



Single Family Housing Guaranteed Loan Program

Underwriting and Loan Closing Documentation Matrix

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Use of the following information is for reference in documenting SFHGLP files. For complete information, refer to RD Instruction 1980-D, supplemented by applicable Administrative Notices (AN) available online at: <http://www.rurdev.usda.gov/RegulationsAndGuidance.html> All section references are to RD Instruction 1980-D.

Underwriting Documentation

GUS Accept - Submit to RD for Commitment	Documentation - Lender Case File <small>[GUS Accept]</small>	Manual UW - Submit to RD for Commitment <small>Includes GUS Refer & Refer with Caution]</small>	Documentation - Lender Case File <small>[Manual, GUS Refer and GUS Refer with Caution]</small>	Topic	Documentation
	√		√	GUS Underwriting Findings Report	The final GUS Underwriting Findings Report, obtained when the last “final submission” to RD occurs, must be retained in the lender’s permanent loan file. The report will contain the submission sequence number along with a date/time stamp when printed. The Agency will access this report from the electronic GUS loan file. Lenders are not required to submit. The Agency must include, “See official GUS Underwriting Findings Report for additional conditions,” on Form RD 1980-18 and/or the attachment to Form RD 1980-18.
		√	√	Underwriting Analysis: Uniform Underwriting Transmittal and Summary (Fannie Mae (FNMA) Form 1008/Freddie Mae (FHLMC) Form 1077) or similar underwriting analysis form	Lenders must complete the underwriting analysis for all loans excluding requests that receive a GUS “Accept” underwriting recommendation. The signature or authorization of the approved lender’s underwriter must be evident on the loan underwriting analysis prior to issuance of a Conditional Commitment.

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		√	√	Credit Waivers: Documented by the Approved Lender	<p>Adverse credit is listed in section 1980.345(d)(1). If a manually underwritten loan is approved by the underwriter with any indicators of adverse credit, the underwriter must document a credit waiver on the underwriting analysis to establish the applicant’s intent for good credit. The applicant must provide the lender with evidence to explain how the circumstances of the adverse credit meet the requirements of 1980.345(d)(3)(i). The evidence must support the adverse credit was: 1.) temporary in nature, 2.) beyond the applicant’s control <u>and</u> 3.) the circumstances contributing to the adverse credit have been removed. Evidence presented by the applicant must be retained in the lender’s permanent loan file. A properly documented credit waiver will explain the details surrounding the adverse credit to support the rational of the underwriter for their loan approval decision.</p> <p><u>Exception: Manually underwritten loan files and GUS loans that receive a “Refer” or “Refer with Caution” underwriting recommendation:</u></p> <p><u>Credit scores of 680 and above:</u> A documented credit waiver from the lender must be submitted to RD. The supporting documentation from the applicant(s) is not required to be submitted to RD. This documentation must be retained in the lender’s permanent case file, available for future compliance reviews.</p> <p><u>Credit scores of 679 to 581:</u> The documented credit waiver <u>and</u> supporting documentation must be submitted to RD and retained in the lender’s permanent case file.</p> <p><u>Credit scores for 580 and below:</u> Lenders should not approve loans with credit scores of 580 and below if the loan exhibits any of the indicators of unacceptable credit listed in section 1980.345(d)(1).</p> <p>GUS “Accept” loans that have adverse credit accounts selected as “omit” by the underwriter do not require a documented credit waiver to be submitted to RD. Lenders are responsible to retain documentation provided by the applicant to support their data entries in GUS. Lenders should enter comments in the “Notes” section to support the omission of any debts on the “Asset and Liabilities” application page.</p>

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√	√	√	√	Previous Rural Development Loans	If the Agency has incurred a loss on a Section 502 direct or guaranteed loan for the applicant(s), the Agency must determine if the loss was beyond the applicant’s control per 1980.345(e). A previous loss may be noted on the credit report, identified by the applicant as part of the loan application, and/or by the Agency when performing an internal cross reference prior to the issuance of a conditional commitment or loan note guarantee.
√	√	√	√	Federal Debts	<p>Applicants that are delinquent on Federal debts may be ineligible for a guaranteed loan per 1980.345(f). Recorded outstanding judgments obtained by the United States in a Federal court (other than the U.S. Tax Court) or any delinquent Federal debt identified by CAIVRS (Credit Alert Verification Reporting System) shall cause the applicant to be ineligible until the Federal debt is paid in full or otherwise resolved (i.e. an official release of liability has been issued).</p> <p>Evidence of payment arrangements is acceptable for IRS Federal tax judgments. The approved lender’s underwriter must determine if the payment arrangement and history are acceptable. Loan funds guaranteed by RD may not be used to satisfy a debt.</p>
		√	√	Chapter 13 Bankruptcy in Progress	A Chapter 13 bankruptcy in progress does not disqualify an applicant from obtaining a guaranteed loan. The lender must document that 12 months of the repayment period has elapsed under the plan with all payments made on time and the applicant has received written permission from the bankruptcy court/trustee to enter into a mortgage transaction.
		√	√	Consumer Counseling Payment Plans	<p>Applicants participating in a Consumer Credit Counseling Program are not disqualified from obtaining a guaranteed loan. The lender must document that 12 months of the repayment period has elapsed under the plan with all payments made on time and the applicant has received written permission from the counseling agency to enter into a mortgage transaction.</p> <p>Exception: GUS “Accept” loans are not subject to additional documentation because the credit scores already reflect degradation in the applicant’s credit history. Lenders must ensure all liabilities are accurately reflected in GUS.</p>

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		√	√	Debt Ratio Waiver Requests Documented by the Approved Lender Approved by Rural Development	1980.345(c)(5) allows applicant’s with principal, interest, taxes and insurance (PITI) and total debt (TD) ratios that exceed 29/41 to request RD concurrence to allow higher ratios based on acceptable compensating factors. Lenders must document their request for a debt ratio waiver and acceptable compensating factors to support their request on the underwriting analysis. <i>Exception:</i> Lenders are not required to submit a debt ratio waiver request for GUS “Accept” loan files.
√	√	√	√	Temporary Interest Rate Buydowns	Lenders may permit a funded buydown account per 1980.392(b). Temporary buydown funds may come from the seller, lender or other third party. Temporary buydown funds may not come from the borrower. Loan files with a temporary interest rate buydown must be underwritten at the full note rate. The interest rate may increase a maximum of one percent each year. Funds for a temporary interest rate buydown must be escrowed with a state or federally supervised lender and be fully funded for the buydown period.
√	√	√	√	Mortgage Credit Certificate (MCC)	A Mortgage Credit Certificate (MCC) is eligible per 1980.392(a). The amount of the tax credit may be considered for repayment income when the credit is taken on a monthly basis from withholding. The lender’s permanent loan file must include: 1.) a copy of the active MCC that states the rate of tax credit allowed and 2.) a copy of the applicant’s W-4 “Employee’s Withholding Allowance Certificate” to reflect the borrower is taking the tax credit on a monthly basis. The lender must certify the borrower has completed and processed all documents required to obtain the tax credit. Do not include any portion of the MCC in annual income.

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		√	√	Payment Shock	<p>Payment shock is a risk layer for underwriters to consider in their loan analysis when the PITI ratio exceeds 29% <u>and</u> the proposed mortgage payment is 100% or greater than the applicant’s current housing expense or the applicant has no history of rent or housing expense.</p> <p>Calculation: Proposed PITI ÷ Current Housing Expense - 1 = ____ x 100 = Payment Shock percent</p> <p>Payment shock is <u>not</u> a risk layer for any loan if the PITI ratio is 29 percent or below.</p> <p>Exception: Payment shock is not considered a risk layer if the PITI ratio is 31 percent or below on Rural Energy Plus Loans.</p>
√	√	√	√	Documentation of Qualified Alien Status	Lenders must obtain evidence to document that non U.S. citizens who apply for a guaranteed loan are qualified aliens. Lenders may contact RD for assistance in verifying qualified alien status of applicants. Applicants with nine digit alien verification numbers are required to submit this information to RD’s “Systematic Alien Verification for Entitlements” (SAVE) system.
√	√	√	√	Form RD 1980-21, "Request for Single Family Housing Loan Guarantee"	Form RD 1980-21 must be completed (executed and dated) by the approved lender or their authorized representative and by all applicants that will be a party to the note. An additional form must be utilized if more than two applicants are on the loan. Original signatures are not required. Lenders must complete the entire form with accurate loan information and document the interest rate agreed to by the applicant(s). Electronic signatures are not accepted.
√	√	√	√	Credit Alert Interactive Verification Reporting System (CAIVRS)	<p>Lenders must document the CAIVRS number obtained for each applicant in the permanent loan file. In the event the CAIVRS number indicates a claim has been filed for a delinquent Federal debt please refer to the “Federal Debts” section.</p> <p>Lenders who utilize GUS are provided with a service that automatically retrieves a CAIVRS number for each applicant upon completion of the “Borrower” application page.</p>

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	√	√	√	Uniform Residential Loan Application (URLA) Form FNMA 1003/FHMLC 70	<p>A complete URLA executed by the lender and all applicants must be submitted. RD will accept a copy of the final URLA signed by all parties at loan closing. The URLA must be received prior to loan note guarantee issuance.</p> <p>The Agency will review the URLA captured in GUS for automated applications.</p>

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Credit Documentation

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	√	√	√	Credit Report	<p>RD accepts the following credit report types: (1) Tri-merged Credit Report (MMCR), (2) Residential Mortgage Credit Report (RMCR), and (3) Nontraditional Mortgage Credit Report (NTMCR). Credit reports that meet the standards of Fannie Mae, Freddie Mac, Housing and Urban Development (HUD) and the Department of Veteran Affairs (VA) are acceptable for RD purposes. Credit reports must be re-verified if the loan is not closed within 120 days from the date of the original verification, 180 days for new construction.</p> <p>Credit Reports for GUS transactions are included in the “Final” underwriting submission. The Agency will review the report from the “View Findings” section.</p>
		√	√	Credit Scores: Underwriting Score Selection	<p>Select the correct credit score for underwriting purposes from eligible credit reports:</p> <p>Three scores: Select the middle score 750, 721, 712 Two scores: Select the lowest score 619, 633 One score: Ineligible score, nontraditional credit must be verified No score: Nontraditional credit must be verified</p> <p>A repeating score is eligible for selection: 750, 750, 735</p> <p>A NTMCR score is not eligible for consideration.</p> <p>Exception: GUS will select the eligible credit score for underwriting purposes. One score <u>may</u> be appropriate when utilizing GUS. The scorecard will make this determination.</p>

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√	√	√	√	Authorized User Tradelines	<p>Lenders must ensure <u>open</u> authorized user tradelines reported on the credit report are an accurate reflection of the applicant’s independent approach to credit repayment and credit history. Closed authorized user accounts require no consideration for manual or GUS loan submissions.</p> <p>A GUS underwriting recommendation of “Accept” with <u>open</u> authorized user tradelines must include evidence in the lender’s permanent casefile of <u>one</u> of the following: 1.) another applicant on the mortgage loan application owns the tradeline in question, 2.) the owner of the tradeline is the spouse of an applicant or 3.) evidence the applicant has been making payments on the account for the last 12 months. 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.</p>
√	√	√	√	Disputed Credit Tradelines	<p>When an applicant’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: 1.) the tradeline has a zero dollar balance, 2.) the tradeline is marked “paid in full” or “resolved,” or 3.) the tradeline has a balance owed of less than \$500 and is more than 24 months old. In the event a GUS underwriting recommendation is downgraded to a “Refer” the lender must remit a fully underwritten case file to the Agency.</p> <p>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 permanent loan file to support a justifiable dispute. Evidence may include correspondence from the applicant/their attorney to the creditor.</p>

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√	√	√	√	Credit Report: Non-Purchasing Spouse (NPS) Community Property States Only	<p>When an applicant resides or the 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 applicant’s debt ratio, except for those specifically excluded by state law. The NPS’s credit history is not a reason to deny the loan application.</p> <p>GUS will only retrieve credit reports for <u>applicants</u>. Lenders must obtain a credit report outside of GUS for the NPS. On the “Asset and Liabilities” application page lenders must enter the debt obligations (except those excluded by state law) of the NPS. In the “Notes” data field lenders must identify the debt as “spousal debt” or “NPS debt.” Lender must retain the NPS credit report in their permanent loan case file <u>and</u> submit a copy of the report to the Agency. The manual entry of NPS debts by the lender will <u>not</u> require an underwriting recommendation of “Accept” to be downgraded to a “Refer.”</p> <p>Community property states include: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin. Puerto Rico allows property to be owned as community property as do several Indian jurisdictions. Alaska is an opt-in community property state; property is separate unless both parties agree to make it community property through a community property agreement or a community property trust.</p>

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√	√	√	√	Bankruptcy Discharged/Foreclosure Pending	<p>If an applicant has a real estate mortgage discharged in a Chapter 7 bankruptcy, but the lender has yet to conclude their foreclosure action, the applicant is still in ownership of this property. The title must be quit claimed to the lender in order to relieve the applicant from ownership of the property, as well as remove responsibility for real estate taxes and homeowner association dues. Until the title is transferred out of the applicant's name, they may not meet the requirements of Section 1980.346(a) in order to be eligible for a guaranteed loan.</p>

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		√	√	Verification of Nontraditional Credit Sources	<p>Lenders may order a NTMCR or develop their own report for an applicant. Nontraditional credit may not be used to enhance poor payment records or low credit scores.</p> <p>Three nontraditional sources are required for applicants who currently pay rent or housing expenses. Rent/housing may be included as one of the three trade lines. Four nontraditional sources are required for applicants with no current rent/housing expenses. Trade line sources must be open and have a recent 12 month history.</p> <p>Lenders may collect canceled checks, money order receipts, and/or written verifications that include the creditor’s name, date the account was opened, account balance, monthly payment due, and payment history reported in 0x30, 0x60, 0x90 format. Subjective statements such as “satisfactory” or “acceptable” are not an acceptable format for repayment history confirmation. RD will accept reports by providers who develop bill payment histories.</p> <p>Acceptable trade line sources include a recent 12 month payment record of rent or housing, utilities, insurance (excluding those paid through payroll deductions), school tuition, payments to retail stores, and evidence of accumulated savings of liquid assets or cash reserves available post loan closing equal to 3 months of PITI payments.</p> <p>Payments made to relatives for credit sources are ineligible as a non-traditional trade reference.</p> <p>Applicants may only have one 30 day delinquency on one nontraditional trade line within the last 12 months. 60 and 90 day delinquencies or reports of disconnection notices are not acceptable.</p>

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		√	√	<p>Verification of Rent or Housing Debt Lenders should record present rent/housing expenses on the URLA and/or in GUS on the “Income and Expenses” application page.</p>	<p>Applicants with credit scores below 680 that currently pay rent/housing expenses must have a 12 month payment history verification. Lenders may collect canceled checks or money order receipts to verify rent payments. Written verifications by independent management companies may be accepted in lieu of canceled checks. Written verification must include creditor name, date the rental agreement or contract began, monthly payment due, and payment history reported in 0x30, 0x60, 0x90 day format. Statements such as “satisfactory” or “acceptable” are not acceptable. Rent or mortgage payment histories reported on the credit report for present expenses are acceptable.</p> <p>Applicants with credit scores of 680 and above are not subject to verification of rent or housing history.</p> <p>GUS “Accept” underwriting recommendations are not subject to verification of rent or housing history.</p>
√	√	√	√	<p>Installment and Revolving Credit Accounts</p>	<p>Installment debts with more than six months repayment remaining must be included in the debt ratio per 1980.345(c)(1). Installment debts with less than six months repayment may continue to be included in the debt ratio at the discretion of the lenders underwriter. For GUS loans, the “Liability Type” must be changed from “Installment” to “Revolving” in order to include the debt in the ratios.</p> <p>Revolving debts with reported 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. If the applicant provides documentation from the creditor to confirm a lower monthly payment is due, this payment may be used. Evidence to support the lower payment used must be retained in the lenders permanent case file. Revolving accounts with no outstanding balance do not require an estimated payment.</p>

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	√	√	√	Collection Accounts	<p>Collection accounts are defined as adverse credit in 1980.345(d)(1): (vi): Accounts converted to collections within the last 12 months (utility bills, hospital bills, etc.), {still due and payable}, and (vii): collection accounts outstanding, with no satisfactory arrangements for payments, no matter what their age as long as they are currently delinquent and/or due and payable.</p> <p>Collection accounts may indicate an inability or unwillingness of the applicant to meet obligations as they become due. The approved lenders underwriter may determine if an open collection account must be paid in full by the applicant prior to or at closing. Lenders may consider the collection type, age, and its potential to negatively affect clear title to the subject property when making a determination. If the lender determines collection accounts may remain open and unpaid, they must document an adverse credit waiver on the underwriting analysis per 1980.345(d)(3).</p> <p>Manually underwritten loans with collection accounts waived by the underwriter require documented credit waivers. Applicants with an underwriting credit score of 680 and above are not required to submit the supporting documentation provided by the applicant to RD (only the credit waiver must be submitted). Applicants with credit scores below 680 must submit evidence to support the credit waiver to RD. Evidence supplied by the applicant must be retained in the lender’s permanent loan file regardless of credit score.</p> <p>GUS “Accept” loans with collection accounts the lender selected “omit” for should have the “Notes” data field completed. The supporting documentation and underwriter rationale for the omission must be retained in the permanent loan file.</p>
	√	√	√	Co-signed Obligations/Non-Mortgage Debt	<p>Section 1980.345(c)(1)(i) requires debts which have been co-signed by the applicant for another party to be considered in the debt ratio unless the applicant provides evidence that it has not been necessary for them to make the payments over the past 12 months. Acceptable evidence includes canceled checks, money order receipts and/or bank statements of the co-obligor or other third party. If any late payments are reported for the previous 12 months the liability must be included.</p> <p>Debts identified as “Individual” must always be considered in the debt ratio, regardless of who is making the monthly payment as the legal obligation resides with the applicant.</p>

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	√	√	√	Previous Mortgage	Section 1980.345(c)(1)(ii) requires all previous mortgage liabilities disposed of through a sale, trade, or transfer <u>without a release of liability</u> , to be included in the debt ratio calculation unless evidence can be obtained to confirm the remaining party (or new owner) has successfully made the payments over the last 12 months.
	√	√	√	Student Loans: Conventional/Fixed Payment Student loans are long term debt obligations that must be included in the debt ratio per section 1980.345(c)(1).	Student loans that are currently in <u>repayment</u> must have documentation to verify the current payment due (e.g. letter from a loan servicer, online account verifications, or other official written documentation). The credit report alone is not acceptable documentation. Verifications are valid for 120 days, 180 days for new construction. A fixed loan payment will not adjust over the repayment term. The payment listed on the documentation may be used for debt ratios.
	√	√	√	Student Loans: Graduated Payments	Graduated repayment plans typically start with low payments and then adjust every 12 months or more. Regardless of when payment adjustments occur, lenders must utilize the highest payment documented on the repayment plan agreement in debt ratios.
	√	√	√	Student Loans: Deferred	Deferred student loans that are not in repayment status may use an estimated payment of 1% of the loan balance reflected on the credit report, or a verified fixed payment provided by the loan servicer to document the payment that will be due once deferment ends.

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√	√	√	√	<p>Student Loans: Income Based Repayment (IBR)</p> <p>IBR amounts are not fixed payments and may increase annually.</p>	<p>IBR payments of \$0 are not eligible to be used in the debt ratio. The applicant must provide documentation of the IBR payment plan from the loan servicer. The following apply:</p> <ol style="list-style-type: none"> 1. If the IBR payment is less than \$100 and 1 percent of the total loan balance is more than \$100, a minimum payment of \$100 must be included in the debt ratios. 2. If the IBR payment is less than \$100, and 1 percent of the total loan balance is less than \$100, a minimum payment of 1% of the loan balance must be included in the debt ratios. 3. If the current IBR payment is over \$100, use that payment amount in the debt ratios.
√	√	√	√	Business Debts	<p>Business debts (i.e. car loan) reported on the applicant’s personal credit report may be excluded from the debt ratio if this debt is paid through a business account. Acceptable evidence to confirm includes 12 months of canceled business checks or bank statements from the business account.</p>

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				Child Care Expenses	Child care expenses are not required to be considered as a recurring liability when calculating debt-to-income ratios. Child care expenses are utilized to calculate the adjusted gross income in determining program eligibility.
	√	√	√	401(k) Loans/Personal Asset Loans	Loans against personal assets such as 401(k) accounts, retirement funds, or other liquid assets are not considered in the debt ratio.
	√	√	√	Child Support, Alimony, Garnishments	<p>Applicants obligated to pay child support, alimony, garnishments, or other court ordered debts must have these payments included in the debt ratio. If the applicant has a release of liability from the court/creditor, the debt can be excluded. Lenders may use select pages from the applicable agreement/court order to document the required monthly payment due and the duration of the debt.</p> <p>The manual entry of these obligations in GUS will <u>not</u> require an underwriting recommendation of “Accept” to be downgraded to a “Refer.”</p>
	√	√	√	Direct Verification of Other Debts – Excluded from the Credit Report	<p>Lenders must verify the previous 12 months repayment history of additional debts disclosed by the applicant that do not appear on a credit report. Debts open for less than 12 months must still be verified. Written third party verifications that meet stated guidelines and/or canceled checks or money order receipts are acceptable.</p> <p>Lenders must apply due diligence to every GUS loan file regardless of the underwriting recommendation. The GUS Underwriting Findings Report requires lenders to include all liabilities listed on the credit report or verified outside of the credit report in GUS. If installment and/or revolving debts not listed on the credit report were manually entered into GUS by the lender, an “Accept” recommendation must be downgraded to a “Refer.” A “Refer” must be downgraded to a “Refer with Caution.” A manual underwrite must be completed for loan files with these characteristics.</p> <p><i>GUS Note:</i> Obligations such as NPS debts, court ordered payments for child support/ alimony/ garnishments/etc., or business debts do not require a manual downgrade in GUS. These debts would not appear on a credit report and therefore are not considered in the credit score calculation.</p>

Employment/Income Documentation

All adult household members (age 18 and above) that will reside in the applicant's home as their primary residence for all or part of the next 12 months, must provide income verification to the lender for their employment status and current earnings as outlined in this section. Employment/Income verifications are valid for 120 days from the date of the original verification, 180 days for new construction.

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	√	√	√	Verification of Income: Employed Applicant/Adult Household Member	<p>Two options are available to verify income of employed loan applicants and adult household members (excluding self-employed):</p> <p>(1) Verification of Employment (VOE) (Form RD 1910-5 or equivalent) or VOE's supplied by an employment verification service (The Work Number) that reflects complete earning information/responses to questions AND the most recent paycheck stub with year to date (YTD) earnings; <u>OR</u></p> <p>(2) Paycheck stubs or payroll earnings statements covering the most recent 30-day period with YTD earnings, W-2 forms for the previous 2 tax years AND a telephone verification of current employment.</p> <p>Earning statements, paystubs, and W-2's may be original documents or printed copies obtained from an employee internet or intranet site.</p> <p>Lenders may utilize third party verification services per section 1980.309(f). Verification of income must be re-verified if the loan is not closed within 120 days from the date of the original verification, 180 days for new construction. Income documentation must identify the applicant as the employee and show the time period covered by the verification along with both the current period earnings and year to date earnings. The original documents must not contain any alterations, erasures, correction fluid, or correction tape. All income verifications must pass directly between the loan originator and the employer.</p>

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	√	√	√	Verification of Income: Self-Employed Applicant/Adult Household Member	Self employed applicants and adult household members must submit all of the following: (1) signed individual federal income tax returns for the most recent two years with all applicable schedules as determined by the type of self-employment; (2) signed business tax returns for the most recent two years with all applicable schedules; (3) year-to-date profit and loss (P&L) statement accompanied by a current balance sheet; and (4) year-to-date income and expense statement. The documents noted in items (3) and (4) are not required to be audited. As an alternative, the lender may obtain IRS-issued transcripts of the applicant’s tax returns, as long as the transcripts include the information from all applicable schedules. In all cases, the lender must obtain sufficient documentation to support their determination regarding the viability of the business and of the self-employed applicant or adult household member’s income. Income verifications must be re-verified if the loan is not closed within 120 days from the date of the original verification, 180 days for new construction.
	√	√	√	Verification of Income: Non-employed Applicant/Adult Household Member	Obtain written verification of the income (e.g., an award letter, pension statement, or other appropriate documentation) or verification through individual federal income tax returns for the most recent year. Examples of other income types can include: alimony/child support, military income, pension/retirement income, social security/disability income, trust income, unemployment, notes receivable, etc.
				OPTIONAL INCOME VALIDATION: Validation of Income: Applicant/Adult Household Member	To ensure all income and asset sources for program eligibility purposes have been disclosed, lenders may obtain IRS tax transcripts. At the lender’s discretion, they may require each applicant and adult household member (regardless of income source) to complete and sign IRS Form 4506-T for the previous two tax years at the time of loan application. The information received from the IRS is not intended to document income, rather it may be used by the lender to validate the income documentation and disclosure provided by the applicants and adult household members. This is suggested for quality control purposes. RD does not require lenders to obtain IRS transcripts at this time.

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	√	√	√	Verification of Income: Household Assets	Section 1980.347(d)(3)(iii) requires net family assets with a cumulative total of \$5,000 or greater to be considered in the annual income calculation. The greater of the actual income derived from all net family assets <u>or</u> a percentage of the value of such assets based on the current passbook savings rate must be considered when calculating annual income. Verification documents must coincide with the type of asset identified for income purposes. Section 1980.302(a) defines net family assets as the value of equity in real property, savings, IRA's, demand deposits, the market value of stocks, bonds, other forms of capital investments and business or household assets disposed of for less than fair market value for two years preceding the date of loan application (disposition of a trust considered but not inclusion in a foreclosure or bankruptcy). 401k's are not considered in net family assets.

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Evaluating Income

This section will assist lenders to evaluate income types for annual and repayment income purposes. Lenders must document their calculation of annual and repayment income in their permanent loan file. When the lender's documentation of income is submitted to RD, loan review and processing is more efficient. The annual income calculation will include all eligible income per 1980.347 for applicants and adult household members (age 18 and up). The repayment income calculation will include only the stable and dependable income per 1980.345(c) of the applicants that will be party to the note.

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	√	√	√	<p>Determining Repayment Income: Employed Applicant</p> <p>Note: GUS does not evaluate the stability and dependability of repayment income in the underwriting recommendation. The lender must determine the history and stability of earnings <u>prior</u> to entering repayment information into GUS. Repayment income often differs from annual and adjusted income calculations that determine program eligibility.</p>	<p>Approved lenders must determine stable and dependable monthly income from <u>verified</u> sources. Refer to sections 1980.345(b) and 1980.345(c)(2)(i). A review of the applicant's previous two years of employment and other income history will assist lenders in their analysis.</p> <p>Applicants that have not been employed for 12 months with their current employer are considered high risk. Caution must be utilized when the applicant's employment includes a probationary period. The lender may consider reasonable allowances for applicants with less than 12 months job time with their current employer under the following circumstances: (1) the applicant has recently changed jobs but remains in the same line of work, (2) the applicant frequently changes jobs but demonstrates income continuity, (3) the applicant is a recent graduate, as evidenced by college transcripts, or a recent member of the military, as evidenced by discharge papers, entering the civilian workforce, (4) the applicant has recently re-entered the workforce after an absence to care for a family member or minor child, extended medical illness, or other circumstance reasonable to the lender; and (5) an applicant will begin a new job with a firm offer letter from the employer indicating a start date within 60 days of loan closing (lenders must verify the applicant will have sufficient income, or cash reserves, to support mortgage payments and other obligations during the time between loan closing and the start of employment), this type of allowance is commonly represented by an applicant entering a teaching position with a contract from the school district. Sources of income the lender cannot verify may not be used in the repayment calculation.</p>

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	√	√	√	Determining Repayment Income: Self-Employed Applicant	<p>Applicants should be self-employed for at least two years at the time of loan application. If the applicant cannot demonstrate self employment earnings for the previous two years the lender’s underwriter must review the applicant’s reasonable probability of earnings based on a market feasibility study or business plan and pro forma financial statements for the business. The lender must carefully consider the following: the applicant’s training and experience, the location and nature of the business, and the demand for that type of business in the area. If the lender is unable to support the above with documentation, the income should not be utilized for repayment income purposes.</p> <p>Lenders are encouraged but not required to use Fannie Mae Form 1084, “Cash Flow Analysis,” Fannie Mae Form 1088, “Comparative Income Analysis,” or Freddie Mac Form 91 “Income Analysis” to document a trend analysis for the applicant’s business. These forms may be helpful to determine repayment income.</p> <p>The most common self-employed applicant is a Sole Proprietorship. This type of structure requires owners to personally sign for debt obligations associated with their business even though the debt is often paid with business funds. When completing the calculations required by sections 1980.345(b) and 1980.345(c), the lender may <u>add</u> the following allowable IRS deductions to net profit: (1) Depletion and (2) Depreciation.</p> <p>Industry standard requires an applicant to demonstrate a 25 percent ownership interest in the business in order to be considered self-employed.</p> <p>Business losses will count as zero for annual income calculations. Business losses must be deducted from repayment income prior to calculating debt ratios.</p>

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	√	√	√	Bonus, Commission, Overtime, Part-Time, Second Jobs, Seasonal Positions, Interest and Dividends	<p>Repayment Income: If the applicant has a two year history of receiving these income types (typically from the same employer), they may be considered stable and dependable. Income earned for less than one year with the current employer should not be considered for repayment income without significant compensating factors (e.g., the applicant has recently changed from a salary to commission position with the same employer, or remains in the same line of work with a verified history of receipt of these income types). If there is a significant variance in annual earnings of these categories, a period of more than two years may be utilized to arrive at a reasonable figure. Applicants with a sole source of unemployment benefits are not eligible.</p> <p>Annual Income: Lenders must consider the previous history of these income types from the same employer (or same line of work) along with employer verification of continuance per 1980.347(c).</p>
	√	√	√	Tax Exempt Income	<p>Repayment Income: Section 1980.345(c)(2)(ii) allows income exempt from Federal Income Tax to be “grossed up” by the amount of federal tax savings attributable to the nontaxable income for repayment purposes only. No other adjustments for tax-exempt income are authorized. Lenders must document any adjustment made. There is no flat percentage authorized for all applicants.</p> <p>Annual Income: Tax exempt income sources should not be grossed up for annual income purposes.</p>
	√	√	√	Military	<p>Repayment Income: In addition to base pay, military personnel may be entitled to additional forms of pay. Income sources such as variable housing allowances, clothing allowances, flight or hazard pay, rations and proficiency pay may be used for repayment income provided it is verified as stable and dependable. Additional consideration for the tax-exempt nature of these payments may be applied.</p> <p>Annual Income: The hazardous duty pay to a service person exposed to hostile fire is not included in the annual income calculation. Other pay allowances and types should be included for annual income purposes when there is a history of receiving these income types and they will continue to be paid.</p>

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√	√	√	√	VA Benefits, Scholarships, Tuition	<p>Repayment Income: Direct compensation from the U.S. Department of Veterans Affairs (VA), (i.e., regular payments for a service related disability), can be included as repayment income upon VA verification. Education benefits paid to a Veteran for use in meeting the costs of tuition, fees, books and equipment may be considered for repayment income per 1980.347(e)(7).</p> <p>Annual Income: Direct compensation payments and the remainder of educational grants, scholarships or VA benefits available for subsistence after deducting expenses for tuition, fees, books and equipment must be considered as annual income.</p>
√	√	√	√	Government Assistance Programs	<p>Repayment Income: Income received for programs such as unemployment income, workers' compensation, earned income credit, foster children, etc. may be counted as repayment income as long as it is expected to continue for at least the first three years of the mortgage. Unemployment benefits may be considered stable and dependable income for individuals employed on a seasonal basis (e.g., farm laborers, construction workers, etc.). Applicants with a sole source of unemployment benefits as their earnings are ineligible for a guaranteed loan. Refer to 1980.347(d) and (e) to determine the eligibility of specific government assistance programs for annual and repayment income purposes.</p> <p>Annual Income: Unemployment compensation must be computed as the estimated amount for the upcoming 12 months with consideration to the history of this income type for the previous 24 months. Other government assistance programs per 1980.347(e)(2) and (9) for which a Federal statute specifies must not be used as the basis for denying or reducing Federal financial assistance or benefits, should not be included in annual income. Exhibit F of RD Instruction 1980-D lists some of these benefits.</p>
√	√	√	√	Retirement	<p>Repayment Income: Payments must continue for at least the first three years of the mortgage. Payments that will be received for less than 24 months should not be used.</p> <p>Annual Income: Retirement payments that have a history of receipt and will continue for the next 12 months must be included in annual income.</p>

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	√	√	√	Employee Differential Payments/Housing Allowances	<p>Repayment Income: The amount of these payments may be considered in repayment income when the lender verifies from the employer they are likely to continue into the first three years of the mortgage. Do not offset the mortgage payment with this amount.</p> <p>Annual Income: The amount of these payments should be included as gross income when calculating the annual income.</p>
	√	√	√	Automobile/Expense Allowance/Per Diem	<p>Repayment Income: Include the amount of these payments that exceed the actual expenditure for which the allowance is provided. The lender must verify from the employer the income has been received for the previous two years and payments will continue. The monthly debt payments for these items must be included in the debt ratios.</p> <p>Annual Income: If the allowance/reimbursement is shown on the paystub as “gross earnings” they must be included in the annual income calculation.</p>
	√	√	√	Mileage reimbursement	<p>If an applicant utilizes the standard per-mile rate to calculate applicable automobile expenses, as opposed to the actual cost method, the portion that the IRS considers depreciation may be added back to income. The amount of depreciation claimed must be listed on the appropriate IRS tax forms to support this addition to repayment income.</p>

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	√	√	√	<p>Rental Income</p> <p>Applicants may retain one dwelling (one unit) in addition to the new dwelling (primary residence) purchased with a guaranteed loan.</p> <p>The dwelling retained may not be financed with a Section 502 Direct or Guaranteed loan, or have a Section 504 repair loan or active grant.</p>	<p>A retained dwelling must meet the requirements of section 1980.346(a). Manufactured homes that are not on permanent foundations are considered functionally inadequate housing. Monthly gross rent received must be reduced by a vacancy factor of 25 percent before subtracting the monthly principal, interest, taxes, insurance, and homeowner association dues, etc. for annual income.</p> <p><u>Repayment Income for rents received 24 months or more:</u> (1) Positive net rental income received may be considered as stable and dependable by the underwriter and included in the repayment income. (2) Negative net rental income determined to be stable and dependable is treated as a recurring liability. (3) Mortgage liabilities associated with the property may be omitted from the debt ratios.</p> <p><u>Repayment Income for rents received less than 24 months:</u> (1) No rental income may be included for repayment purposes. (2) Corresponding mortgage liabilities must be included in the debt ratios.</p> <p><u>Annual Income:</u> (1) Positive net rental income must be included in annual income. (2) Negative net rental income is treated as \$0.</p> <p>Rental income for repayment purposes may be verified by 24 months of canceled checks, money order receipts, or bank statements. For rental amounts received for 24 months or greater, the actual average income reported on the applicant's income tax IRS Form 1040 Schedule E (depreciation may be added back into calculation) for the past two years may be used in lieu of net rental income that is subject to a vacancy factor.</p>

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	√	√	√	Alimony, Child Support or Separate Maintenance	<p>Repayment Income: Obtain evidence the payments are to be received for at least the first three years of the mortgage. Obtain evidence the payments have been received for the past 12 months. Payment periods of less than 12 months may be acceptable if the lender can document the payer’s ability and willingness to make timely payments.</p> <p>Annual Income: Payments received for these income types must be included in annual income. They may be excluded if court ordered payments are not received for an extended period of time and a reasonable effort has been made to collect them through the official entity responsible for enforcing such payments per 1980.347(d)(7)(i).</p>
	√	√	√	Section 8 Housing Vouchers	<p>Repayment Income: The monthly subsidy may be treated in one of the following manners for repayment income:</p> <ol style="list-style-type: none"> (1) If the subsidy is paid directly to the applicant it may be “grossed up” by 25 percent to compensate for its non taxable status , or (2) If the subsidy is paid directly to the loan servicer, it may be deducted from the monthly PITI payment to determine the debt-to-income ratio. <p>Lenders who utilize GUS for this type of repayment income must use option (1) above.</p> <p>Annual Income: Do not include this subsidy in annual income.</p>
	√	√	√	Unreimbursed Employee Expenses	<p>Unreimbursed employee expenses are reported on IRS Form 2106 “Employee Business Expenses.” The sum of columns A and B on Line 8 represents the total amount spent out of pocket.</p> <p>Repayment and Annual Income: The amount of unreimbursed employee expenses must be deducted.</p>
	√	√	√	Gaps in employment/Income Continuity	<p>Lenders must document all gaps in employment of greater than one month over the last two years. It remains the lender’s responsibility to determine stable and dependable income, which includes the analysis of gaps in employment as it relates to the probability of continued income. Lenders may favorably consider an applicant if they change jobs frequently within the same line of work, but continue to advance in earnings. Applicants, who are able to earn consistent and predictable income, perform equally with those employed by a single employer.</p>

Adjustments to Annual Income Documentation

The following adjustments may be made to the annual income calculation (refer to section 1980.347) to determine program qualification. Annual income includes all eligible income from adult household members (age 18 and up), regardless of whether they will be a party to the note.

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	√	√	√	Child Care Expenses	Refer to section 1980.348(c). Child care expenses for the care of minor children age 12 and under must have documentation to support the amounts paid. Third party verifications provided by a licensed childcare facility or provider on official letterhead are acceptable when they include the name of the child enrolled, the date of enrollment, the monthly payment due, and payment history. Letters prepared by relatives or private individuals must include the same information as a third party verification along with evidence of payments made (i.e. canceled checks, money order receipts, bank statements, etc.). Lenders may calculate the annual amount paid for eligible childcare. Applicants that have not yet placed their child into care or have no evidence to support payments made will be unable to qualify for this deduction. Before and After school care programs that enable the applicant or a member of their household to be employed or attend school to complete their education are an eligible deduction. Child support payments or private school tuition paid by an applicant are not eligible child care expenses.
	√	√	√	Medical Expenses: Elderly Family	Refer to section 1980.302(a) for the definition of an elderly family. Refer to section 1980.348(d)(1) for allowable medical deductions and calculations to an elderly household's annual income. Documentation can be receipts, copies of billing statements, invoices or other written documentation supporting the expenses.
	√	√	√	Disability Expenses: Disabled Persons	Refer to section 1980.302(a) for the definition of a disabled person. Refer to section 1980.348(d)(2) for eligible disability deductions and calculations. Documentation can be receipts, copies of billing statements, invoices, or other written documentation supporting the expenses.

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	√	√	√	Determination of Family Size: Dependent Deduction	The household or family size is defined in 1980.302(a). If it is unclear if an applicant may claim a minor child as a household member for the purpose of the adjusted household income calculation, Internal Revenue Service (IRS) Publication No. 501 considers the custodial parent as the one authorized to claim the dependent on a Federal income tax return. Lenders may provide a divorce decree, custody agreement and/or Federal income tax returns as evidence the applicant is authorized to claim the dependent.

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Asset Documentation

Net family assets, as defined in 1980.302(a), in excess of \$5,000 (cumulative total) must be disclosed by adult household members (age 18 and up) and considered in the annual income calculation per 1980.347(d)(3)(iii). Appropriate documentation and verification must be retained in the lender case file. Lenders must explain and document unusual deposits (regular or irregular).

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√	√	√	√	Depository Accounts: Checking Account, Savings Account, Certificate of Deposit, and Money Market Fund	Verification of Deposit with the average 2 month balance or 2 consecutive monthly bank statements dated within 45 days of the initial loan application date must be provided as evidence of the asset. This applies to all liquid assets.
√	√	√	√	Earnest Money Deposit	Earnest money deposit on the sales contract can be considered an asset if the deposit is not already reflected in a liquid asset account. If the funds have cleared the applicant’s account, place the amount as an “Other Credit” in Section VII of the loan application. For GUS transactions, lenders should only enter the earnest money once; on the “Asset and Liabilities” or “Transaction Details” page.
√	√	√	√	Retirement Accounts	Obtain the most recent statement and conditions under which funds may be withdrawn or borrowed. Retirement funds may be utilized as cash reserves if the account allows for immediate withdrawals by the applicant(s). Retirement accounts that restrict withdrawals only in connection with the applicant’s employment separation, retirement, or death should not be considered as cash reserves. Calculate the asset amount as 60% of the vested account balance to allow for withdrawal penalties.
√	√	√	√	Gift Funds	Document through an executed gift donor letter and establish the gift does not have to be repaid. If gift funds are not verified in the applicant’s account at the time of application, obtain proof of transfer from the donor to the applicant. Gift funds must be provided by an organization or another person not living in the household, or with an interest in the sale of the property. Gift funds are considered the applicant’s personal funds, but remaining funds may not be considered as cash reserves.

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	√	√	√	Sale Proceeds of Real Estate Property	<p>Obtain a final HUD-1 or equivalent closing statement to indicate cash sales proceeds realized by the applicant. Proceeds from the sale of property should be included in the applicant’s liquid assets.</p> <p><u>Entering proceeds in GUS:</u> GUS will calculate the “Net Equity” for properties with dispositions of “Pending Sale” on the “REO Property Information” section. This calculation will be automatically included on the “Assets and Liabilities” application page. For properties with a disposition of “Sold” the lender must manually enter the “Net Equity” on the “Asset and Liabilities” application page.</p>
	√	√	√	Stocks and Bonds	Obtain a monthly or quarterly statement provided by the stockbroker or financial institution managing the portfolio.
	√	√	√	Cash on Hand	Obtain a written explanation from the applicant as to how the funds were accumulated and the amount of time taken to do so. The lender must consider the applicant’s current income stream and time frame taken to accumulate cash on hand as being legitimate. Applicant’s that report cash on hand, but also retain depository accounts must be carefully analyzed by the lender.

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Property Documentation

Applicants may only retain one dwelling (one unit) that meets the requirements of section 1980.346(a) in addition to the new single family dwelling purchased with a guaranteed loan. The dwelling retained may not be financed with a Section 502 Direct or Guaranteed loan or have a Section 504 repair loan or active grant. Manufactured housing units that are not fixed on a permanent foundation are considered functionally inadequate.

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	√	√	√	Sales Contract, Purchase Agreement, and/or Agreement of Sale	The sales contract along with amendments, agreements, and/or certifications must accurately represent the transaction and be reviewed by the lender.
√	√	√	√	Appraisal Forms	<p>The appraisal forms that must be used for loan origination purposes are as follows:</p> <ul style="list-style-type: none"> • Uniform Residential Appraisal Report (URAR): FNMA 1004/FHMLC 70 for one unit single family dwellings • Manufactured Home Appraisal Report and Addendum: FNMA 1004C/FHLMC 70B for all manufactured homes • Individual Condominium Unit Appraisal Report: FNMA 1073/FHLMC 465 for all individual condominium units <p>Appraisals must be completed by licensed or certified appraisers. There is no approved appraiser list for RD loan programs. Section 1980.334(b)(1) requires the cost approach section of the appraisal to be completed when dwellings are less than one year old. For dwellings more than one year old, the cost approach section need be completed only to the extent necessary to comply with site value analysis and the requirements of section 1980.313(e). A Marshall and Swift cost approach analysis is not required for any property. Appraisals are valid for six months, effective from the date of the appraisal, and must be valid at the time of a conditional commitment request.</p> <p>Form 1004 MC “Market Conditions Addendum to the Appraisal” must accompany all appraisals.</p>

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				REO Appraisals	An appraisal that has been prepared for REO purposes is not acceptable for a guaranteed purchase loan transaction. A new appraisal with the intent to arrive at an opinion of value for a purchase transaction (not a servicing action/distressed sale) must be obtained.
	√		√	Appraisal Transfer	If an appraisal was ordered by one lender for an applicant, but a different lender will complete the purchase transaction, it is acceptable for the appraisal to be transferred to the new lender. The original lender must agree to the transfer. A letter from the original lender that ordered the appraisal must be retained in the permanent loan file as evidence they have transferred this document to the new lender. The appraisal report must have been completed within six months of the date the request for a conditional commitment is submitted to RD.
√	√	√	√	Appraisals in Remote Rural Areas: New Construction	<p>Remote rural areas, identified by State Directors, can make it difficult to appraise a new construction property. If the sales comparison approach is not necessary to develop a credible opinion or conclusion regarding value, the lender’s appraiser may decide to use the Scope of Work Rule of the Uniform Standards of Professional Appraisal Practice (USPAP) and perform an appraisal without completing the Sales Comparison approach to value. Appraisers must explain the exclusion of the Sales Comparison approach to value and document their efforts to obtain comparable market data (i.e., complete Form 1007 “Marshall and Swift Square Foot Appraisal,” document the cost analysis, not consider external depreciation based on the remoteness of the site, and consider factors that impact the site such as immediate proximity to a feedlot, factory, or similar considerations).</p> <p>After a market is established in the remote rural areas, appraisers should no longer invoke either the Departure Rule or the Scope of Work rule in lieu of the Sales Comparison approach. The cost approach section must be completed when the dwelling is less than one year old. For dwellings more than one year old, the cost approach must be completed only to the extent necessary to comply with the site value analysis and requirements of section 1980.313(e). A Marshall and Swift cost approach analysis is not required in such cases.</p>

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	√		√	<p>Existing Dwellings: HUD Handbook Minimum Property Standards</p> <p>An existing dwelling has been completed for more than 12 months or has been completed less than 12 months but has been previously occupied.</p>	<p>An existing dwelling must meet HUD Handbooks 4150.2 and 4905.1 or Handbook 4000.1. HUD Handbook determinations may be completed by one of the following methods:</p> <ul style="list-style-type: none"> • An FHA roster appraiser may certify compliance to the handbooks; • A licensed or certified appraiser who is not on the FHA roster can complete the HUD Handbook determinations when the approved lender deems the appraiser as qualified; or • A separate home inspection report is prepared by the appraiser or a home inspector deemed qualified by the lender. <p>Appraisers may certify the requirements of HUD Handbooks 4150.2 and 4905.1r Handbook 4000.1 have been met on page three of the appraisal form in the “Comment” section, in an addendum to the appraisal, or elsewhere on the appraisal form. It is not necessary for the appraiser to specifically identify each HUD Handbook by number (4150.2/4905.1). Appraiser comments that state the property “appears to meet” or “seems to meet” HUD Handbooks are unacceptable.</p>

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	√		√	<p>Existing Dwellings: Septic/Well/Termite/Thermal Inspections and Certifications</p> <p>An existing dwelling has been completed for more than 12 months or has been completed less than 12 months but has been previously occupied.</p>	<p><u>Private Septic System:</u> 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.</p> <p><u>Private Well/Water Supply:</u> The local health authority or a state certified laboratory must perform a water quality analysis. The water quality must meet state/ local standards. The Safe Water Drinking Act does not apply to private wells. Contact the Environmental Protection Agency (EPA) at (800) 426-4791, for referrals to certified labs and other inquiries.</p> <p><u>Termite:</u> If required by the lender, appraiser, inspector, or State law, a pest inspection must be obtained to confirm the property is free of active termite infestation.</p> <p><u>Thermal:</u> There are no thermal requirements for guaranteed loans on existing homes.</p>
	√		√	<p>Existing Dwellings: Repairs and Escrow Accounts</p> <p>An existing dwelling has been completed for more than 12 months or has been completed less than 12 months but has been previously occupied.</p>	<p>Any repairs necessary for the dwelling to be structurally sound, functionally adequate and in good repair must be completed prior to request of the Loan Note Guarantee. Escrow accounts that meet the requirements of section 1980.315 are allowed for <u>exterior weather delayed repairs</u>. Loan note guarantees will be issued post closing per 1980.360(2)(ii) for loans with eligible escrow accounts established per section 1980.315. Please refer to “Escrow Accounts – Exterior Repairs” in this section.</p> <p>Lenders are expected to use professional judgment when a property condition may require additional inspections or repairs. The lender may require any repairs they deem necessary to secure the safety of the occupants, correct conditions that may jeopardize the soundness or structure of the home, or affect the likelihood of a low to moderate income applicant from becoming a successful homeowner.</p>

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	√		√	<p>New Construction: Evidence of Certified Plans and Specifications</p> <p>New dwellings have been built for less than 12 months and have never been occupied.</p>	<p>The lender must retain evidence that a new construction home was built in accordance with certified plans and specifications (e.g., International Residential Code, CABO, BOCA, etc.). <u>One</u> of the following combinations must be retained by the lender as evidence:</p> <ol style="list-style-type: none"> 1. Copy of an eligible building permit that has been issued by an approved local jurisdiction. The State Director is responsible for making the determination of an “eligible jurisdiction” per RD Instruction 1924-A, section 1924.5(f)(1)(iii)(c)(2). This determination must be published by the state as a supplement; or 2. Certificate of Occupancy or completion certificate issued by an approved local jurisdiction as determined by the State Director and published as a state supplement; or <p>Certification from a qualified individual or organization (e.g., licensed architect, engineer, national code certified plan reviewer, local building official, etc.) that has reviewed the plans and specifications, and determined they meet all applicable building codes and development standards. If the reviewer does not have their own certification form, Form RD 1924-25 “Plan Certification,” may be used.</p>
	√		√	<p>New Construction: Evidence of Construction Inspections/Warranty</p> <p>New dwellings have been built for less than 12 months and have never been occupied.</p>	<p>The lender must retain evidence that construction inspections were performed throughout the project in accordance with section 1980.341(b)(2). Acceptable evidence may include <u>one</u> of the following:</p> <ol style="list-style-type: none"> 1. Certificate of Occupancy issued by an eligible local jurisdiction as determined by the State Director and published, after a minimum of 3 construction inspections were performed and a 1-year builder warranty plan issued acceptable to RD; or 2. Copies of 3 construction inspections performed when: (1) footings and foundation are ready to be poured (2) shell is complete, but plumbing, electrical and mechanical work is still exposed and (3) final inspection of completed work prior to occupancy and a 1-year builder warranty plan issued acceptable to RD (builders may utilize their own form, HUD-92544, or Form RD 1924-19); or 3. Final inspection and a 10-year insured builder warranty plan acceptable to RD per RD Instruction 1924-A Exhibit L. <p>Applicants that wish to build their own homes cannot self warranty their own work.</p>

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	√		√	<p>New Construction: Thermal Requirements</p> <p>New dwellings have been built for less than 12 months and have never been occupied.</p>	<p>New construction dwellings must meet the 2006 International Energy Conservation Code (IECC). Typically the building code, to which the home was built, includes the thermal specification. When the lender secures evidence that the home was built to an acceptable building code, that requires a thermal specification of 2006 IECC or greater, the thermal requirement has been met.</p>
				<p>New Construction: No required evidence available</p> <p>New dwellings have been built for less than 12 months and have never been occupied.</p>	<p>New construction homes that do not have acceptable evidence of construction inspections are limited to a 90 percent loan to value (LTV) plus the one time upfront guarantee fee per section 1980.311(b)(3). A one year builder’s warranty will not be required.</p>
				<p>New Construction: Conditional Commitment for Loan Note Guarantee for proposed new construction</p> <p>New dwellings have been built for less than 12 months and have never been occupied.</p>	<p>Lenders may submit conditional commitment requests for proposed new construction dwellings. The term of Form RD 1980-18 is permitted to correspond with the projected date of construction completion (the Agency will determine the expiration date of Form RD 1980-18). The expiration date of Form RD 1980-18 should not exceed one year from the issuance of the commitment unless the State Director publishes a state supplement to allow a longer term based upon special circumstances.</p> <p>Loan documents that are over 180 days old at the time of loan closing (such as credit reports, income verifications, underwriting documents, and appraisal) must be updated and submitted to RD.</p>
	√	√	√	<p>Condominium Requirements</p>	<p>Condominiums are acceptable to RD when the project has been approved by Fannie Mae (FNMA), Freddie Mac (FHLMC), HUD, or VA. Lenders must retain evidence in their permanent loan file of the project’s approval by one of these four entities. Applicant’s remain responsible to obtain individual homeowners insurance as applicable.</p>
				<p>Private Road Maintenance Agreements</p>	<p>Properties located on private roads require lenders to retain in their loan file evidence of a permanent recorded easement (non-exclusive, non-revocable roadway, drive-way easement without trespass from the property to a public street/road).</p> <p>Private road maintenance agreements are not required.</p>

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	√		√	Manufactured Homes: Built to HUD code	Manufactured units must be new, less than 12 months old, never occupied, and include the site. The date of the purchase agreement must be within one year of the manufactured date displayed on the plate attached to the unit. Units must be purchased and built by an approved dealer-contractor. Each state maintains a list of the approved dealer-contractors in their geographic area. Contact the local RD office for more information. RD Instruction 1924-A Exhibit J provides additional guidance. Existing units are eligible for a guaranteed loan if they meet the guidelines provided in section 1980.313(i).
√	√	√	√	FEMA Form 81-93, Standard Flood Hazard Determination	Lenders are required to complete FEMA Form 81-93, "Standard Flood Hazard Determination Form," pursuant to the National Flood Insurance Reform Act of 1994 and FDIC regulations (12 CFR 339.6). If the property is located in a flood zone, flood insurance is required. A flood elevation certification is also required to ensure the first floor of habitable space (including basements and mechanicals located in crawl spaces) is above the 100 year flood zone elevation.
	√		√	Escrow Accounts – Exterior Weather Delayed Repairs	<p>When proposed exterior development work cannot be completed due to weather related issues and the work remaining does not affect the livability of the home, an escrow account for <u>exterior weather delayed repairs</u> may be established by the approved lender per 1980.315.</p> <p>Loan note guarantees will be issued post closing for loans with eligible escrow accounts established per section 1980.360(2)(ii).</p> <p>Escrow accounts for interior repairs are not permitted.</p>

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Rural Energy Plus Loans

Rural Energy Plus Loans are available to eligible applicants who purchase a home that is energy efficient.

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	√	√	√	Required Energy Thermal Code	<p>New homes must be built to meet the 2006 IECC or comparable code. The building code, plans or specifications typically state the thermal code utilized.</p> <p>Existing homes that meet or are retrofitted to meet the 2006 IECC or comparable code are also eligible. Typically an energy audit, home inspection or other acceptable documentation will determine the home meets the applicable code.</p> <p>The lender must certify the home meets the 2006 IECC or comparable code. This certification will be made as part of the underwriting analysis submitted to RD when requesting the Conditional Commitment for Loan Note Guarantee.</p>
		√	√	Repayment Ratios	<p>The PITI and TD ratios for Rural Energy Plus loans may exceed 29/41 by no more than two percentage points without a ratio waiver request submitted to RD. If the PITI ratio exceeds 31% and/or the TD ratio exceeds 43 percent a debt ratio waiver is required.</p> <p><u>GUS loans</u>: GUS does not have an option to code a loan as Rural Energy Plus. Therefore the two point allowance cannot be applied. Underwriters must indicate this is a Rural Energy Plus loan on their underwriting analysis.</p>

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Documentation Matrix - Post Closing



Use of the following information is for reference in documenting SFHGLP files. For complete information, refer to RD Instruction 1980-D, supplemented by applicable Administrative Notices (AN), all available online at <http://www.rurdev.usda.gov/RegulationsAndGuidance.html>.

NON-PURCHASING SPOUSE (NPS): If required by State law in order to perfect a valid and enforceable first lien, the NPS may be required to sign either the security instrument or documentation indicating that the individual is relinquishing all rights to the property. When the security instrument is executed for this reason, the NPS is not considered an applicant or borrower, and not required to sign the loan application.

Post Closing

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√	√	√	√	Lender Certification: Form RD 1980-18 “Conditional Commitment for Single Family Housing Loan Guarantee”	<p>Lenders must complete and return Form RD 1980-18 with the loan closing package. The lender’s signature certifies to RD the loan was closed in accordance with all applicable conditions listed and no adverse changes have occurred since the commitment was issued. Documentation to address each condition noted may be returned in the loan closing package. Original signatures are not required.</p> <p>Lenders may not exceed the loan amount and/or interest rate approved on Form RD 1980-18 without RD concurrence. RD will not issue a modified Form RD 1980-18 for loan amounts and/or interest rates that will <u>decrease</u> prior to loan closing.</p>

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√	√	√	√	Up-front Guarantee Fee	<p>The correct guarantee fee must be remitted. Lenders who have an active agreement to electronically submit loan closing data may use pay.gov to submit fees (currently in pilot phase, not available to all lenders at this time).</p> <p>Upfront guarantee fee and annual fee tax deductions: Lenders should refer clients to qualified tax professionals for tax advice.</p>
√	√	√	√	Promissory Note	<p>A copy of an executed promissory note must be submitted. The amount of the note may not exceed the loan amount approved by RD on Form RD 1980-18.</p>
√*	√*	√*	√*	Interest Rate, <i>as applicable</i> *	<p>If the interest rate was “floating to close” per Form RD 1980-21, the lender must provide documentation to support the date the rate was locked prior to loan closing. The final interest rate must not exceed the maximum rate as defined in section 1980.320, and it must be at or lower than the approved amount on Form RD 1980-18.</p> <p>If lenders require an increase to the interest rate prior to loan closing above the rate approved on Form RD 1980-18, the following must be submitted to RD: 1) a modified Form RD 1980-21 signed by the lender and the applicant(s) and 2) a revised underwriting analysis signed by the underwriter. RD will accept the final 1003 URLA signed at loan closing. If the ratios exceed 29 and/or 41 as a result of the increased interest rate, lenders must provide compensating factors per section 1980.360(a) to support a debt ratio waiver.</p> <p>Loan Note Guarantees will not be issued for loans closed outside of the acceptable interest rate thresholds described at section 1980.320. Interest rate <u>increases</u> must be modified in GUS.</p>
√*	√*	√*	√*	Confirmation of Exterior Weather Delayed Repairs: Escrow Development Completion, <i>as applicable</i> *	<p>The lender is required to advise RD upon completion of exterior weather delayed repair work. A Loan Note Guarantee will be issued when exterior work remains pending at Loan Note Guarantee request when an eligible escrow account is established in accordance with section 1980.315. It is the responsibility of the lender to confirm with RD when the repairs are completed by submission of a final inspection or email notice of completion of development.</p>
	√		√	Deed of Trust or Mortgage	<p>A copy of the mortgage or deed of trust must be in the permanent loan case file. It is not required to be submitted to RD.</p>

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√	√	√	√	Final HUD-1 Settlement Statement	A copy of the final HUD-1 Settlement Statement is required. If the borrower(s) received any cash back at loan closing, the amount must not exceed the documented contributions made from their own funds for eligible loan purposes (e.g., earnest money deposit, lender/home inspection fees paid out of pocket, etc.). Loan funds or seller paid concessions may not be distributed to the borrower. Loan fees paid by the borrower with credit cards or other short term loans may not be reimbursed at loan closing. If lenders are required to reimburse borrowers as the result of erroneous preparation of the Good Faith Estimate (GFE), these funds may be provided to the borrower as this is a penalty due from the lender.
	√		√	Title Policy	The title policy must cover the collateral property.
	√		√	Insurance Policy	Collateral must be adequately insured.

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