



*Tip: To find specific information for a product, Press Ctrl+F (or use "Find" from the Edit Menu) and then search for the information or topic you are looking for. If you don't find the topic the first time, try variations, different terms or less words.*

## USDA / RURAL HOUSING

### 30 Year Fixed

LTV <sup>1</sup>	CLTV	Purpose	Units	Occupancy	Credit Score
100	100	Purchase <sup>3</sup>	1	O/O	600
100	100	Rate & Term <sup>2, 3</sup>	1	O/O	

1. The maximum LTV may exceed 100% only by the amount of the Guarantee Fee being financed in the loan amount. Purchase and refinance transactions are eligible up to a maximum 100% LTV plus the 1.00% Guarantee Fee.
2. Rate/Term refinances are only allowed when refinancing a current Rural Housing Guaranteed loan.
3. Manufactured homes allowed on rate and term only, no purchases

<b>PRODUCT NAME</b>	<ul style="list-style-type: none"> <li>USDA 30 Year Fixed</li> </ul>
<b>ALLOWABLE ORIGINATION CHANNELS</b>	<ul style="list-style-type: none"> <li>Wholesale</li> <li>Retail</li> <li>Correspondent</li> </ul>
<b>AGENCY LINKS</b>	<ul style="list-style-type: none"> <li>In addition to any Product Profile requirements, you must always meet the published Rural Housing/USDA guidelines. If published Rural Housing/USDA guidelines are more restrictive than what is allowed in the Product Profile, you must always defer to Rural Housing/USDA Guidelines.</li> <li>All PRMG staff can access all end Agency guidelines through AllRegs Online at <a href="http://allregs.elliemae.com">http://allregs.elliemae.com</a>. Instructions on how PRMG staff can access the AllRegs service is available in the Resource Center.</li> <li>Handbook 3555: <a href="https://www.rd.usda.gov/publications/regulations-guidelines/handbooks">https://www.rd.usda.gov/publications/regulations-guidelines/handbooks</a></li> <li>Training and Resources (includes link to handbook): <a href="https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library">https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library</a></li> </ul>
<b>MINIMUM LOAN AMOUNT</b>	<ul style="list-style-type: none"> <li>No Minimum Loan Amount</li> <li>Note that loan amounts under \$30,000 will require special pricing by Secondary Marketing</li> </ul>
<b>MAX. LOAN AMOUNT</b>	<ul style="list-style-type: none"> <li>Max loan amount is the Conventional (Fannie/Freddie) Maximum Loan Limits (which are county specific)</li> <li>Max Fannie/Freddie Limits for all counties can be found here (select Fannie/Freddie for Limit Type option): <ul style="list-style-type: none"> <li><a href="https://entp.hud.gov/idapp/html/hicostlook.cfm">https://entp.hud.gov/idapp/html/hicostlook.cfm</a></li> </ul> </li> </ul>
<b>USDA STREAMLINE OPTION</b>	<ul style="list-style-type: none"> <li>Not allowed</li> </ul>
<b>USDA RURAL ENERGY</b>	<ul style="list-style-type: none"> <li>Not allowed</li> </ul>

<b>LOAN</b>	
<b>PRINCIPAL REDUCTION AT CLOSING</b>	<ul style="list-style-type: none"> <li>• Allowed to a maximum of \$1,000, subject to PRMG standard principal reduction requirements</li> </ul>
<b>DOCUMENTATION</b>	<ul style="list-style-type: none"> <li>• Full/Alt Doc</li> <li>• A signed and dated 4506-T completed at application and closing. BOTH are required for all borrowers. Both 4506-T forms must be provided in the file at funding. They must include authorization for transcripts for the most recent 2 years.</li> <li>• The 4506-T provided at application must be processed and validated against the borrower’s tax returns or W-2s.</li> <li>• 4506-T is required for each adult household member and must be processed and validated against the borrower’s tax returns or W-2s prior to submission to USDA for conditional commitment.</li> <li>• Tax transcripts must be provided for the number of years of income documentation required to be in the loan file, in accordance with the AUS findings and/or Agency requirements</li> <li>• Tax transcripts must come to lender directly from the IRS or through a third party vendor ordered/obtained by lender</li> <li>• USDA requires that self-employed borrower have their tax return filed for the current year by 4/15, no extensions are allowed.</li> <li>• When business tax returns are required by AUS, business income is used to qualify or business income is used to offset a loss on personal tax returns or is included in the loan file, a separate IRS Form 4506-T must be executed (but not processed and must allow enough time to be executed post-closing after delivery to investor) for each business for the required number of years of income documented, for each self-employed borrower on the loan transaction. Allowable signatures (per IRS): 1120/1120S: Borrower must sign name with title and only the following titles are acceptable: President, Vice President, CEO, CFO, Owner, 1065: Borrower must sign name with title and only the following titles are acceptable: General Partner, Limited Partner, Partner, Managing Member, Member</li> <li>• IRS transcripts dated prior to the date of closing are required at closing and must be included in the loan file at funding. If the IRS returns “no transcripts available” for the time period requested, proof of extension and the most recent years’ validated IRS transcripts available, as determined by GUS findings, are required.</li> <li>• For non-self-employed borrowers: Verbal VOE is required to be completed no more than 10 days prior to the note date for wet funding states and escrow states. If the Verbal VOE is completed more than 10 days prior to the funding date, another Verbal VOE should be completed 10 days prior to funding date for escrow states.</li> <li>• For self-employed borrowers: No more than 30 calendar days prior to note date, verify the existence of the borrower’s business from a third party that may include a CPA letter (cannot be vague, must state length of time doing taxes and be signed by CPA), regulatory agency, or appropriate licensing bureau; OR verify a phone listing and address for the borrower’s business through resources such as the telephone book, directory assistance, internet, or contact the appropriate licensing bureau. Verification may not be made verbally, and a certification by PRMG indicating the information was verified is not allowed. Documentation from the source used to verify the information must be obtained and in the file. Internet sites such as 411.com, Chamber of Commerce sites and Manta.com where they allow the business owner to add their own information are not acceptable. Also single source verifications, such as from superpages.com, yellowpages.com and searchbug.com are not allowed. If <b>all</b> other methods of obtaining third party verification have been exhausted, the borrower can provide letters from three clients indicating the type of service performed, length of time of business relationship, frequency of service,</li> </ul>

	<p>payment arrangements, etc. and support the income with current bank statements, deposits, etc. The underwriter must thoroughly investigate that the business, income and proof of business is legitimate.</p> <ul style="list-style-type: none"> <li>• Amended tax returns must have been filed at least sixty (60) days prior to the earliest of the purchase agreement, initial credit report date, or mortgage application date, unless the changes made are non-material to the amount of income claimed, and qualification for the mortgage loan. When using the amended returns if filed within sixty (60) days to the earliest of the purchase agreement, initial credit report date, or mortgage application date, or after, the Underwriter must provide justification and commentary regarding its use, including that borrower does <u>not</u> require use of amended income for qualification. Regardless of when the amended returns were filed, due diligence must be exercised with close examination of the original, and amended returns, to determine if the use of the amended return is warranted and the following documentation should be reviewed when income from the amended return is required: A letter of explanation regarding the reason for the re-filing; evidence of filing (must be validated with a record of account (4506T results); copy of the original 1040; any extensions filed, and evidence of payment of the taxes due, and the ability to pay, if the check has not yet cancelled.</li> <li>• VOR/VOM required on all loans unless it is not required per the GUS approval.</li> <li>• All manual underwrites require a VOR from landlord, and 12 months cleared rental checks if renting from a private party – if no rent history need verification of living rent free.</li> <li>• Two years of tax returns and/or W2s are required, regardless of GUS recommendation.</li> <li>• Provide a written analysis of the income used to qualify the borrower on the Transmittal Summary or like document(s) in the file. An Income Analysis must be completed for self-employed borrowers.</li> <li>• Two months of bank statements are required</li> <li>• MERS search must be run on borrower</li> <li>• Credit documentation must not be more than 120 days old from the note date</li> <li>• Title Commitment must be no more than 90 days old on the date the Note is signed.</li> <li>• When paying off any non-transaction related item (i.e., debts, third party payouts, etc.) that has a balance of \$5,000 or more, paid for by either borrower or seller, to ensure that the total payoffs are accurate, copies of the actual invoices (statements), an updated (current) credit report/refresh or credit supplement reflecting the current balance with a signed amendment (or similar) authorizing disbursement for these account(s) are required. You cannot use the amount listed on the credit report to document the payoff amount.</li> <li>• All documentation used in qualifying the borrower must be legible and if not in English, will require a full written translation of the entire documentation into English.</li> </ul>
<b>DOCUMENT EXPIRATIONS</b>	<ul style="list-style-type: none"> <li>• Title Commitment must be no more than 90 days when the note is signed</li> <li>• Credit documentation must not be more than 120 days old from the note date</li> <li>• Appraisals are valid for 150 days and must be dated within 150 days of the note date</li> </ul>
<b>RURAL HOUSING DOCUMENTATION</b>	<ul style="list-style-type: none"> <li>• Conditional Commitment for Single Family Housing Loan Guarantee</li> <li>• Loans may not have an outstanding contingent Conditional Commitment. All documentation used to satisfy the Conditional Commitment must be included in the file.</li> <li>• Closed file delivered to investor/Rural Housing must include completed, signed, and dated Lender Certification pages. The lender’s signature on the Lender Certification certifies to Rural Development the loan was closed in accordance with all applicable conditions listed and no adverse changes have occurred since the commitment was</li> </ul>

	<p>issued.</p> <ul style="list-style-type: none"> <li>• Appraisal must be submitted in color to USDA</li> <li>• Request for Single Family Housing Guarantee (Form RD 3555-21) must include the lender income worksheets</li> </ul>
<b>AUTOMATED UNDERWRITING</b>	<ul style="list-style-type: none"> <li>• The last AUS finding, which must match the terms of the loan, must be in the loan file. For all loans, the first submission to the AUS must occur prior to the note date (it cannot be the same as the note date.)</li> </ul>
<b>DESKTOP UNDERWRITER (DU)</b>	<ul style="list-style-type: none"> <li>• Not allowed</li> </ul>
<b>LOAN PRODUCT ADVISOR (LPA)</b>	<ul style="list-style-type: none"> <li>• Not allowed</li> <li>• Formerly known as Loan Prospector (LP)</li> </ul>
<b>GUARANTEED UNDERWRITING SYSTEM</b>	<ul style="list-style-type: none"> <li>• Allowed</li> <li>• All loans, manual underwrite or not, must be run through GUS</li> <li>• When using GUS approval, Accept/Eligible recommendation from GUS required</li> <li>• Manual downgrade from an Accept/Eligible decision to a Refer decision is required if additional information, not already considered by automated underwriting, affects the overall eligibility of the mortgage. Inaccurate credit reporting and disputed credit accounts or public records reflected on the credit report are examples of when an Accept must be downgraded to a Refer and manually underwritten</li> <li>• When an applicant’s credit report indicates a trade line or public record is in dispute, a GUS underwriting recommendation of “Accept” may need to be downgraded by the lender to a “Refer” and would not be eligible with PRMG. 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 trade line has a zero dollar balance, 2) the trade line is marked “paid in full” or “resolved,” or 3) the trade line has a balance owed of less than \$500 and is more than 24 months old.</li> <li>• With a GUS underwriting recommendation of “Accept” where there are open authorized user trade lines, the lender must review credit report trade lines in which the applicant has been designated as an authorized user in order to ensure that any open trade lines are an accurate reflection of the applicant's credit history, and if does not meet one of the follow an underwriting recommendation of “Accept” must be downgraded to a “Refer” and the file must be manually underwritten (and not eligible with PRMG). (1) The trade line(s) in question is owned by another applicant on the mortgage loan application. (2) The owner of the trade line is the spouse of an applicant. (3) The applicant has made payments on the account for the previous 12 months prior to application. (4) There are two or more other trade lines listed on the credit report, which are not authorized user accounts, with at least 12 months of payment history listed to validate the credit score. Closed authorized user accounts require no consideration.</li> <li>• Manual downgrade from an Accept/Eligible decision to a Refer decision is required for all reasons as outlined in the 3555-1 including: <ul style="list-style-type: none"> <li>• Unable to validate credit score</li> <li>• Manually input liabilities (that do not appear on the credit report – excluding debts of the non-purchasing spouse)</li> <li>• Disputed Accounts (also described above)</li> <li>• Authorized User Accounts that do not meet USDA requirements</li> <li>• Potential derogatory or contradictory credit information</li> <li>• Short Sale (pre-foreclosure) sale in the last three years from the date of the request for conditional commitment</li> <li>• Foreclosure is over 3 years, but under 7, the borrower is obligated on the note associated with the foreclosure and it is not reported on the credit report</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>• Copy of GUS results must be in loan file, and confirm the property location and annual income complies with Rural Housing requirements</li> <li>• The lender must contact the local Rural Development State Office for loan data discrepancies in GUS, such as loan amount, sales price, value, income, etc., with the exception of a decrease in the interest rate. A revised GUS approval will be required unless a letter is provided from the USDA office stating the specific discrepancy does not impact the loan approval.</li> </ul>
<b>MANUAL UNDERWRITING</b>	<ul style="list-style-type: none"> <li>• Allowed with a GUS “Refer” decision or manual downgrade</li> <li>• Justification for overturning the GUS Refer response is required - the underwriter must document the LE with their reason for overturning the Refer decision and providing approval of the loan using a manual underwrite.</li> <li>• Requires second signature by Corporate Underwriting or Operations Manager for Level 3 or lower underwriters. Level 4 underwrite allowed without a second signature</li> <li>• Documentation must comply with requirements per the USDA 3555 Handbook which can vary significantly from AUS Findings</li> <li>• Must follow more conservative of the Product Profiles or Manual Underwrite section of the USDA 3555 Handbook <ul style="list-style-type: none"> <li>• Handbook 3555: <a href="https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library">https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library</a></li> <li>• Training and Resources (includes link to handbook): <a href="https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library">https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library</a></li> </ul> </li> <li>• For manual underwrites that will require an exception for credit or ratios, please include the following documents (documentation may also be required in other scenarios, but are always required here): <ul style="list-style-type: none"> <li>• VOR on standard VOR form (and 12 months cancelled checks if the VOR is from a non-management company) - or confirm if living rent free with a signed Rent Free LOE</li> <li>• 2 months most recent bank statements, all pages</li> <li>• Signed/dated LOE for ALL derogatory credit showing on the report</li> <li>• Full Household income docs for adult household members (paystubs, W2s, 1099s, Retirement/SSI income Docs, 1040s, etc.) 4506T and tax transcripts are also required for household members age 18 and over. Also, if the household member has no income, they need to sign a letter that they “receive no type of income and do not plan to seek employment for the next 12 months</li> <li>• List of compensating factors (reserves, decreased housing payment, continuous employment with current employer for wage earners, credit score 680 or higher, etc.)</li> </ul> </li> <li>• For USDA loans with manual underwriting due to a GUS Refer where the file requires an UW exception for credit or ratios, only one waiver can be requested. Information on Compensating factors is located in Chapter 10 for Credit Waivers and Chapter 13 for Ratios Waivers within the USDA RD Handbook 1-3555 -SFH Guaranteed Loan Program Technical Handbook (<a href="https://www.rd.usda.gov/publications/regulations-guidelines/handbooks#hb13555">https://www.rd.usda.gov/publications/regulations-guidelines/handbooks#hb13555</a>)</li> <li>• A Credit Waiver and a Ratio Waiver cannot be granted on the same file. So, if requesting a Credit Waiver due to a GUS Refer for Credit, the loan are capped at 29/41 ratios with compensating factors. If you are requesting a ratio waiver (and DO NOT have a credit risk Refer in GUS), then you may be able to request a ratio waiver with Compensating factors based on USDA manual guidelines.</li> <li>• If a Manual Underwrite is performed, “Manual Underwrite” must be entered in the Loan Program Comments section of Investor Overlay Screen in FT360 and Secondary</li> </ul>

	must be notified if the loan is locked prior to approval.
<b>PROPERTY TYPES ELIGIBLE</b>	<ul style="list-style-type: none"> <li>• Single Family Non-Farm Residence (attached and detached)</li> <li>• Modular Homes (see section below)</li> <li>• Manufactured Homes (see section below)</li> <li>• Condos</li> <li>• PUDs Attached and Detached</li> <li>• Single Family residential properties with non-income producing functional and non-functional farm service buildings (see section below)</li> </ul>
<b>INELIGIBLE PROPERTY TYPES</b>	<ul style="list-style-type: none"> <li>• Hawaii properties in lava zones 1 and 2</li> <li>• Hawaii Homeland Leasehold properties</li> <li>• 2-4 units</li> <li>• Properties with mother-in-law unit/accessory apartment/any type of change or addition if it creates more than a single unit</li> <li>• Mobile homes</li> <li>• Condotels</li> <li>• Hotel Condominiums</li> <li>• Condo/PUD Hotel</li> <li>• Timeshares</li> <li>• Mixed-Use</li> <li>• Unimproved land</li> <li>• Site without a dwelling and/or land loans</li> <li>• Property currently in litigation</li> <li>• Co-ops</li> <li>• Leased Land</li> <li>• Log Homes</li> <li>• Ranches, Orchards, or Working Farms (income producing properties)</li> <li>• Properties with income producing farm service buildings</li> <li>• Geodesic Dome, Earth Berm or Geothermal homes</li> <li>• Land Trust (except for Illinois Land Trust – see section below)</li> <li>• Life Estates</li> <li>• Commercial Property</li> <li>• Properties without a permanent source of heat and, if typical for the area, cooling. Space heaters and similar sources are not considered permanent heating sources</li> <li>• Income producing properties that do not meet Rural Development requirements. Examples include, but not limited to grain bins, silos, dairy farms, hog barns and multiple equestrian stables.</li> <li>• Properties with less than 600 sq ft</li> <li>• Builder trade equity</li> <li>• Properties with deed restrictions</li> <li>• Properties in a flood zone that do not participate in the National Flood Insurance Program</li> <li>• Properties with individual water purification systems (an individual water purification system is a system that is needed to make the water safe and meet code when the individual water supply is unsafe for human consumption unless the system is operating properly. This is not a system that is installed to improve the taste or softness of the water. Properties with individual water purification systems can be identified by reviewing the appraisal.)</li> <li>• Properties rated in "less than average" condition</li> <li>• Properties that are located in an area NOT designated as rural by RHS (Rural Housing Service) (purchases)</li> <li>• Indian land (leased or fee simple)</li> </ul>

	<ul style="list-style-type: none"> <li>• Properties that have a Property Assessed Clean Energy (PACE) loan are not eligible (such as the Home Energy Renovation Opportunity (HERO) Program).</li> </ul>
<b>CONDOS</b>	<ul style="list-style-type: none"> <li>• The condominium unit must be located in a project where the Homeowners’ Association has assumed FULL management responsibility from the developer. The association must collect fees and administer the affairs of the complex.</li> <li>• Units in condominium projects are eligible for USDA guarantee if the condominium has been approved or accepted by FHA, FNMA or FHLMC or VA. <ul style="list-style-type: none"> <li>• VA condo eligibility can only be used if the project has been submitted to VA for approval more than two years prior to the application date.</li> <li>• For FHA Approved Projects provide a fully completed “Lender Certificate for Individual Unit Financing.</li> <li>• For FNMA/FHLMC provide evidence of current project approval.</li> </ul> </li> </ul>
<b>MODULAR HOMES</b>	<ul style="list-style-type: none"> <li>• Factory-built housing must assume the characteristics of site-built housing and be legally classified as real property. The purchase, conveyance, and financing (or refinancing) of the property, which must be evidenced by a valid and enforceable first lien mortgage or deed of trust that is recorded in the land records, must represent a single real estate transaction under applicable state law.</li> <li>• Prefabricated, panelized, or sectional housing units must conform to all local building codes in the jurisdiction in which they are permanently located.</li> <li>• Modular homes must be built to the state building code requirement of the state in which they are to be installed. There are several state agencies that have adopted a Uniform Building Code for modular homes.</li> <li>• Marketing time must not exceed 6 months.</li> <li>• Minimum of 2 similar factory-built comparables.</li> </ul>
<b>PROPERTIES WITH UNEXPIRED REDEMPTION RIGHTS</b>	<ul style="list-style-type: none"> <li>• Allowed in states where it is common and customary</li> <li>• Must meet all agency requirements</li> <li>• Title must insure over the right of redemption</li> <li>• Redemption bond is required when required by the title company</li> <li>• Written disclosure to borrowers of properties that are subject to unexpired redemption periods must be provided</li> <li>• Must enter “Redemption Period” in Loan Program Comments section of Investor Overlay Screen in FT360</li> </ul>
<b>PROPERTIES WITH NON-INCOME PRODUCING FUNCTIONAL AND NON-FUNCTIONAL FARM SERVICE BUILDINGS</b>	<ul style="list-style-type: none"> <li>• Functional and non-functional farm service buildings (barns, machine sheds, workshops, etc.) are defined as: <ul style="list-style-type: none"> <li>• Functional farm service buildings can be used for its intended design purpose, regardless of the borrower’s intended use, without significant repairs and adds a contributory value to the property.</li> <li>• Non-Functional farm service buildings cannot be used for its intended design purpose, without significant repairs, and adds little to no contributory value to the property.</li> </ul> </li> <li>• Barns used for storage, outbuildings such as sheds are permitted, but no intentional use for income is allowed. Minimal income producing activity, such as gardening that generates a small amount of income, is not in violation. Home-based operations such as childcare, product sales, or craft production that do not require specific features are not restricted.</li> </ul>
<b>ADDITIONAL PROPERTY REQUIREMENTS</b>	<ul style="list-style-type: none"> <li>• The property must be located in a rural area, as designated by the local RHS office.</li> <li>• Comparable sales should be located no more than 20 miles from the subject property, be in the same county and school district. When the comps provided are outside the subject’s county or school district due to the lack of available sales, the appraiser must provide comments on the similarities of the neighborhoods, market appeal, having similar external influences, etc.</li> </ul>

	<ul style="list-style-type: none"> <li>• The area must generally be a minimum of 25% developed (can be exceeded if it is acceptable to USDA and appropriate comps can be provided).</li> <li>• The property must be contiguous to and have access to paved or all-weather surface street, road or driveway. Be accessible by roads that meet local standards.</li> <li>• Have dependable, adequate sewage, water, and utilities available and in service that are approved by local authorities.</li> <li>• Properties with outbuildings, such as a barn or stable, must be considered in the underwriting process to determine whether or not the property is residential in nature. A property with a small barn or stable may be acceptable if the value of the outbuilding(s) is minimal and the appraiser demonstrates that it is typical for residential properties in the market area. However, if the property has a large outbuilding, such as a large barn or multiple outbuildings, it may indicate that the property is agricultural or non-residential in nature and would therefore be ineligible.</li> <li>• Properties in rural locations often have relatively large sites as compared to other locations. There also may be a lack of comparable sales due to the relatively low number of recent sales transactions in the market area. In such cases, appraisers may have to use comparable sales that are located a considerable distance from the subject property or comparable sales that are not very similar to the subject property. This is acceptable as long as the appraiser can justify the use of the comparable sales and analysis in the appraisal report.</li> <li>• In-ground pools acceptable and no deduction on contributory value is required</li> </ul>
<b>MAXIMUM ACREAGE</b>	<ul style="list-style-type: none"> <li>• Maximum 40 acres in South Dakota, Montana and Idaho</li> <li>• Must enter "Over 10 Acres" in Loan Program Comments section of Investor Overlay Screen in FT360 if property is over 10 acres</li> </ul>
<b>PROPERTIES WITH UNPERMITTED ADDITIONS</b>	<ul style="list-style-type: none"> <li>• Allowed</li> <li>• The subject addition, improvement or conversion must comply with all HUD/USDA guidelines</li> <li>• The appraiser demonstrates the property's conformity to the neighborhood and marketability</li> <li>• The appraiser comments on quality of the work of the addition, improvement or conversion and it is described in the appraisal and deemed acceptable ("workmanlike quality")</li> <li>• The appraiser considers the contributory value or obsolescence of the addition, improvement or conversion. In some cases, the addition, improvement or conversion may not be part of the gross living area (GLA) and may be assigned no value or a negative value</li> <li>• If the appraiser gives the unpermitted addition value, the appraiser should indicate the following in the appraisal: <ul style="list-style-type: none"> <li>• Non-Permitted additions are typical for the market area and a typical buyer would consider the "unpermitted" additional square footage to be part of the overall square footage of the property.</li> <li>• The appraiser has no reason to believe the addition would not pass inspection for a permit.</li> </ul> </li> </ul>
<b>PROPERTIES WITH ACCESSORY DWELLING UNIT</b>	<ul style="list-style-type: none"> <li>• The presence of an accessory dwelling unit (ADU) does not automatically render the property ineligible. The appraiser will determine if the ADU represents a second single family housing dwelling unit. The Agency defers to the appraiser's professional review of the property and expert opinion of the highest and best use of the subject property as a primary residence. The appraiser will include their evaluation in the site analysis section of the appraisal report if applicable.</li> </ul>
<b>COMMUNITY DEVELOPMENT DISTRICT (CDD)</b>	<ul style="list-style-type: none"> <li>• Allowed, must meet any agency requirements in regards to special assessment districts</li> </ul>



<b>PROPERTIES WITH OIL, GAS, AND MINERAL LEASES</b>	<ul style="list-style-type: none"> <li>• Oil, Gas, and Mineral leases allowed in accordance with USDA as long as they do not present any title issues</li> </ul>
<b>NEW CONSTRUCTION</b>	<ul style="list-style-type: none"> <li>• New completed properties are those properties that are less than one year and never occupied, even if 100 percent complete.</li> <li>• End loans are permitted on new construction only. Evidence that the new construction home was built in accordance with certified plans and specifications (e.g., International Residential Code, CABO, BOCA, etc.). One of the following combinations must be retained as evidence: <ul style="list-style-type: none"> <li>• 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</li> <li>• Certificate of Occupancy or completion certificate issued by an approved local jurisdiction as determined by the State Director and published; or</li> <li>• 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.</li> </ul> </li> <li>• Must retain evidence that construction inspections were performed throughout the project in accordance with Handbook 3555). Acceptable evidence may include one of the following: <ul style="list-style-type: none"> <li>• 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</li> <li>• 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; or</li> <li>• Final inspection and a 10-year insured builder warranty plan acceptable to Rural Development per RD Instruction 1924-A Exhibit L and evidence must be in the file.</li> </ul> </li> <li>• New construction homes that do not have acceptable evidence of plans and specs, construction inspections and warranty are limited to a 90 percent LTV plus the guarantee fee in accordance with Handbook 3555. The guarantee fee may be included above the 90 percent LTV in the loan amount.</li> <li>• Non arm’s length transaction are not allowed</li> </ul>
<b>ILLINOIS LAND TRUST</b>	<ul style="list-style-type: none"> <li>• Illinois land trusts are allowed subject to the following: <ul style="list-style-type: none"> <li>• All beneficiaries are individuals.</li> <li>• The loan applicants are one of the beneficiaries of the trust.</li> <li>• The trustee is a corporation or financial institution customarily engaged in the business of acting as trustee under Illinois Land Trusts.</li> <li>• The beneficiaries have sole power of direction over the land trust and trustee.</li> <li>• All beneficiaries are obligated as individuals under the terms of the Note.</li> <li>• The loan applicants are qualified borrowers under the requirements of the product.</li> <li>• All such land trust Loans are secured by one- to four-unit properties occupied as primary residences, second homes, or investments.</li> <li>• The term of the trust agreement is at least as long as the term of the security instrument.</li> <li>• The subject property is the only asset of the Illinois land trust.</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>• Documentation <ul style="list-style-type: none"> <li>• Where the property is to be held in a land trust, all of the following additional documentation must be provided: <ul style="list-style-type: none"> <li>• Land Trust Rider to the Mortgage/Deed of Trust</li> <li>• Land Trust Rider to the Note</li> <li>• Security Assignment to Beneficial Interest in Land Trust</li> </ul> </li> <li>• The trust agreement must be reviewed by the underwriter. No additions, deletions, or other riders to the standard forms are permitted.</li> <li>• The Note, Mortgage and documents required above must be completed and executed as follows: <ul style="list-style-type: none"> <li>• The Note and Mortgage must include the number of the trust and the date on which the trust was created. This information should follow the name of the trustee on these documents.</li> <li>• The beneficiary must execute the Note and land trust rider to that Note.</li> <li>• The trustee must execute the Mortgage, the Note, and the land trust rider to each.</li> <li>• The beneficiary must assign his/her beneficial interest in the Note and trust agreement to the Seller.</li> <li>• The riders must be dated and executed the same day as the Mortgage and Note.</li> </ul> </li> </ul> </li> <li>• If Illinois Land Trust then “Illinois Land Trust” must be entered in the Loan Program Comments section of Investor Overlay Screen in FT360 and Secondary must be notified if the loan is locked prior to approval</li> </ul>
<b>MANUFACTURED HOMES</b>	<ul style="list-style-type: none"> <li>• Eligible for Wholesale, Retail, and Correspondent channels</li> <li>• All Channels: Follow LTV matrix for credit score/DTI requirements</li> <li>• Wholesale/Correspondent Channels: GUS approval required. No manual underwrites allowed.</li> <li>• Retail Channel: GUS approval required or manual underwrites allowed.</li> <li>• Manufactured homes must be underwritten by a Level 4 Underwriter, or a second review/signature of the property by a Level 4 underwriter is required</li> <li>• Refinances only. No purchase loans.</li> <li>• Manufactured home must be existing construction (permanently affixed to the foundation and titled as real estate).</li> <li>• IRS Form 4506-T must be processed and income validated for the required number of years for the type of income used for qualification, (no stamped tax returns)</li> <li>• 2-4 unit properties located in a PUD are not allowed.</li> <li>• No Mortgage Interest Differential payment income allowed</li> <li>• No West Virginia or Rhode Island properties</li> <li>• Properties in flood zones not allowed, unless requirements from Manufactured Home Property Eligibility section in the Manufactured Home Requirements document is met. <a href="http://www.eprmg.net/ManufacturedHomeRequirements.pdf">http://www.eprmg.net/ManufacturedHomeRequirements.pdf</a></li> <li>• Singlewide manufactured homes are not eligible</li> <li>• Manufactured Housing Condo units eligible</li> <li>• Manufactured Housing PUD units eligible</li> <li>• For manufactured homes, max 10 acres allowed</li> <li>• Must meet all USDA agency requirements</li> <li>• The following eligibility requirements must be met for all manufactured homes: <ul style="list-style-type: none"> <li>• Site development work must conform to standards imposed by the state and local government.</li> <li>• The manufactured home must have been built and installed in compliance with the Federal Manufactured Home Construction and Safety Standards that HUD</li> </ul> </li> </ul>

	<p>established June 15, 1976 and additional requirements that appear in HUD regulations at 24 C.F.R. Part 3280 as evidenced by the presence of both a HUD Data Plate and the HUD Certification Label (Tag). Manufactured homes built prior to June 15, 1976 are ineligible.</p> <ul style="list-style-type: none"> <li>• If the original or alternative documentation cannot be obtained for both the Data Plate/Compliance Certificate and HUD Certification Label (tag), the loan is not eligible.</li> <li>• If the HUD tag is missing, a recent "HUD Certification Verification" letter issued by the Institute for Building Technology and Safety (IBTS) or a copy of the Data Plate from the In-Plant Primary Inspection Agency (IPI) or manufacturer must be in the loan file.</li> </ul> <ul style="list-style-type: none"> <li>• Additional property eligibility requirements for manufactured homes: <ul style="list-style-type: none"> <li>• The manufactured home must be secured by both the manufactured home and the land and both must be classified as real property under applicable state law and subject to taxation as real estate.</li> <li>• The manufactured home must be attached to a permanent foundation system in accordance with the manufacturer's requirements for anchoring, support, stability, and maintenance. The foundation must be appropriate for the soil conditions for the site and must meet local and state codes.</li> <li>• The manufactured home must be attached to a permanent foundation system in accordance with the manufacturer's requirements for support, stability, and maintenance. The foundation must be appropriate for the soil conditions for the site and must meet local and state codes.</li> <li>• If the manufactured home was installed prior to October 20, 2008, the anchoring system must comply with the manufacturer's design or a design by a licensed (registered) professional engineer, otherwise, the anchoring system must comply with HUD Codes.</li> <li>• The manufactured home must be built on and remain on a permanent chassis with the towing hitch, wheels and axles removed.</li> <li>• Must be a 1-unit dwelling.</li> <li>• Incomplete items, such as a partially completed addition or renovation, or defects or needed repairs that affect safety, are not eligible until the work is paid for and complete. Exceptions may be made for minor items that do not affect the ability to obtain an occupancy permit – such as landscaping, a driveway, walkway etc.</li> <li>• The finished grade level beneath the manufactured home is at or above the 100-year base flood elevation.</li> </ul> </li> <li>• See PRMG’s Appraisal Guidelines for manufactured home appraisal requirements</li> <li>• Additional Information can be found in the following document and must be reviewed and complied with: <a href="http://www.eprmg.net/ManufacturedHomeRequirements.pdf">www.eprmg.net/ManufacturedHomeRequirements.pdf</a></li> </ul>
<p><b>MANUFACTURED HOME INELIGIBLE PROPERTY TYPES</b></p>	<ul style="list-style-type: none"> <li>• A manufactured home that is not titled as real estate.</li> <li>• A manufactured home that was installed or occupied previously at any other site or location. The home may only have moved from the manufacturer's or dealer's lot to the current site of the home.</li> <li>• Manufactured home is not classified and titled as real property at time of application.</li> </ul>
<p><b>MANUFACTURED HOME FLOOD ZONES</b></p>	<ul style="list-style-type: none"> <li>• The finished grade level beneath the manufactured home is at or above the 100-year base flood elevation.</li> </ul>
<p><b>GEOGRAPHIC RESTRICTIONS</b></p>	<ul style="list-style-type: none"> <li>• The property must be located in a designated rural area as designated by the RHS (Rural Housing Service) office.</li> <li>• Please refer to PRMG’s “Eligible States” list, which can be found at this link:</li> </ul>

	<p><a href="http://www.eprmg.net/guidelines/Eligible%20States.pdf">http://www.eprmg.net/guidelines/Eligible%20States.pdf</a></p> <ul style="list-style-type: none"> <li>• Manufactured homes not allowed in the states of West Virginia or Rhode Island</li> <li>• If the subject property is located in the Alabama Restricted Lending Area (Coliseum Boulevard Area of Montgomery - this area contains a subsurface chemical contamination condition or environmental condition known as the Coliseum Boulevard Plume (CBP)) the loan must meet the following requirements: <ul style="list-style-type: none"> <li>• A full appraisal (interior/exterior) is required.</li> <li>• A fully executed disclosure issued by the Montgomery Area Association of Realtors (MAAR), identified as the Coliseum Boulevard Plume Disclosure, must be a part of the purchase contract, signed, and dated by all required parties prior to closing.</li> </ul> </li> <li>• Properties located in Illinois in the counties of Cook, Kane, Peoria or Will requires copies of the following to be closely reviewed: (1) A copy of the Certificate of Compliance with the counseling requirements or the Certificate of Exemption, if the lender or transaction is exempt and (2) A copy of Title Commitment free from any exceptions related to the anti-predatory lending database requirements.</li> <li>• To determine whether the property is located in a designated rural area, go to the Rural Development Web site at <a href="http://eligibility.sc.egov.usda.gov">http://eligibility.sc.egov.usda.gov</a>.</li> <li>• From the homepage click "Single Family Housing" under "Property Eligibility". Enter the property address to get a determination or view a map.</li> <li>• A print out from this website that verifies the property eligibility must be included in the file.</li> </ul>
<b>FEE RESTRICTIONS</b>	<ul style="list-style-type: none"> <li>• Discount points are eligible to be financed to permanently buy-down the interest rate</li> <li>• Discount points representing other fees and charges (i.e., loan size adjustment, credit score adjustment, origination or processing charges as part of the production of a loan application, or any other charge not relating to an interest rate reduction) may be charged by the lender but cannot be included in the guaranteed loan amount for purchase transactions.</li> <li>• When utilized for low-income applicants, lender must provide copy of the rate sheet at time of lock.</li> <li>• Lender fees plus closing costs may not exceed 3% of the total loan amount. Up-front guarantee fee and annual (paid monthly) fee are excluded from the 3% calculation.</li> </ul>
<b>MAXIMUM INTEREST RATE</b>	<ul style="list-style-type: none"> <li>• <b>Maximum Interest Rate Cap no longer applies</b></li> <li>• For refinance transactions, the new interest rate must be less than or equal to the rate of the loan being refinanced.</li> </ul>
<b>OCCUPANCY</b>	<ul style="list-style-type: none"> <li>• Primary Residence (O/O)</li> </ul>
<b>BORROWERS</b>	<ul style="list-style-type: none"> <li>• U.S. Citizens or Permanent Resident Aliens only</li> <li>• A maximum of 4 borrowers per loan application is allowed.</li> <li>• Registered Domestic Partners are treated the same as spouses</li> <li>• Borrower must take title in individual names or Inter Vivos Revocable "Living" trusts (see below for trust requirements)</li> <li>• No irrevocable trusts, corporations, LLCs, etc. allowed</li> <li>• The borrower must permanently reside in the United States. In addition, an accurate and successful AUS submission requires the borrower currently reside in the U.S. and have a U.S. address or an APO military address within the U.S. for active deployed military, regardless of citizenship. Adequate documentation must be provided to substantiate such residency in the U.S.</li> <li>• The following additional guidelines apply: <ul style="list-style-type: none"> <li>• Borrowers may only have one primary residence. Borrowers may be the current owner of a structurally sound, functionally adequate house, as long as it is sold</li> </ul> </li> </ul>

	<p>prior to or concurrently with the purchase of the new home (see Multiple Loans section for additional information).</p> <ul style="list-style-type: none"> <li>• Borrowers must lack sufficient resources (for example, the borrower is unable to secure the necessary down payment which is generally 20%, to obtain conventional financing without RHS guarantee assistance. See borrower types not allowed below for additional information).</li> <li>• Borrowers must have a valid social security number</li> <li>• Title must be in individual names only</li> <li>• All borrowers must be screened using CAIVRS (Credit Alert Interactive Voice Response System) to determine if an applicant is delinquent on a federal loan.</li> <li>• The following types of borrowers are NOT allowed: <ul style="list-style-type: none"> <li>• Borrowers who are eligible for uninsured conventional financing.</li> <li>• Foreign nationals</li> <li>• Full time students</li> <li>• Borrowers whose adjusted household income exceeds the RHS income limits (See Borrower Income Section below).</li> <li>• Life estates are not eligible for financing. A life estate is an estate whose duration is limited to the life of the party holding it, or some other person, upon whose death the right reverts to the grantor or his heirs</li> <li>• Borrowers with diplomatic immunity or "foreign politically exposed"</li> </ul> </li> </ul>
<b>RESIDENT ALIENS</b>	<ul style="list-style-type: none"> <li>• Permanent resident aliens are eligible and must provide evidence of a valid Social Security number and a copy of the front and back of the Green Card (an Alien Registration Receipt Card, INS Form I-551). A copy of the Green Card application is not acceptable.</li> <li>• Non-Permanent Resident Aliens are not eligible.</li> <li>• Borrowers under Deferred Action, <i>the Dreamer's Act</i> or DACA (EAD Code C33, C14, etc.) are not eligible. Although, these individuals may have been granted permission to remain in the U.S. for a period of time, DACA/Deferred Action does not grant a legal status. PRMG requires all borrowers to document proof of legal residency in the U.S. Additionally, they must follow the applicable guidelines for income (typically 2 year history and likely to continue for 3 years as applicable.) A borrower with DACA/Deferred Action status would not be able to meet the borrower eligibility documentation requirements (i.e., green card or meet applicable agency standard guidelines for income) and therefore is not be eligible.</li> </ul>
<b>NON-OCCUPYING CO-BORROWERS</b>	<ul style="list-style-type: none"> <li>• Not allowed.</li> </ul>
<b>CAIVRS</b>	<ul style="list-style-type: none"> <li>• Credit Alert Interactive Voice Response System (CAIVRS) needs to be run and cleared</li> </ul>
<b>LDP/GSA REQUIREMENT</b>	<ul style="list-style-type: none"> <li>• All parties involved with and who handle the loan file (see instructions in the Resource Center for additional information) must be checked against HUD's Limited Denial of Participation (LDP) list at <a href="https://www5.hud.gov/ecpcis/main/ECPCIS_List.jsp">https://www5.hud.gov/ecpcis/main/ECPCIS_List.jsp</a> and the General Services Administration's (GSA) Excluded Party List at <a href="https://www.sam.gov/portal/public/SAM/">https://www.sam.gov/portal/public/SAM/</a></li> <li>• Any entity noted on either of the LDP and GSA lists must be removed from the transaction or will cause the loan to be ineligible.</li> <li>• The parties to verify include, but are not limited to, Buyers (including AKAs on the credit report), Sellers, Loan Officer, Buyers Agent, Sellers Agent, Escrow Officer, Title Officer, Appraiser, Processor, and Underwriter.</li> </ul>
<b>HOMEBUYER EDUCATION/ COUNSELING</b>	<ul style="list-style-type: none"> <li>• Not required</li> </ul>

<p><b>Eligible Trusts</b></p>	<ul style="list-style-type: none"> <li>• Inter Vivos Revocable “Living” trusts only</li> <li>• Must meet all requirements as outlined in the Instructions for Closing in a Trust, which is available on the Resource Center, or can be found at the following link: <a href="http://www.eprmg.net/ResourceCenter/PoliciesProceduresInformation/InstructionsforClosinginaTrust.pdf">http://www.eprmg.net/ResourceCenter/PoliciesProceduresInformation/InstructionsforClosinginaTrust.pdf</a></li> <li>• Process for submitting a loan in a trust are summarized here: <ul style="list-style-type: none"> <li>• Email trust document to <a href="mailto:compliancegroup@prmg.net">compliancegroup@prmg.net</a>. Be sure to include the Loan Number and full borrower name. Subject line of the email to read: Trust Documentation Review. Please allow 24 hours for review.</li> <li>• Compliance will email the Fulfillment Center Manager and Funding Manager to advise that a loan with trust vesting was just approved and attach the Encompass instructions for drawing docs held in a trust.</li> <li>• Doc drawer to notify compliance via email at <a href="mailto:compliancegroup@prmg.net">compliancegroup@prmg.net</a> that the docs are drawn and pending review and approval. Subject line of the email to read: Closing Docs in Trust pending review. Be sure to include the Loan Number and full borrower name.</li> <li>• If you have questions with the way the docs need to read, feel free to reach out to <a href="mailto:compliancegroup@prmg.net">compliancegroup@prmg.net</a>.</li> </ul> </li> </ul>
<p><b>POWER OF ATTORNEY</b></p>	<ul style="list-style-type: none"> <li>• Power of Attorney must be reviewed and approved by fulfillment center Operation Manager or PRMG's Compliance Group</li> <li>• Per USDA, a Power of Attorney (POA) may be used when the lender verifies and documents that all of the following requirements have been satisfied: <ul style="list-style-type: none"> <li>• For military personnel, a POA may only be used for one of the applications (initial or final), but not both (note, PRMG only allows a POA on closing documents): <ul style="list-style-type: none"> <li>• when the service member is on overseas duty or on an unaccompanied tour;</li> <li>• when the lender is unable to obtain the absent Borrower’s signature on the application by mail or via fax (note, PRMG only allows a POA on closing documents); and</li> <li>• where the attorney-in-fact has specific authority to encumber the Property and to obligate the Borrower. Acceptable evidence includes a durable POA specifically designed to survive incapacity and avoid the need for court proceedings.</li> </ul> </li> <li>• For incapacitated Borrowers, a POA may only be used where: <ul style="list-style-type: none"> <li>• a Borrower is incapacitated and unable to sign the mortgage application;</li> <li>• the incapacitated individual will occupy the Property to be insured; and</li> <li>• the attorney-in-fact has specific authority to encumber the Property and to obligate the Borrower. Acceptable evidence includes a durable POA specifically designed to survive incapacity and avoid the need for court proceedings.</li> </ul> </li> </ul> </li> <li>• Allowed when the following requirements are met, in addition to the above: <ul style="list-style-type: none"> <li>• Power of Attorney (POA) must be limited or specific to the transaction</li> <li>• Purchase or rate and term only allowed</li> <li>• Power of Attorney may not be used to sign loan documents if no other borrower executed such documents unless, the Attorney in Fact is a relative or Attorney at Law.</li> <li>• POA can be used only for closing documents</li> <li>• The attorney-in-fact may not be the seller, appraiser, broker, etc. or have any other direct or indirect financial interest in the transaction</li> <li>• A statement that the POA is in full force and effect on the closing date, survives subsequent disability (durable), and has to be revoked in writing, or gives a specific expiration date which survives the closing date</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>• A statement of the borrower’s name exactly as it will appear on all closing documents</li> <li>• Notarized signature of borrower (if executed outside the U.S., it must be notarized at a U.S. Embassy or a military installation)</li> <li>• Recorder’s stamp, if previously recorded</li> <li>• The attorney-in-fact must execute all closing documents at settlement</li> <li>• Title policy must not contain any exceptions based on use of POA</li> <li>• POA must be recorded along with or immediately prior to the closing documents</li> <li>• If a lender determines a Power of Attorney is required by applicable law (so cannot be restricted by investor requirements), lender must include a written statement explaining use of the Power of Attorney and may also be required to provide supporting documentation.</li> <li>• A written statement that explains the circumstances of the use of the POA must be included in the loan file.</li> <li>• Must met all Agency requirements</li> </ul>
<b>LEXIS-NEXIS SEARCH REQUIREMENT</b>	<ul style="list-style-type: none"> <li>• For any of the following transaction types an email request (which includes a screenshot or snip of the loan in the FastTrac pipeline) must be sent to QC to have a LexisNexis search run on involved parties to the transactions to ensure there is no relationship between the buyer and seller. (Not all items listed may be applicable to this product, review product profiles for what is allowed): <ul style="list-style-type: none"> <li>• Short Sale Purchase</li> <li>• Property Flips &lt;= 180 days</li> <li>• Contractors on a 203K loan</li> <li>• For Sale by Owner (FSBO) required for all except: <ul style="list-style-type: none"> <li>• If the borrower and seller are related or are landlord and tenant, and the relationship is disclosed and is acceptable per PRMG guidelines</li> <li>• An investor, such as HUD, FNMA, FHLMC, etc.</li> <li>• REO lender who acquired the subject property by Trustee Sale as the Beneficiary</li> </ul> </li> </ul> </li> </ul>
<b>QC AUDIT REQUIRED</b>	<ul style="list-style-type: none"> <li>• A QC audit is required if the loan has any of the following high risk characteristics (not all items listed may be applicable to this product, review product profiles for what is allowed): <ul style="list-style-type: none"> <li>• 5-10 financed properties for second home and investment transactions.</li> <li>• 3-4 Units</li> <li>• 2-4 Unit properties in New Jersey <ul style="list-style-type: none"> <li>• All NJ 2-4 unit properties will require a Bank VOD. This can be ordered by the branch for the retail channel and will be ordered as part of the QC process for Wholesale/Correspondent channels.</li> </ul> </li> <li>• Renovation (203K/Homestyle) loans (Lexis Nexis is required on all contractors as well)</li> <li>• VOE only used (when allowed by AUS) and not supported by paystub/W2 for Wholesale and Correspondent channels only (not required for retail channel)</li> <li>• If the borrower is employed by a party to the transaction</li> <li>• When the borrower is also a Real Estate Agent for the loan transaction</li> <li>• Retail loans referred to the AFS department any time the referring Loan Officer or the AFS Loan Officer are in “New” or “Watch” status</li> <li>• When the Real Estate Agent is also the Loan Officer on the transaction (not allowed on retail).</li> </ul> </li> <li>• <b>NOTE: The above list applies to credit qualifying loans only.</b></li> </ul>
<b>QC REVALIDATION REQUIRED</b>	<ul style="list-style-type: none"> <li>• A QC validation is required if the loan has any of the following characteristics (not all items listed may be applicable to this product, review product profiles for what is</li> </ul>

	<p>allowed):</p> <ul style="list-style-type: none"> <li>• A revalidation of the VOE (in addition to the audit) is required by the QC Department if the following is used: <ul style="list-style-type: none"> <li>• VOE only used (when allowed by AUS) and not supported by paystub/W2 and</li> <li>• Wholesale and Correspondent channels only (not required for retail channel)</li> </ul> </li> <li>• A revalidation of the VOD is required by the QC Department for the if the following is used: <ul style="list-style-type: none"> <li>• VOD only used (when allowed by AUS) and not supported by bank statements and</li> <li>• Wholesale and Correspondent channels only (not required for retail channel)</li> </ul> </li> <li>• Note: A Borrower Authorization in name of PRMG may be required to obtain VOD or VOE revalidation if requested by the verifying institution.</li> </ul>
<b>SEASONING REQUIREMENTS</b>	<ul style="list-style-type: none"> <li>• See section below</li> </ul>
<b>RECENTLY DELISTED PROPERTIES</b>	<ul style="list-style-type: none"> <li>• Must have been removed from MLS at least 30 days prior to the application date. <ul style="list-style-type: none"> <li>• A copy of the cancelled listing must be included in the loan file and a current MLS search must be performed to verify the property is not listed with a different real estate agency.</li> <li>• The listing agreement must be cancelled at least one day prior to the application date.</li> </ul> </li> <li>• If a primary residence, borrower must provide written confirmation of the intent to occupy</li> </ul>
<b>TITLE SEASONING/LOAN SEASONING</b>	<ul style="list-style-type: none"> <li>• Twelve month chain of title as evidenced by the title commitment required</li> <li>• Rate/Term: No seasoning requirement</li> <li>• All transfers of title within the last 6 months must be disclosed and fully documented to ensure that the transactions are not unacceptable property flips.</li> <li>• If title has been vested in the borrower's name for less than 6 months the following documentation is required: <ul style="list-style-type: none"> <li>• Date of any transfers that have occurred within the last 6 months</li> <li>• Transfer values</li> <li>• Satisfactory explanation of the short vesting</li> <li>• Satisfactory support that all transactions are bona fide.</li> </ul> </li> </ul>
<b>ANTI-FLIPPING POLICY</b>	<ul style="list-style-type: none"> <li>• For purchases - The property Seller must have taken title to the subject property more than 1 day prior to the contract date on the sale of the property to the applicant. <ul style="list-style-type: none"> <li>• The seller's date of acquisition is defined as the settlement date on the seller's purchase of that property.</li> <li>• Acceptable property flip transactions are sales of properties that have been substantially improved through legitimate and verified renovations since the property was acquired by the seller. Any increase in the sales price over the seller's acquisition cost should be representative of the market given the improvements made to the subject property.</li> </ul> </li> <li>• There are several indications that are common to property flipping. Loan files with property flipping indication(s) require a higher level of scrutiny during the loan review.</li> <li>• Some examples of indicators include, but are not limited to: <ul style="list-style-type: none"> <li>• Several ownership changes within a few months reflected on title or in Core Logic report</li> <li>• The appreciation of the subject property exceeds the typical appreciation in the market.</li> <li>• The seller recently acquired the property for a significantly lower price, or</li> </ul> </li> </ul>



there have been several transfers of the property according to the tax assessment records.

- No real estate agent is involved in the transaction.
- The property was recently in foreclosure, or acquired at an REO sale at a considerably lower sales price.
- Parties to the transaction are affiliated by business relationships, or related by birth or marriage.
- Owner listed on the appraisal and/or title does not match the property seller on the sales contract.
- Sales contract has an unusually large earnest money deposit held by the property seller.
- Unusual fees or credits are reflected on the HUD-1.
- Title commitment references other deeds to be recorded simultaneously.
- Property seller is a corporation such as an LLC.
- Comparable sales used in the appraisal report are properties involving the same seller and/or the same real estate broker as the subject property in an attempt to artificially inflate the market.
- Requirements:
  - Property flip transactions will be considered for conforming loan amounts on owner occupied, single family detached residences only as follows:
    - The property seller must be the owner of record.
    - A complete/full appraisal is required regardless of AUS feedback.
    - Loan must not reflect any interested party characteristics or be a non-arm's length transaction.
  - If the seller has taken title within the past 91 to 180 days the appraised value must be based on the most current and accurate data available. Caution must be taken to ensure the value has not been artificially inflated through flipping activity.
  - Sales within 0-90 days of the seller's acquisition:
    - Properties acquired by the seller within 90 days preceding the current sales contract are acceptable. If the sales price has increased since the most recent purchase, the increase must be justified.
  - The anti-flipping requirements do not apply to the exceptions listed below:
    - Sales by HUD of its Real Estate Owned
    - Sales by other U.S. Government agencies of single family properties pursuant to programs operated by these agencies
    - Sales of properties by non-profits approve to purchase HUD-owned single family properties at a discount with resale restrictions
    - Sales of properties that are acquired by the sellers by inheritance
    - Sales of properties purchased by employers or relocation agencies in connection with employee relocations
    - Sales of properties by state and federally chartered financial institutions (subsidiaries of State and Federally chartered financial institutions are NOT eligible for this exemption) and Government Sponsored Enterprises
    - Sales of properties by local and state government agencies
    - Upon FHA's announcement of eligibility in a notice (i.e. ML), sales of properties located in areas designated by the President as federal disaster areas, will be exempt from the restrictions of the property-flipping rule. The notice will specify how long the exemption will be in effect and the specific disaster area affected.
- For refinances – See "Title Seasoning" section above.

	<ul style="list-style-type: none"> <li>Evidence of required seasoning must be documented in the file.</li> </ul>
<b>VALUE FOR LTV/CLTV CALCULATION</b>	<ul style="list-style-type: none"> <li>See below.</li> </ul>
<b>PURCHASE</b>	<ul style="list-style-type: none"> <li>Use current appraised value</li> <li>If the purchase price is less than the appraised value, allowable closing costs may be included in the loan amount up to the maximum LTV</li> <li>The borrower(s) may not receive any cash back at closing, other than the documented amount representing costs paid in advance by the borrower from their personal funds (i.e. earnest money deposit, appraisal, credit report fees). Supportive documentation for any amount of cash back the borrower receives at loan closing is required.</li> </ul>
<b>RATE/TERM REFINANCE</b>	<ul style="list-style-type: none"> <li>Use current appraised value.</li> <li>The maximum loan amount may not exceed the new appraised value, with the exception of the upfront guarantee fee. The following items are eligible to be financed up to the new appraised value: the principal and interest balance of the existing loan, reasonable and customary closing costs, and funds necessary to establish a new tax and insurance Escrow Account.</li> <li>Cash out is limited to the reimbursement of personal funds used for eligible loan purposes as part of the refinance transaction, such as appraisal fees or credit report fees. Outside of reimbursement of fees, no cash out is permitted. Supportive documentation for any amount of cash back the borrower receives at loan closing is required.</li> </ul>
<b>CASH OUT</b>	<ul style="list-style-type: none"> <li>Not allowed</li> </ul>
<b>PURCHASE</b>	<ul style="list-style-type: none"> <li>The maximum interest rate for the Rural Development Guaranteed Rural Housing Program is defined as the FNMA 90-day actual-actual yield requirements plus 100 basis points, rounded up to the nearest quarter percent. Provide a copy of the lock confirmation which includes the date the loan was locked. - The rate can be checked here: <a href="https://www.fanniemae.com/content/datagrid/hist_net_yields/cur30.html">https://www.fanniemae.com/content/datagrid/hist_net_yields/cur30.html</a></li> <li>If there is evidence that borrower, a member of the borrower's family or party who has a clearly defined interest in the borrower (i.e., close family friend) previously owned a home being purchased that was a distressed sale (i.e., short sale) or foreclosure by the borrower or borrower's family member, the borrower may not purchase the property, regardless of the length of time since the distressed sale/foreclosure or the number of owners between the distressed sale/foreclosure and current owner. Bail outs not allowed.</li> <li>All parties on the purchase contract must be on the loan; otherwise an executed amendment removing the non-borrowing party is required. The non-borrowing party may be on title, but not on the purchase contract.</li> <li>Purchase contract assignment (assignment of the sales contract) not allowed.</li> <li>Purchase Transaction Seller Rent Backs of the subject property are limited to 60 days, must be reflected on the sales contract and Closing Disclosure, and are not counted towards borrowers minimum investment requirements. For condos, not allowed between borrower and developer.</li> </ul>
<b>RATE/TERM REFINANCE</b>	<ul style="list-style-type: none"> <li>Rate/Term refinances are only allowed when refinancing a current Rural Housing Guaranteed loan.</li> <li>Refinance transactions must comply with following criteria: Interest rate must be less than or equal to the rate of the loan being refinanced, existing loan must have closed at least 12 months prior to the current transaction, existing loan must be current for the previous 12 months, and the new PITI must be less than the current PITI. Documentation (such as the mortgage statement) that indicates the loan being refinanced interest rate must be provided.</li> <li>The loan security must include the same property as the original loan. The security</li> </ul>

	<p>property must be owner occupied as the borrower’s primary residence.</p> <ul style="list-style-type: none"> <li>• Refinance loans are permitted even if USDA-RD no longer considers the property to be in an eligible rural area.</li> <li>• The maximum loan amount cannot exceed the balance of the loan being refinanced, plus the guarantee fee and reasonable and customary closing costs (including funds necessary to establish a new tax and insurance escrow account). Subordinate financing, such as home equity lines of credit and down payment assistance “silent” seconds, cannot be included in the new loan amount. Unpaid fees, past-due interest and late fees/penalties due the servicer, cannot be included in the new loan amount.</li> <li>• Any existing secondary financing must be subordinate to the first lien and there are no seasoning requirements on the subordinate financing.</li> <li>• Additional borrowers may be added or existing borrowers may be deleted from current loan. All borrowers that will be a party to the promissory note for the new loan must meet all eligibility requirements. At least one borrower from the existing note must be obligated on the new loan.</li> </ul>
<p><b>QUALIFYING</b></p>	<ul style="list-style-type: none"> <li>• Fixed Rate: Qualify at note rate</li> <li>• Minnesota Properties: All ARMS qualify at the greater of the product’s qualifying requirement or the loans fully indexed fully amortized rate</li> <li>• Installment debt can be paid off to qualify.</li> <li>• Do not count installment debt with less than 10 months remaining on the credit report presented at underwriting in the ratios unless they will have a significant impact on qualifying which is 5% or greater of the gross monthly income of the applicants. Lease payments are not considered installment debt and must be included in the ratios.</li> <li>• Payoff of revolving accounts in order to qualify the borrower is generally not allowed. However, revolving accounts that will be paid in full prior to loan closing are not required to be closed.</li> <li>• For revolving debt that does not list a payment on the credit report, use 5% of the balance or the payment from a current statement showing a lower monthly payment due.</li> <li>• 30-day accounts require the borrower to pay off the outstanding balance each month. Must verify the outstanding balance has been paid in full of every 30-day account each month for the past 12 months and in that case can exclude them from the ratios. If the credit report reflects any lates payments in the last 12 months, a long-term monthly payment will be included using 5% of the outstanding balance as the monthly payment.</li> <li>• If fees associated with the loan have been paid outside of closing (POC) and are charged to the borrower’s credit card, but are not reflected in the credit report obtained, the updated credit card payment must be documented and included in the debt-to-income calculation.</li> <li>• For non-HELOC loans, when qualifying a borrower that has a non-subject negative amortization or interest only loan, use the fully amortized payment</li> <li>• For any additional properties, obtain a recent payment coupon or other documentation to ensure the loan is qualified using the full PITIA.</li> <li>• If the borrower is on a payment plan with the IRS for prior tax years, the underwriter must condition for proof the money owed has been paid in full or verify the borrower has been in a payment plan that has been paid on time for at least 6 months (or less based on underwriter’s discretion, but at least one payment must be made) and count the debt in the DTI. There is no requirement for a record of account or other documentation to reflect tax payment status. For the current tax year (most recent tax filing), if the 1040s or other documentation shows the borrower has outstanding tax debt for the current tax year, evidence of payment of the taxes due (or evidence</li> </ul>

	<p>borrower is on a payment plan with at least one month payment required to have been made in lieu of full payment as long as the borrower qualifies with the payment in the ratios) is required. If the check to the IRS has not yet cancelled, the file must reflect the borrower's ability to pay (borrower must have enough assets after backing out funds used for transaction and reserves). For Amended Tax Returns or Stamped Tax Return option, see the applicable guidance in the Product Profile for further requirements.</p> <ul style="list-style-type: none"> <li>• For Fixed Payment Student Loans: A permanent amortized, fixed payment may be used in the debt ratio when the lender retains documentation to verify the payment is fixed, the interest rate is fixed, and the repayment term is fixed.</li> <li>• For Non-Fixed Payment Student Loans: Payments for deferred loans, Income Based Repayment (IBR), Graduated, Adjustable, and other types of repayment agreements which are not fixed cannot be used in the total debt ratio calculation. The higher of one half percent (.50%) of the loan balance or the actual payment reflected on the credit report must be used as the monthly payment in the underwriter decision. No additional documentation is required.</li> </ul>
<b>BORROWER INCOME</b>	<ul style="list-style-type: none"> <li>• Underwriter has the discretion when evaluating the loan file to utilize a more conservative approach to income/expenses for qualification purposes based on the circumstances of the loan.</li> <li>• All income sources used to qualify borrowers must be legal at the local, state, and federal level. Any income derived from an activity or source that violates Federal, state, or local laws cannot be considered for loan qualification for both self-employed borrowers and wage earners working for a company.</li> <li>• Housing Assistance Payments (HAPs), which are often known as Section 8 Homeowner Vouchers, where a portion of the mortgage payment is paid directly to the borrower/lender as a subsidy for the mortgage payment on the subject property is not allowed.</li> <li>• The borrower's adjusted income may not exceed 115% of the U.S. median income.</li> <li>• If Bond financing is involved, the borrower's income cannot exceed the lesser of 115% area median income or income limits specified by the Bond Program.</li> <li>• An income calculator is available at the Rural Development website: <a href="http://eligibility.sc.egov.usda.gov">http://eligibility.sc.egov.usda.gov</a>; Click on "Single Family Housing" under "Income Eligibility". This page must be printed and included in the loan file.</li> <li>• The following are included in annual income to qualify for an RHS guaranteed loan: <ul style="list-style-type: none"> <li>• Gross amount of wages, salaries, overtime pay, commissions, fees, tips, bonuses and other compensation for personal services of all adult members of the household.</li> <li>• Net income from the operation of a farm, business, or profession, interest, dividends and other net income of any kind from real or personal property.</li> <li>• Payments from social security, annuities, insurance policies, pensions, unemployment, workers compensation, alimony, child support and other types of periodic receipts</li> <li>• All regular pay, special pay and allowances of a member of the armed forces who is the borrower or spouse whether or not that family member lives in the unit.</li> </ul> </li> <li>• The following sources are not included in the annual income but will be considered in determining the ability to repay the loan: <ul style="list-style-type: none"> <li>• Income from minors</li> <li>• Food stamp allotment</li> <li>• Lump sum additions, such as capital gains, etc.</li> <li>• Medical reimbursements</li> <li>• Educational benefits (Remainder of funds from VA/educational benefits: minus books, tuition, fees, and equipment). Student loan are not income.</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>• Hazardous duty pay for military person exposed to hostile fire</li> <li>• Income exempted by Federal Statue</li> <li>• NOTE: Repayment income (base income only) should be received for at least 12 months in order to be considered for debt repayment.</li> <li>• Adjustments to reduce annual income include: <ul style="list-style-type: none"> <li>• \$480 for each minor child, full time student, or disabled member of the family</li> <li>• \$400 for each family member over 62 years of age</li> <li>• A deduction of the amount by which the aggregate of the following expenses of the household exceeds 3% of the gross annual income: <ul style="list-style-type: none"> <li>• Medical expenses for any elderly family member.</li> <li>• Reasonable attendant care and auxiliary apparatus expenses for each disabled member of any household to the extent necessary to enable any member of such household (including such disabled members) to be employed.</li> </ul> </li> </ul> </li> <li>• For non-reimbursed business expense follow USDA requirements</li> <li>• For borrowers with rental income, if a lease agreement is required then the lease agreement must executed by the landlord and the tenant and all pages of the lease agreement must be included.</li> <li>• If the borrower is employed in a residential real estate related profession, the following restrictions apply: <ul style="list-style-type: none"> <li>• Types of real estate related professions include Real Estate Agents or Brokers, Title Companies, Mortgage Brokers or Lenders, Manufactured Home Dealers, Settlement Agents and Appraisers or Appraisal Companies.</li> <li>• Loans on Builder/Developer owned properties are not eligible.</li> </ul> </li> <li>• 4506-T must be included in the submission. Processed tax transcripts for the most recent 2 years are required and must match the IRS federal income tax returns and information provided by the borrower and support the income amounts submitted. An additional 4506T must be signed at closing.</li> <li>• The underwriter is responsible for determining the reasonableness of income if the borrower has switched employers within the past 2 years, filed a joint return, but is on the application alone, or compensation structure has changed, etc.</li> <li>• If the borrower is employed by the property seller, real estate broker, relative or a closely held family business, the following documentation must be obtained: <ul style="list-style-type: none"> <li>• For loans submitted to USDA for conditional commitments prior to 12/15/18: Most recent paystub reflecting 30 days of income, AND Borrower’s signed and completed personal federal income tax returns for the most recent two year period and W-2s for the most recent two-year period.</li> <li>• For loans submitted to USDA for conditional commitments on or after 12/15/18: Most recent paystub reflecting four weeks of income, AND Borrower’s signed and completed personal federal income tax returns for the most recent two year period and W-2s for the most recent two-year period.</li> </ul> </li> <li>• Current income reported on the VOE or pay stub may be used if it is consistent with W-2 earnings reported on the tax returns. If the tax returns do not include W-2 earnings or income is substantially lower than the current VOE or pay stub, further investigation is needed to determine whether income is stable.</li> </ul>
<b>SPECIFIC INCOME TYPES</b>	See <a href="#">USDA handbook 3555.1 for specific income calculations and requirements</a>
<b>RATIOS</b>	<ul style="list-style-type: none"> <li>• 29/41 but higher ratios are allowed, with a GUS approval, as long as the overall evaluation of the application indicates that there are acceptable compensating factors, that includes at least one from the list below: <ul style="list-style-type: none"> <li>• Examples for compensating factors: <ul style="list-style-type: none"> <li>• The borrower has demonstrated a conservative attitude toward the use of</li> </ul> </li> </ul> </li> </ul>

	<p>credit and the ability to accumulate savings.</p> <ul style="list-style-type: none"> <li>• Previous credit history shows that the borrower has the ability to devote a greater portion of income to housing expenses (i.e., The borrower has a history over the last 12 month period of devoting a similar percentage of income to housing expense to that of the proposed loan, or accumulating savings which, when added to the borrower’s housing expense, shows a capacity to make payments on the proposed loan).</li> <li>• The borrower receives compensation or income not reflected in annual income, but directly affecting the ability to pay the mortgage, including food stamps and other similar public benefits.</li> <li>• There is only a minimal increase in the borrower’s housing expense (low or no payment shock).</li> <li>• The borrower has substantial cash reserves after closing (see cash reserves section for limitations).</li> <li>• The borrower has substantial non-taxable income not previously accounted for in the ratio computations.</li> <li>• The borrower has potential for increased earnings, as indicated by job training or education in the borrower’s profession.</li> <li>• The home is being purchased as a result of, and/or relocation of, the primary wage earner and the secondary wage earner has an established history of employment, is expected to return to work, and there are reasonable prospects for securing employment in a similar occupation in the new area. The availability of such possible employment must be addressed.</li> <li>• A low DTI ratio. A low DTI ratio by itself does not compensate for a high PITI ratio, however, when other strong compensating factors are present, a low DTI ratio should be viewed as a positive mitigating factor.</li> <li>• A credit score of 660 or higher</li> </ul> <ul style="list-style-type: none"> <li>• Generally, for manually underwritten loans max ratios of 29/41 apply <ul style="list-style-type: none"> <li>• Manually underwritten purchase files with a GUS Refer and credit scores less than 680 may not exceed ratios of 29/41 and must follow all USDA manual underwrite requirements.</li> <li>• Manually underwritten purchase files with files with a GUS Refer and credit scores of 680 or greater have max ratios of 32/44, and must follow section 11.3 of the USDA handbook regarding compensating factors and meet all manual underwrite requirements</li> <li>• Manually underwritten refinance files with a GUS Refer must thoroughly document the compensating factors that justify a debt ratio waiver and submit to USDA for approval and must follow section 11.3 of the USDA handbook regarding compensating factors and meet all manual underwrite requirements</li> </ul> </li> </ul>
<b>PAYMENT SHOCK</b>	<ul style="list-style-type: none"> <li>• Payment Shock is measured by dividing the new PITI by the previous housing expenses minus one (1). In cases where the payment shock is 100% or greater, no additional risk layering should be allowed unless strong compensating factors are present. Payment shock is not considered a risk layer if the PITI ratio is 29% or below.</li> </ul>
<b>TEMPORARY BUYDOWNS</b>	<ul style="list-style-type: none"> <li>• Not allowed.</li> </ul>
<b>REPAIR ESCROWS/ ESCROW HOLDBACKS</b>	<ul style="list-style-type: none"> <li>• Not allowed</li> </ul>
<b>CREDIT</b>	<ul style="list-style-type: none"> <li>• The use of a U.S. address to obtain a credit report for a borrower who resides in another country is not permitted.</li> <li>• If the borrower’s credit report contains a FACTA credit alert, the completed Fraud Alert Confirmation form must be in the file (available via Resource Center).</li> <li>• Qualifying FICO score is determined by using the middle of three or lowest of two scores. If there are multiple borrowers, then use the lowest representative score of</li> </ul>

	<p>all borrowers to qualify.</p> <ul style="list-style-type: none"> <li>• All borrowers must have a clear CAIVRS (Credit Alert Interactive Voice Response System).</li> <li>• All Borrowers must have a valid credit score. For loans using a GUS approval, each borrower must have at least one (1) score. For loans with a manual underwrite, a minimum of two (2) scores for each borrower is required.</li> <li>• Borrower must have sufficient credit experience, as determined by underwriter review, to ensure scores are reflective of borrower’s credit history.</li> <li>• At least ONE applicant whose income or assets are used for qualification must have at least TWO historical trade line references that have existed for at least 12 months to establish a credit reputation. Such trade lines consist of credit accounts (revolving, installment, etc.) with at least twelve months of repayment history reported on the credit report</li> <li>• Non-traditional credit is not allowed.</li> <li>• The credit report for the mortgage history must be updated to include the payment made for the most recent month due.</li> <li>• A Residential Mortgage Credit Report (RMCR) or Multi Merged Credit Report (MMCR) is required.</li> <li>• See credit refresh policy for specifics regarding timing of refresh and requirements for changes in credit or new derogatory information.</li> <li>• Unmarried borrowers may obtain a joint credit report</li> <li>• If a credit report indicates other credit inquiries have been made by the applicant(s) in the 90 days prior to the date of the credit report, the underwriter must determine why the inquiry was made and whether credit was obtained by the applicant(s).</li> <li>• If a borrower has purchased or refinanced their current primary residence in the last 12 months and is retaining the residence they are not eligible for a purchase transaction on a new primary residence without Operations Management or Corporate Underwriting review and approval of the circumstances unless the existing lender has agreed to allow the borrower to purchase a new primary residence.</li> <li>• The borrower(s) cannot have had a previous RD loan which resulted in a loss to the government. An additional message will be received from GUS when one or more of the borrowers have had a previous loan with USDA Rural Development.</li> <li>• The debts of a non-purchasing spouse must be included in the borrowers qualifying ratios if the borrower resides in a community property state or the property is located in a community property state. 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. Community property states include: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin. 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.</li> <li>• If the borrower is currently delinquent on a Federal debt or judgment (other than an outstanding tax lien), the debt must be paid in full or a release of liability must be obtained. Payment arrangements are not acceptable; however, they are acceptable for outstanding tax liens.</li> <li>• Review USDA handbook for additional requirements, including with credit scores less than 640 manually underwritten loans</li> <li>• Chapter 7 bankruptcies that are completed are allowed per GUS approval, no specific seasoning required. For Manually underwritten loans, a Chapter 7 bankruptcy (liquidation) does not disqualify an applicant from obtaining a mortgage loan if at</li> </ul>
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	<p>least three years have elapsed since the date of the discharge of the bankruptcy</p> <ul style="list-style-type: none"> <li>• Chapter 13 bankruptcies that are completed are allowed per GUS approval, no specific seasoning required. For Chapter 13 bankruptcy plan in progress, it does not disqualify an applicant from obtaining a mortgage loan, provided the following criteria, applicable to all underwriting methods, can be met: (1) the lender documents 12 months of the debt restructuring plan has elapsed; and (2) the applicant’s payment performance has been satisfactory; and (3) all required payments were made on time; and the applicant must receive written permission from the bankruptcy court/trustee to enter into a mortgage transaction. With GUS approval, when a plan is in progress, and GUS has rendered an “Accept” underwriting recommendation, a credit exception as defined in the 3555-1 is not required. Include payment(s) on the “Asset and Liabilities” application page. For Manually underwritten loans, a completed Chapter 13 bankruptcy plan will not require a credit exception provided the applicants have demonstrated a willingness to meet obligations when due for the full 12 months prior to the date of loan application.</li> <li>• Short sales/deed-in-lieu/foreclosure must have been completed over 36 months prior to loan application</li> <li>• If the borrower is currently delinquent on a federal debt or judgment (court-created or affirmed obligation), other than tax liens with payment arrangements, the debt must be paid in full or a release of liability must be obtained. Payment arrangements are not acceptable.</li> <li>• Outstanding tax liens or delinquent Government debts with no satisfactory arrangements for payments, no matter what their age, as long as they are currently delinquent and/or due and payable are not allowed</li> <li>• Loan modifications on the subject property are not eligible. Loan modification in the borrower’s credit history must have 36 months seasoning from the application date.</li> <li>• A court-created or affirmed obligation (judgment) caused by non-payment that is currently outstanding within the last 12 months from the application date is not allowed and cannot be satisfied prior to or at closing.</li> <li>• All judgments must be paid</li> <li>• If a judgment or tax lien is being paid off and AUS/Agency Guidelines are requiring proof of satisfaction or if it is paid off prior to closing, evidence the judgment is satisfied or the tax lien has been released is required. If the AUS/Agency Guidelines will allow a judgment or tax lien to be paid off with the transaction all AUS/Agency Guidelines must be met (i.e., must be paid through the transaction and funds must be verified and documented).</li> <li>• 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 are not allowed. If they are satisfied at or prior to closing it is the underwriters discretion to determine if the borrower is an acceptable credit risk. See below for collections in a satisfactory payment plan.</li> <li>• For loans with collections, even with a GUS approval, underwriter must consider the existence of unpaid collections and the history of the collection accounts in the final credit analysis and loan making decision and it is subject to the capacity analysis described below. For manual underwrites, must document mitigating circumstances in accordance with the USDA handbook</li> <li>• Signed LOE and documentation required for all collection accounts and/or derogatory credit appearing on credit report. Follow collection rules for payoff requirements.</li> <li>• All collections and charge-offs must be listed on the loan application as a liability. Collections meeting the omission policy as described in the handbook (and outlined below) can be omitted from the DTI ratio.</li> </ul>
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- A disputed account that went to collections on the credit report, needs to be resolved and removed from the credit report, otherwise it will be viewed the same as any other collection
- In addition to other listed requirements regarding disputed accounts, if a disputed account is a borrower's verified previously delinquent mortgage trade line, which may affect the credit decision of the AUS, information regarding the dispute must be obtained. The underwriter must verify that the AUS is considering the previously delinquent mortgage in the credit decision. If it is unclear if the previously delinquent mortgage is being considered, the dispute should be removed at the bureau level, credit report re-run to reflect accurate credit message without dispute, and the AUS re-run to include account in the AUS decision.
- Delinquent Federal Debts. All Borrowers must be screened using CAIVRS to determine if they are delinquent on a federal debt. If the borrower is currently delinquent on a federal debt or judgment (court-created or affirmed obligation), other than tax liens with payment arrangements, the debt must be paid in full or a release of liability must be obtained. Payment arrangements are not acceptable.
- Outstanding Non-Federal judgments: May remain open if there are satisfactory payment arrangements and there is evidence of repayment for three consecutive payments prior to the application date. Prepayment of three required months is not permitted. Payment must be included in the DTI. Non-federal judgements that are open and unpaid and not in an acceptable payment plan are ineligible.
- Outstanding Federal judgements (excluding IRS tax debts with repayment plans underway - three consecutive payments prior to the application date. Prepayment of three required months is not permitted) render the loan ineligible. Payment must be included in the DTI.
- Collection Accounts: Determine if the total outstanding balance of all collections accounts of all applicants is equal to or greater than \$2,000. Unless excluded by state law, collection accounts of a non-purchasing spouse in a community property state are included in the cumulative balance of all collections.
  - Remove all medical collections and all types of charge off accounts from the total balance. Medical collections and charge off accounts must be clearly identifiable on the credit report.
  - If the remaining outstanding balance of collection accounts are equal to or greater than \$2,000, any of the following actions will apply:
    - Payment in full of all collection accounts at or prior to closing.
    - Payment arrangements are made with each creditor for each collection account remaining outstanding. A letter from the creditor or evidence on the credit report is required to validate the payment arrangements. The agreed upon monthly payment for each outstanding collection account will be included in the borrower's debt-to-income ratio.
    - In the absence of a payment arrangement, the lender will utilize in the debt-to-income ratio a calculated monthly payment. For each collection utilize 5% of the outstanding balance to represent the monthly payment.
- Consumer Credit Counseling Plans: No additional explanation is required with GUS approval, payments for the repayment plan must be included. For manually underwritten loans, the lender must evaluate the applicant's credit in accordance with the USDA handbook.
- If a borrower(s) credit report includes an open authorized user account, a manual downgrade is not required if one of the following conditions are met: - All account holders are applicants on the loan; or - The account is shared with a spouse; or - The applicant has made all of the payments during the most recent 12 months, verification must be provided.

	<ul style="list-style-type: none"> <li>• Disputed trade lines or public record do not require a manual downgrade if the account has a zero balance, is marked “paid in full” or “resolved”, or has a balance less than \$500 and the trade line is more than 24 months old.</li> <li>• In addition to other listed requirements regarding disputed accounts, if a disputed account is a borrower’s verified previously delinquent mortgage trade line, which may affect the credit decision of the AUS, information regarding the dispute must be obtained. The underwriter must verify that the AUS is considering the previously delinquent mortgage in the credit decision. If it is unclear if the previously delinquent mortgage is being considered (and based on underwriter discretion, the delinquent mortgage may impact the credit score/AUS decision), the dispute should be removed at the bureau level, credit report re-run to reflect accurate credit message without dispute, and the AUS re-run to include account in the AUS decision. For instance, a zero balance where the last activity is more than 3 years prior to the credit report date may be determined by the underwriter to not require the dispute to be removed</li> <li>• For Credit Exceptions on manually underwritten files with derogatory credit: If the underwriter believes applicant is creditworthy, must document the reasons and show as either (1) temporary situation where the circumstances that caused the credit problems were temporary in nature, beyond the applicant’s control, and the circumstances have been removed and resolved for the 12 months prior to application (examples include a temporary loss of job, delay or reduction in benefits, illness, or dispute over payment for defective goods or services); or (2) there are reduced housing expenses where the loan will significantly reduce the applicant’s housing expenses, which will result in improved debt repayment ability (a significant reduction in housing expenses would be 50 percent or more). See section 10.8 of 3555 handbook for further details.</li> </ul>
<b>LANDLORD EXPERIENCE</b>	<ul style="list-style-type: none"> <li>• The borrower must have a two-year history of managing rental properties if using rental income to qualify. Verification must be provided through the most current two years of tax returns</li> <li>• No equity requirements are required for the rental property</li> <li>• See Multiple Loans section for additional restrictions on owning additional properties</li> </ul>
<b>CASH RESERVES</b>	<ul style="list-style-type: none"> <li>• Not required.</li> <li>• If used for compensating factor, must be documented by 2 months bank statements</li> <li>• Borrower must lack sufficient resources to obtain traditional uninsured conventional financing (i.e. borrower has less than a 20% down payment)</li> <li>• Earnest money refunds can be used</li> <li>• Gift funds cannot be used</li> </ul>
<b>REQUIRED DOWN PAYMENT/SOURCE OF FUNDS</b>	<ul style="list-style-type: none"> <li>• No down payment required.</li> <li>• If down payment is used, evidence of the trail showing funds into escrow required</li> <li>• All asset sources used to qualify borrowers must be legal at the local, state, and federal level. Any assets derived from an activity or source that violates Federal, state, or local laws cannot be considered for loan qualification for both self-employed borrowers and wage earners working for a company.</li> <li>• Cryptocurrency, digital currencies or altcoins (i.e. Bitcoins, Litecoin, Ethereum, etc.) may not be included as financial assets for mortgage qualification purposes and is an ineligible source of funds for down payment, closing costs or reserves unless being converted into U.S. currency. To be used as a source of funds for down payment, closing costs, or reserves, cryptocurrency, digital currencies or altcoins must be converted into U.S. currency and be held within a U.S. Financial Institution and verified prior to underwriting final approval. In addition to the verification of U.S. currency, the borrower(s) must be able to provide acceptable documentation for the source of funds used to initially acquire the cryptocurrency prior to the conversion.</li> </ul>

	<ul style="list-style-type: none"> <li>• If the borrower’s source of funds are from a country included on the OFAC Sanctioned Countries List that is found in the Resource Center, the funds are not eligible for use in the transaction.</li> <li>• Per USDA, when submitting assets to GUS, use the lesser of the current balance or average of past two months (whichever is smaller).</li> <li>• Access letter is <u>not</u> required for any accounts where a non-borrowing party is on the account (including a non-borrowing spouse)</li> <li>• When sourcing funds, from checking/saving, provide the most recent two months statements. Any large deposits must be sourced.</li> <li>• Cash on hand is not allowed</li> <li>• Funds that are brought to closing (i.e., cashier’s checks or wire) by the borrower must be verified as belonging to the borrower. The required funds from the borrower do not have to be from an institution that was sourced in the loan file, as long as the borrower has sufficient funds in the sourced accounts to cover the amount of funds brought to closing. If the funds are not able to be confirmed as belonging to the borrower, the funds would be ineligible. This guidance is only in regards to borrower funds, <u>not</u> gift funds.</li> </ul>
<b>GIFT FUNDS</b>	<ul style="list-style-type: none"> <li>• Gifts are allowed for down payment and/or closing costs in accordance with FHA guidelines or, if more restrictive, the requirements listed below.</li> <li>• The gift may be provided by the following donors: <ul style="list-style-type: none"> <li>• A relative defined as a borrower’s spouse, child or other dependent, or any individual related by blood, marriage, adoption or legal guardianship.</li> <li>• Domestic Partner</li> <li>• Fiancé/fiancée</li> </ul> </li> <li>• Gift funds may not be provided by someone with an interest in the sale of the property (seller, builder, real estate agent, etc.)</li> <li>• Gifts must be specifically identified as a gift in GUS in order to omit from reserves</li> <li>• Executed gift letter is required and if the gift funds were not in the borrowers account at the time of the loan application, evidence of the transfer of funds to the borrower by one of the following is required: <ul style="list-style-type: none"> <li>• Copy of the donor’s withdrawal slip and the borrower’s deposit slip in the amount of the gift,</li> <li>• Copy of the donor’s cancelled check and the borrower’s deposit slip in the amount of the gift,</li> <li>• Copy of the donor’s check to the closing agent.</li> <li>• HUD-1 reflecting receipt of the donor’s check.</li> </ul> </li> <li>• Note: If the funds have not been transferred prior to settlement, the file must be documented in the form of a certified check, a cashier’s check, or other official check given to the closing agent.</li> <li>• Gifts of equity require a reduction in sales price</li> </ul>
<b>CONTRIBUTIONS BY AN INTERESTED PARTY</b>	<ul style="list-style-type: none"> <li>• If using some sort of option that provides a lender or realtor credit at closing (i.e., Local Heroes Program or Homes for Heroes Program), a condition (like 3669 or 3721) must be added to the file indicating it is using the program/option, and reflect the amount of the lender or realtor credit on the condition. The credit must also be reflected on CD Page 3 and be within any IPC limits.</li> <li>• Financing concessions cannot exceed 6% of lesser of sales price or appraised value.</li> <li>• Must be for eligible loan purposes (i.e., cannot be used to pay off debt)</li> </ul>
<b>SUBORDINATE FINANCING</b>	<ul style="list-style-type: none"> <li>• CLTV may not exceed the maximums allowed on the LTV/CLTV grid.</li> <li>• Must be acceptable to Rural Housing</li> <li>• Purchase Transactions <ul style="list-style-type: none"> <li>• Allowed, must meet USDA requirements</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>• Refinance Transactions <ul style="list-style-type: none"> <li>• Existing subordinate financing cannot be paid off with the new loan. This includes but is not limited to home equity lines of credit, closed-end second liens and down payment assistance “silent” second liens.</li> <li>• Any existing secondary financing must be re-subordinated to the new loan. A copy of the Subordination Agreement, subordinate lien Mortgage/Deed of Trust and Note is required.</li> <li>• Note: A Renewal and Extension Exhibit/Rider is acceptable in lieu of a subordination agreement on 1- unit primary residences for Texas Rate/Term (no cash-out) refinance transactions when resubordinating existing subordinate financing that is not a HELOC or a Texas 50(a)(6) loan.</li> <li>• Properties that have a Property Assessed Clean Energy (PACE) loan are not eligible (such as the Home Energy Renovation Opportunity (HERO) Program).</li> </ul> </li> </ul>
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<p><b>DOWN PAYMENT ASSISTANCE PROGRAMS</b></p>	<ul style="list-style-type: none"> <li>• To determine if DPA is approved, send an email to <a href="mailto:DPArequests@prmg.net">DPArequests@prmg.net</a> with the property state, DPA program name, DPA contact name and phone number or review the list posted with the product Profiles in the Resource Center. If it is determined the DPA is not already approved, the DPA can be submitted for approval using the DPA Submission form (found in the Resource Center). Required information must be submitted for approval and a determination regarding the DPA will be made regarding acceptability.</li> <li>• Access the PRMG Eligible DPA list and a link to the synopsis that must be reviewed by the loan officer, processor and underwriter to ensure all requirements for the DPA are met at the following link: <a href="http://www.eprmg.net/ResourceCenter/PoliciesProceduresInformation/PRMG%20PA%20List.pdf">http://www.eprmg.net/ResourceCenter/PoliciesProceduresInformation/PRMG%20PA%20List.pdf</a></li> <li>• The underwriter must verify the DPA used on the loan is the same program that is confirmed in the email/list and that it is eligible with the product and enter the information in FastTrac. Instructions for this can be found at the following link: <a href="http://www.eprmg.net/DPA-Training.pdf">http://www.eprmg.net/DPA-Training.pdf</a></li> <li>• Deed restrictions of any kind are not permitted</li> <li>• Additionally, the following are requirements of the program and if any evidence appears that it cannot be met, it will no longer be eligible.</li> <li>• The DAP, UCAP or HAP meets all published requirements of VA; and</li> <li>• The VA loan may not be subject to any terms or conditions of a bond program; and</li> <li>• The DAP, UCAP or HAP does not restrict the transfer of servicing rights of the first mortgage. In addition, it may not require prior notification or approval from the sponsoring authority in the event of the transfer of the first mortgage’s servicing rights</li> </ul>
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<p><b>GUARANTEE FEE</b></p>	<ul style="list-style-type: none"> <li>• The Guarantee Fee calculation is based on the transaction type and whether the fee is financed or not.</li> <li>• If the LTV exceeds 100% (which is only allowed if the Guarantee Fee is financed), the Guarantee Fee must be paid for by the borrower, it cannot be paid for by another party (i.e., seller, broker, etc.)</li> <li>• Two months of the annual (paid monthly) Guarantee Fee payment must be collected at closing in an escrow account (must be escrowed)</li> <li>• The Guarantee must either be financed or paid in cash, it cannot be split and be both financed and paid in cash.</li> </ul>
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Transaction Type	Guarantee Fee
Purchase	1.00% of the loan amount, plus an annual fee of 0.35%, to be paid monthly.
Rate/Term Refi	1.00% of the loan amount, plus an annual fee of

	<table border="1" data-bbox="500 96 1455 134"> <tr> <td data-bbox="500 96 800 134"></td> <td data-bbox="800 96 1455 134">0.35%, to be paid monthly.</td> </tr> </table> <ul style="list-style-type: none"> <li>• <b>Note:</b> For financed Guarantee Fee and Annual Fee payment calculation, please use USDA’s Guarantee Fee &amp; Annual Fee Calculator, by clicking on the link below: <ul style="list-style-type: none"> <li>• <a href="https://usdalinc.sc.egov.usda.gov/docs/rd/sfh/annualfee/Guarantee%20Upfront%20and%20Annual%20Fee%20Calculator.xlsm">https://usdalinc.sc.egov.usda.gov/docs/rd/sfh/annualfee/Guarantee%20Upfront%20and%20Annual%20Fee%20Calculator.xlsm</a></li> <li>• <a href="https://usdalinc.sc.egov.usda.gov/USDALincTrainingResourceLib.do#GAF">https://usdalinc.sc.egov.usda.gov/USDALincTrainingResourceLib.do#GAF</a></li> </ul> </li> </ul>		0.35%, to be paid monthly.
	0.35%, to be paid monthly.		
<p><b>NON-ARMS LENGTH TRANSACTIONS</b></p>	<ul style="list-style-type: none"> <li>• A non-arm’s length transaction occurs when a personal or business relationship exists between the borrowers and the builder or seller. For example: <ul style="list-style-type: none"> <li>• Family sales or transfers</li> <li>• Corporate sales or transfers</li> <li>• Mortgageors employed in the real estate or construction trade who are involved in the construction, financing or sale of the subject property.</li> <li>• Some transactions involving principals/sellers/other vendors (such as, an appraiser, settlement agent, title company, etc.) who are involved in the lending process of the subject property.</li> </ul> </li> <li>• Non-arm’s length transactions with non-family members will be considered only if they are bona fide sales transactions and the borrowers will occupy the property as their primary residence and are not listed as an ineligible transaction below.</li> <li>• Non-arm’s length transactions with family members on refinance transactions are generally acceptable if the following requirements are met and are not listed as an ineligible transaction below: <ul style="list-style-type: none"> <li>• The family member is the borrower’s spouse, child, parent, or any other individual related to the borrowers by blood, adoption, or legal guardianship</li> <li>• Refinance transactions must have at least one borrower from the loan being refinanced on the new loan.</li> </ul> </li> <li>• If the borrower is an interested party: <ul style="list-style-type: none"> <li>• This type of transaction is not allowed if the builder, property seller, and/or any party currently on title on the subject property is any of the following: <ul style="list-style-type: none"> <li>• A company owned by the borrower</li> <li>• A borrower who is related to the builder, seller, or any party currently on title as a registered agent, sales agent, partner, employee</li> </ul> </li> <li>• A borrower may act as an interested party to a sales transaction for the subject property; however, the borrower may not use any payment for services rendered from the sales transaction of the subject party towards the down payment, closing costs, or reserves requirement. Payment for services rendered include, but are not limited to: realtor commissions, broker commissions, and sales associate commissions.</li> </ul> </li> <li>• If the loan is a non-arm’s length transaction, the relationship must be disclosed on the purchase contract. Purchase contract must be closely reviewed. Care must be taken to ensure purchase is not a “bail out” transaction.</li> <li>• The underwriter must be satisfied that the transaction makes sense and that the borrower will occupy the property as a primary residence.</li> <li>• Ineligible Interested Parties Transactions (including but not limited to): <ul style="list-style-type: none"> <li>• Borrower is purchasing a property from a builder who is also taking the borrower’s existing residence as trade for equity or may be purchasing the borrower’s existing residence.</li> <li>• Any type of transaction where the builder, property seller, and/or any party currently on title is a company owned by the borrower.</li> <li>• When the seller is the builder, if a borrower is related to and/or affiliated with the builder, property seller, or on title as a registered agent, sales agent, partner</li> </ul> </li> </ul>		

	<p>or employee.</p> <ul style="list-style-type: none"> <li>Title is in the name of an LLC owned partially or wholly by the borrower, and borrower is interested in transferring title from the LLC to self, then refinancing. Review these types of transactions in light of current seasoning requirements based on our product guidelines.</li> </ul>
<b>REAL ESTATE AGENT ALSO LOAN OFFICER/BROKER</b>	<ul style="list-style-type: none"> <li>The real estate agent for the subject property may not act as the loan officer/broker for the borrowers purchasing the same subject property.</li> </ul>
<b>MORTGAGE INSURANCE</b>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
<b>PROPERTY INSURANCE</b>	<ul style="list-style-type: none"> <li>See PRMG’s Resource Center for PRMG Insurance Requirements and Additional Information</li> <li>Must meet USDA requirements, and the maximum hazard insurance deductible is the greater of either \$1,000 or 1 percent of the policy coverage, unless required by state law</li> <li>Must meet USDA requirements, and the maximum flood insurance deductible is the greater of either \$1,000 or 1 percent of the policy coverage, unless required by state law. Deductible guidance published by FEMA that may exceed this guidance is eligible.</li> <li>For refinances transactions, all insurance policies must have, at minimum, an expiration date after the first payment date as shown on the note.</li> <li>Acceptable Proof of Flood Insurance: <ul style="list-style-type: none"> <li>Copy of Flood Insurance Policy</li> <li>Copy of Declaration Page</li> <li>Copy of the application for flood insurance with a paid receipt for the first year’s premium or if paid at closing, premium reflected on the HUD</li> </ul> </li> <li>Flood policies and applications provided for closing must indicate the flood zone of the property. This zone must match our flood determination provider’s zone. Otherwise, evidence that the borrower’s zone is “grandfathered” must be provided. If the improvements are in a split zone (partially in and partially out) the policy must be rated for the more hazardous zone.</li> <li>If any portion of the dwelling or residential improvements is in the flood plane, flood insurance must be obtained</li> <li>Flood insurance is required if there is knowledge that the property is exposed to flood risks, even if the property is located in a community that does not have FEMA flood maps.</li> <li>For hazard insurance, properties in an attached condominium and attached PUD project (including 2-4 unit projects) require 100 percent of the insurable replacement cost coverage for the complete condominium (interior and exterior of the condominium). The HO-6 policy must be sufficient to repair the interior of the condominium unit, including any additions, improvements and betterments to its original condition in the event of a loss. If the HOA Master Policy does not provide coverage for the interiors of the project units, an HO-6 (or its equivalent) Policy for the individual unit is required.</li> <li>If the homeowners association owns the common elements, areas/facilities of a project separately (or holds them in a leasehold estate), insurance on those areas is required to insure that ownership (if there are no common areas owned by HOA a letter from them will suffice to prove it is not needed.)</li> </ul>
<b>TITLE INSURANCE REQUIREMENTS FOR CONDOS/PUDS</b>	<ul style="list-style-type: none"> <li>The Title Insurance policy for Condo and Planned Unit Developments (PUDs) must include coverage that provides protection by: <ul style="list-style-type: none"> <li>Insuring that the mortgage is superior to any lien for unpaid common expense assessments. In jurisdictions that give these assessments a limited priority over a first or second mortgage lien, the policy must provide assurance that those</li> </ul> </li> </ul>

	<p>assessments have been paid through the effective date;</p> <ul style="list-style-type: none"> <li>• Insuring against any impairment or loss of title of PRMG’s first lien caused by any past, present, or future violations of any covenants, conditions, or restrictions of the master deed for the project. The title insurance policy must specifically insure against any loss that results from a violation that existed as of the date of the policy;</li> <li>• Insuring that the unit does not encroach on another unit or on any of the common elements, areas or facilities. This policy must also insure that there is no encroachment on the unit by another unit or by any of the common elements, areas or facilities;</li> <li>• Insuring that the mortgage is secured by a unit in a condominium project that has been created in compliance with the applicable enabling statutes;</li> <li>• Insuring that real estate taxes are assessable and lien able only against the individual condominium unit and its undivided interest in the common elements, rather than against the project as a whole; and</li> <li>• Insuring that the owner of a PUD unit is a member of the homeowners association and that the membership is transferable if the unit is sold.</li> </ul>
<b>FLOOD/MUDSLIDE ZONES</b>	<ul style="list-style-type: none"> <li>• Properties located in flood zones and mudslide zones may be allowed in some states for existing homes. In those states, National Flood Insurance must be available and is required. Contact the local RD office for details</li> </ul>
<b>MORTGAGE CREDIT CERTIFICATES (MCC)</b>	<ul style="list-style-type: none"> <li>• PRMG will not allow MCCs that are paid by the issuer directly to the servicing lender as a supplement to the borrower’s monthly payment.</li> <li>• The MCC cannot restrict the transfer of ownership or servicing rights of the first Mortgage. In addition, it may not require prior notification or approval from the sponsoring authority in the event of the transfer of the first Mortgage's servicing rights.</li> <li>• PRMG must be documented as an approved participant in good standing with the MCC issuing authority.</li> <li>• On wholesale transactions, broker to verify that PRMG is approved with the issuing MCC and that no specific training is required by the lender. Additionally, broker must provide evidence (i.e., email from authority or excerpt from MCC guidelines) that the MCC authority will allow wholesale originations. If PRMG needs to be approved (provided additional training is not required), broker can provide information to Account Executive who can request the application be submitted to the MCC by PRMG for approval. Broker is responsible for obtaining any paperwork, etc. from the MCC. On retail transactions, Loan Officer to verify that PRMG is approved with the issuing MCC and if specific training is required by the lender, the Loan Officer must complete the training. If any training is required by other staff (besides the loan officer) it must be approved by management. If PRMG needs to be approved by issuing MCC, Loan Officer can request application be submitted by PRMG for approval. Loan Officer is responsible for obtaining any paperwork, etc. from the MCC.</li> <li>• To be eligible to use a Mortgage Credit Certificate (MCC) the borrower must have some tax liability which is currently determined by taking the Total Withholdings from the borrower’s 1040 and deducting any applicable credits (i.e., earned income credit, child tax credit, net premium tax credit, credit for federal tax on fuels, etc.). If the difference between the Total Withholdings and the Credits is greater than \$0 then the MCC is eligible for use.</li> <li>• PRMG must confirm that that they will represent and warrant their responsibility for all requirements prescribed by the issuing authority. The MCC must not require any subsequent investor or servicing lender to fulfill any special requirements of the issuer or the IRS, including servicing and/or reporting responsibilities.</li> </ul>

	<ul style="list-style-type: none"> <li>• Do not include MCC monthly benefit in repayment income, enter the monthly benefit in the MCC data field provided on the Additional Data application page in GUS (which will deduct the monthly benefit from the PITI payment before the ratio calculation. Do not include any portion of the MCC in annual income.</li> <li>• The lender must certify the borrower has completed and processed all documents required to obtain the tax credit.</li> <li>• Copy of the MCC and associated calculations must be in the file.</li> <li>• Must comply with all HUD Requirements</li> <li>• Following documents must be in loan file if MCC is being used to qualify: <ul style="list-style-type: none"> <li>• Copy of the Mortgage Credit Certificate that states the rate of tax credit allowed (A Commitment in lieu of the Certificate will not satisfy this requirement)</li> <li>• Copy of the W-4 and worksheet (filed with applicant’s employer that reflects appropriate exemptions to realize the MCC benefit)</li> <li>• MCC Worksheet</li> </ul> </li> <li>• Must complete the MCC screen in FastTrac and review the below document.</li> <li>• Additional information about Mortgage Credit Certificates can be found here:</li> <li>• <a href="http://www.eprmg.net/MortgageCreditCertificates.pdf">http://www.eprmg.net/MortgageCreditCertificates.pdf</a></li> </ul>
<p><b>APPRAISAL</b></p>	<ul style="list-style-type: none"> <li>• Additional appraisal requirements can be found in the PRMG Appraisal Guidelines which is available in the Resource Center or at the following link</li> <li>• <a href="http://www.eprmg.net/ResourceCenter/AppraisalForms/PRMG%20Appraisal%20Guidelines.pdf">http://www.eprmg.net/ResourceCenter/AppraisalForms/PRMG%20Appraisal%20Guidelines.pdf</a></li> <li>• Transferred or Ported appraisals are allowed but must meet all requirements as described in PRMG’s Transfer Policy, which is posted in the Appraisal section of the Resource Center or at the following link: <a href="http://www.eprmg.net/ResourceCenter/AppraisalForms/PRMG%20Appraisal%20Transfer%20Policy.pdf">http://www.eprmg.net/ResourceCenter/AppraisalForms/PRMG%20Appraisal%20Transfer%20Policy.pdf</a></li> <li>• Additionally, if using a Transferred or Ported appraisal, “Transferred Appraisal” must be entered in the Loan Program Comments section of Investor Overlay Screen in FT360 and Secondary must be notified of the transferred appraisal if the loan is locked prior to approval.</li> <li>• If the transferred appraisal does not meet the requirements as outlined in the PRMG’s Appraisal Guidelines document, the appraisal must be ordered identifying PRMG as the client/lender on the appraisal report.</li> <li>• Traditional appraisal report completed by a state-licensed and HUD approved appraiser (FHA roster appraiser) required on all loans.</li> <li>• Appraiser Independence Requirements (AIR) apply when ordering appraisals for USDA/RD properties</li> <li>• Properties must meet HUD minimum property standards and appraisal must state that the subject property conforms to HUD minimum property standards as per HUD Handbooks 4150.2 and 4905.1 (or Handbook 4000.1 based on effective date of handbook 4000.1 with HUD).</li> <li>• Appraisals must be completed within 150 days from the effective date of the appraisal to the Note date. If the appraisal report will be more than 150 days old, the validity period may be updated with an appraisal update report that is not more than 240 days from the effective date of the initial appraisal report at closing. (150 days for the original appraisal plus 90 days for the Appraisal Update Report) Appraisals with no update will be no greater than 150 days from the effective date of the appraisal report at closing.</li> <li>• A Market Conditions Addendum (FNMA 1004MC / FHLMC #71) must be included on all appraisals.</li> <li>• An Appraisal Update is needed if the Underwriter requires verification that the</li> </ul>



	<p>property has not declined in value since the date of the original appraisal. If the appraiser determines that the property value has declined, a new appraisal is required and the loan must be re-underwritten using the new value.</p> <ul style="list-style-type: none"> <li>• The sales comparison approach to value is always required and must have at least three comparable sales</li> <li>• The cost approach to value is required when the residence is one year of age or less</li> <li>• PRMG reserves the right to require additional appraisal reviews/reports at the underwriter's discretion.</li> <li>• For REO properties use of the REO appraisal is not allowed, a new purchase appraisal must be completed</li> <li>• When the appraisal indicates that the property has a privately owned and maintained street, evidence of a road maintenance agreement is not required; however, the following requirements must be met: (1) Property must have vehicular or pedestrian access. (2) All streets must have an all-weather surface. (3) Private road must be protected by permanent recorded easements (non-exclusive, non-revocable, drive-way easement without trespass from the property to a public street) or be owned and maintained by the HOA. Note: The recorded easement must be documented in the file. Shared driveways must also meet these requirements. If the agreement doesn't meet the terms listed above, the loan is ineligible.</li> <li>• A post-disaster inspection when the appraisal occurred before the incident end date of the disaster is required</li> </ul>
<p><b>REVIEW/SECOND APPRAISALS</b></p>	<ul style="list-style-type: none"> <li>• Review appraisals must be completed by a PRMG approved Appraisal Company.</li> </ul>
<p><b>INSPECTIONS</b></p>	<ul style="list-style-type: none"> <li>• Inspections should be done by a HUD approved fee inspector.</li> <li>• Inspections must be made to determine that the dwelling meets the current requirements of HUD Handbook 4150.2 and 4905.1 or Handbook 4000.1 (based on effective date of handbook 4000.1 with HUD).</li> <li>• Well, Septic and Termite Certifications are required as noted on appraisal, USDA (Rural Development) approval sales agreement or as required by state law.</li> <li>• All inspections must be reviewed and any issues addressed. All repairs to the subject property must be completed prior to funding. Escrows for incomplete work are not allowed.</li> <li>• If private water requires continuous or repetitive treatment to remain safe property is unacceptable</li> <li>• For Purchase Transactions, Rural Housing requires the following inspections: <ul style="list-style-type: none"> <li>• Private Well/Water Supply: The local health authority or a state certified laboratory must perform a water quality analysis. The water quality must meet state/local standards.</li> <li>• Private Septic System: The septic system must be free of observable evidence of failure. An FHA roster appraiser, government health authority, licensed septic professional, or qualified home inspector may perform the septic system evaluation. An FHA roster appraiser or qualified home inspector may require an additional inspection due to their observations. Existing dwellings appraised by a HUD roster appraiser, who has indicated the dwelling meets the required HUD handbooks does not require further septic certification.</li> </ul> </li> <li>• Existing dwellings and newly constructed dwellings located within the SFHA which are not served by public sewer systems and have on-site septic or sewage treatment system must have a drinking water supply which is protected from cross contamination from the onsite septic or sewage treatment system is eligible provided one of the follow can be met: (1) the property is served by a publically provided water supply; (2) the property is served by a private drinking water well/supply with a fitted sanitary well cap which prevents backflow floodwater from entering the</li> </ul>

	<p>drinking supply well; (2) the property is served by a private drinking water well/supply whose opening is located above the base flood elevation of the SFHA. Additional document such as an elevation certificate, will be required to verify this type of property.</p>
<b>SALES CONTRACT CHANGES</b>	<ul style="list-style-type: none"> <li>• Purchase agreements renegotiated after the completion of the appraisal that increase the sales price are only acceptable under the following circumstances: <ul style="list-style-type: none"> <li>• The sales price adjustment is due to price overruns that impact the tangible value of the property on new construction. An updated appraisal must be obtained to verify the value of the modifications.</li> <li>• A renegotiation of only seller paid closing costs and/or prepaids occurs where seller paid closing cost/prepaids are common and customary for the market and supported by comparables.</li> <li>• Changes in the purchase contract resulting from renegotiating terms of sale will require additional review and consideration by the appraiser.</li> </ul> </li> </ul>
<b>MULTIPLE LOANS</b>	<ul style="list-style-type: none"> <li>• Rural Housing Loans / USDA loans are limited to one loan per borrower and co-borrower.</li> <li>• The borrower is limited to retaining ownership in one (1) dwelling. A borrower who owns a dwelling to which they will retain ownership is eligible for a USDA loan to purchase another home if: <ul style="list-style-type: none"> <li>• The borrower’s current dwelling is not financed by a Rural Development guaranteed or direct loan or active grant (the grant agreement has not expired).</li> <li>• The borrower is financially qualified to own more than one house (the borrower is limited to owning one single family housing unit other than the subject property for the loan request.)</li> <li>• The borrower will occupy the home financed with the USDA loan as their primary residence throughout the term of the loan.</li> <li>• The current home no longer adequately meet’s the borrower’s need. The determination that the current home no longer adequately meets the borrower’s needs must include documentation of a significant status change in the circumstances of the borrower that require immediate remedy. Examples of changes in status could include, but are not limited to: <ul style="list-style-type: none"> <li>• Severe overcrowding which is defined as more than 1.5 household residents per room. Verification that overcrowding has existed for more than 90 days and will persist for at least 9 months into the future is required.</li> <li>• The disability or limited mobility of a permanent household resident that cannot be accommodated without substantial retrofitting of the current property, such as the installation of a ramp, an elevator or stair-lift, or extra-wide doors and hallways. Verification of the change in status, the existing property deficiencies, and the suitability of the new property.</li> </ul> </li> </ul> </li> <li>• Note: In all cases, an additional explanation of the burden upon the borrower(s) imposed by the status change both in the near and longer term, and also the reasons beyond the borrower’s convenience why the purchase of the property must be completed prior to the sale of the existing property. All documentation must be retained in the loan file.</li> </ul>
<b>RESIDUAL INCOME EVALUATION</b>	<ul style="list-style-type: none"> <li>• Not Required</li> </ul>
<b>HIGHER PRICED MORTGAGE LOAN (HPML)</b>	<ul style="list-style-type: none"> <li>• Allowed within the parameters of Section 35 of CFPB Regulation Z</li> <li>• Must comply with all limitations and requirements of HPML loans as described in PRMG’s Compliance Policy regarding HPML-Section 35 loans</li> <li>• HPML loans must have an escrow account, regardless of LTV</li> <li>• If loan is a HPML, “HPML” must be entered in Loan Program Comments section of Investor Overlay Screen in FT360. This should occur each time the HPML test is run</li> </ul>

	and should be updated if the loan moves in our out of HPML status, with the last entry occurring prior to funding.
<b>SECTION 32 / HIGH COST LOAN</b>	<ul style="list-style-type: none"> <li>• Brokers are responsible for identifying loans that are considered high cost loans as defined by federal and/or state laws and/or regulations. High cost loans are not allowed:</li> <li>• Loan is not a high cost loan as defined by Section 32 of the Federal Truth-in-Lending Act; <i>and</i></li> <li>• Loan is not a high cost loan as defined by applicable state laws and/or regulations.</li> </ul>
<b>REAL ESTATE COMMISSIONS</b>	<ul style="list-style-type: none"> <li>• The maximum real estate commission allowed is 8%.</li> </ul>
<b>ESCROW ACCOUNT</b>	<ul style="list-style-type: none"> <li>• Escrows are required for taxes and insurance, regardless of LTV.</li> <li>• Flood insurance must be impounded (escrowed) for all loans with a note date of 1/1/16 or later if the property is in a Special Flood Hazard Area (SFHA), designated as a flood zone beginning with A or V, regardless of LTV and/or federal exemptions and is required for the life of the loan. It is not required to be impounded if the flood insurance is paid through the condominium association, HOA dues, etc. Additionally, the escrow requirement needs to be stated in the Flood Notice that is provided to the borrower.</li> </ul>
<b>UNDERWRITING</b>	<ul style="list-style-type: none"> <li>• Delegated underwriting allowed.</li> <li>• Loan must be submitted to USDA for and receive Conditional Commitment prior to documents and closing <ul style="list-style-type: none"> <li>• If the Conditional Commitment from USDA is issued “subject to availability of funds” the loan may be subject to a pricing hit and restrictions on funding until funds are made available, depending on investor availability. “Commitment Subject to Availability of Funds” must be entered in Loan Program Comments section of Investor Overlay Screen in FT360 and Secondary must be notified of this if the loan is locked prior to this information being received from USDA.</li> </ul> </li> <li>• If using GUS, must receive an Accept/Eligible through GUS (Guaranteed Underwriting System). Even if the loan receives an Accept/Eligible decision, the underwriter must still apply due diligence. GUS is intended to compliment the underwriting procedure.</li> <li>• Manual underwriting is allowed. <ul style="list-style-type: none"> <li>• Must meet all USDA requirements, as outlined in the 3555 Handbook</li> </ul> </li> <li>• DU and LPA are not allowed.</li> </ul>

## Texas Addendum

***The following guidelines refer to loans in Texas only. If a topic is not addressed in this addendum, the standard Agency guidelines above should be followed. Also, please note that no underwriting exceptions are allowed on properties located in Texas.***

<b>PURCHASE</b>	<ul style="list-style-type: none"> <li>• Allowed</li> </ul>
<b>RATE/TERM REFINANCE</b>	<ul style="list-style-type: none"> <li>• Proceeds from a rate/term refinance may only pay off the current USDA loan</li> <li>• Proceeds from a rate/term refinance may NOT pay off the following:             <ul style="list-style-type: none"> <li>• Any non-USDA first mortgage</li> <li>• Any loan that is considered a Section (a) (6) loan</li> <li>• Any loan that the borrower received cash back on</li> <li>• Federal tax debt liens</li> <li>• Liens for delinquent property taxes on the property securing the new loan</li> </ul> </li> <li>• Rate/term refinances may NOT receive any cash back to the borrower, even incidental cash. Limited cash out refinances that allow the lesser of 2% of the loan amount or \$2,000 are NOT eligible under the Texas rate/term refinance program.</li> <li>• Incidental cash back to the borrower at Closing is not allowed, including incidental cash back as result of POC fees being refunded to borrower. Additionally, incidental cash back must either be handled by reducing/curtailing principal or reducing the loan amount and having the documents re-drawn.</li> <li>• For owner occupied primary residence Texas loans, if the property was ever refinanced under Section 50(a)(6) (a cash out refinance) unless specific requirements are met as described below, every subsequent refinance is considered a Section 50(a)(6) loan it must be processed under the Agency Texas Home Equity program.</li> <li>• Any previous Section 50(a)(6) must be processed as a Section 50(a)(6) unless the following requirements are met to make it a Section 50(f)(2) transaction:             <ul style="list-style-type: none"> <li>• Application dated on or after 1/1/18</li> <li>• The refinance will be closed no less than one year from the closing of the previously funded home equity loan;</li> <li>• The loan proceeds do not exceed any existing liens on the property being refinanced plus any costs associated to the refinance (i.e. no cash back to the borrower);</li> <li>• The loan proceeds cannot be used to pay off other debts;</li> <li>• The refinanced loan cannot exceed 80% loan to value;</li> <li>• The lender must provide the borrower with a notice about their rights associated with a home equity or non-home equity loan 12 more days prior to closing.</li> <li>• Note: for HELOC loans where the borrower has taken his/her last advance in under a year, in calculating the seasoning requirements, PRMG will look to the original advance of credit/HELOC Agreement Date</li> </ul> </li> <li>• In addition to standard rate/term refinance guidelines, the following guidelines apply to all rate/term refinances secured by Owner Occupied, Homestead properties in the state of Texas: Total financed Closing costs are limited to 10% of the new loan amount and are limited to those costs that are reasonable and actually required to close the transaction. Prepays/escrows can't be financed into the new Loan when grossed up in loan payoff. POC Fees can't be financed into the loan amount. Special title insurance coverage must be obtained when impounds for prepaid expenses* are included in the new Loan amount. The following must be included as a Schedule B Exception: Possible defect in lien of the insured mortgage because of the Insured's inclusion of reserves or impounds for taxes and insurance in the original principal of the indebtedness secured by the insured mortgage. *Prepays are defined as funds collected for the payment of</li> </ul>

	<p>real estate taxes (includes non-delinquent taxes which are due and payable, as well as reserves), hazard insurance premiums, and monthly MI premiums covering any period after the settlement date.</p> <ul style="list-style-type: none"> <li>• The following P-39 Express Insurance Coverage endorsement is recommend: “Company insures the Insured against loss, if any, sustained by the Insured under the terms of this Policy by reason of a final, non-appealable judgment of a court of competent jurisdiction that divests the Insured of its interest as Insured because of this right, claim or interest. Company agrees to provide the defense to the Insured in accordance with the terms of this Policy if suit is brought against the Insured to divest the Insured of its interests as Insured because of this right, claim or interest.”</li> <li>• Documentation is required (title insurance binder, Mortgage/Deed of Trust, and/or HUD-1) which verifies that a home equity/cash out Loan {Section 50(a)(6)} has not previously been originated on the subject property. If the purpose of the Loan is not clearly identified on the title binder, it will be necessary to provide the previous Deed of Trust or Hud-1 settlement statement for each transaction originated on or after 1/1/98 to verify the purpose of the existing Loan.</li> <li>• Subordinate financing may not be paid off with a USDA loan</li> </ul>
<b>CASH OUT REFINANCE</b>	<ul style="list-style-type: none"> <li>• Not allowed</li> </ul>
<b>ELIGIBLE COSTS</b>	<ul style="list-style-type: none"> <li>• A rate/term refinance of a primary residence may include only the following costs: <ul style="list-style-type: none"> <li>• Pay off of the old loan plus points</li> <li>• Pre-paid items, such as escrow funds and interest (See Additional Documentation section below)</li> <li>• Taxes due</li> </ul> </li> <li>• The closing costs, whose total may not exceed 3% of the loan amount, must be deemed “necessary and reasonable”. Closing costs that may be included are noted below: <ul style="list-style-type: none"> <li>• Loan Origination</li> <li>• Tax Service</li> <li>• Recording</li> <li>• Escrow Waiver</li> <li>• Processing</li> <li>• Appraisal</li> <li>• Credit Report</li> <li>• Final Inspection</li> <li>• Underwriting</li> <li>• Application</li> <li>• Survey</li> <li>• Title Insurance Premiums (Lender Policy)</li> <li>• Commitment</li> <li>• Express Mail</li> <li>• Flood Certification</li> <li>• Closing</li> </ul> </li> </ul>
<b>ADDITIONAL DOCUMENTATION</b>	<ul style="list-style-type: none"> <li>• All rate/term refinances require a completed Texas Refinance Worksheet (See Exhibit A)</li> <li>• All rate/term refinances require a completed Borrower Acknowledgement Form (See Exhibit B) when the borrower is receiving a refund check at closing.</li> <li>• If impounds for prepaid expenses are included in the new loan amount, special title insurance coverage must be obtained as a Schedule B Exception.</li> <li>• For rate/term refinances, a copy of the commitment for title insurance, mortgage/deed of trust, or HUD-1 is required in order to verify that a Section 50 (a) (6) loan has not previously been originated against the subject property.</li> </ul>

Exhibit A

**TEXAS REFINANCE  
Worksheet**

1. Is the loan being refinanced a “low-rate home loan\*?” **Y/N**
  - If yes, continue.
  - If no, stop. This worksheet is not required.
  
2. Did a government or non-profit lender make the “low-rate home loan?” **Y/N**
  - If yes, continue.
  - If no, stop. This worksheet is not required.
  
3. When was the “low-rate home loan” closed? \_\_\_\_\_ (Anniversary Date)
  - If the anniversary date is less than seven years, continue.
  - If the anniversary date is equal to or greater than seven years, stop. This worksheet is not required.
  
4. What was the initial interest rate on the “low-rate home loan?” \_\_\_\_\_ %
  - A. In the case of a loan with a discounted introductory rate, what was the initial fully indexed rate? \_\_\_\_\_ %
  - B. Is the interest rate on the new loan less than the rate referenced in 4A? **Y/N**
    - If yes, continue.
    - If no, this loan is not eligible.
  
5.
  - A. What were the total points and fees paid by the borrower on the “low-rate home loan?” \$ \_\_\_\_\_
  - B. Are the points and fees being paid by the borrower on the new loan less than the points and fees referenced in 5A? **Y/N**
    - If yes, this loan is eligible.
    - If no, the loan is not eligible.

***\*A “low-rate home loan” is a loan with an initial rate that is two percentage points or more below the yield on treasury securities with maturities comparable to the loan term. If the loan had a discounted introductory rate, then the fully indexed rate should be used to determine whether the loan is a “low-rate home loan”.***

Exhibit B

**TEXAS REFINANCE  
Borrower Acknowledgement**

Borrower's Name: \_\_\_\_\_ Loan #: \_\_\_\_\_

**BORROWER ACKNOWLEDGEMENT**

The undersigned acknowledge(s) that any refund check received as part of today's real estate settlement is a partial or full reimbursement of funds paid to the lender prior to or at the closing of the loan and does not constitute proceeds of the loan from lender.

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Date

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Date