing. Payoff & zero balance must be documented directly from credit or be paid on the Closing Disclosure (CD). Account closure may be required at Underwriter discretion where there is a clear impact to qualification.
Minimum Reserves	None. Reserves can be used as a compensating factor but must be the borrower's own funds. Reserves are calculated as the two-month average balance of depository accounts less funds to close. Retirement assets may be considered at 60% of the vested account value less all loans, provided terms of withdrawal show the asset can be readily converted to cash without retirement or job termination. Gift funds and proceeds from secured loans may not be counted towards reserves.
Gifts	Acceptable. Donor must be an immediate family member. Standard FNMA gift documentation applies.
Buyer Contribution	No minimum investment required. Borrower cannot receive cash back in excess of monies brought to closing by borrower.
Seller Contribution	Seller can pay up to 6% of borrower's closing costs.

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GENERAL

Underwriting	Underwritten by a CMS USDA Certified underwriter. GUS approval may follow documentation requirements except as noted in the matrix/guides.
Manual Underwrite	Loans receiving a GUS Refer may be eligible for a manual underwrite. All manual underwrites require an AUS to be run and “refer eligible” findings uploaded into the LOS. The AUS findings must be uploaded even when the Underwriter knows the loan will be manually underwritten upfront or the loan will be downgraded to a manual underwrite. GUS findings of Ineligible/Ineligible are not permitted.
RD Approval	All USDA loan require a Conditional Commitment (RD 3555-18) issued by Rural Development prior to CMS drawing documents. Any increases in PITI, loan amount, interest rate and/or decreases in available funds require approval from RD before drawing loan documents.
Borrower Eligibility	US Citizens, qualified Permanent Resident Aliens, and qualified Non-Permanent Resident Aliens are eligible with supporting documentation. Foreign Nationals, borrowers with temporary residency status and borrowers with diplomatic immunity are not eligible.
Co-Borrowers	Permitted. All borrowers must occupy the subject property; non-occupant borrowers and co-signers are not permitted.
Adding/Deleting Borrowers	Borrowers may be added or deleted on refinance transactions provided at least one original borrower remains on the loan
Loan Terms Available	30 Year Fixed
Maximum Interest Rate	The rate of the new loan must be at least 100 basis points below the original rate of the loan refinanced. The maximum interest rate is based on the 90 day Fannie Mae 30 year A/A Remittance rate as of the lock date + 100 basis points and rounded up to the next 1/4%. The rates are found on the Fannie Mae website: http://www.efanniemae.com/sf/refmaterials/hrny/index.jsp
Age of Documents	Credit documents may not be more than 120 days old at the time of closing. Paystub(s) must be dated within 60 days of closing.
Qualifying Fixed Products	Qualify at Note Rate
Assumptions	Not permitted
Escrow waivers	Not permitted
Prepayment Penalty	Not permitted
Buydowns	Not permitted