

WM USDA RURAL HOUSING

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LOAN PROGRAM DESCRIPTION:

- Fully amortizing Fixed Rate Loans for Low-to-Moderate Income Borrowers to be used in the purchase or no cash out refinance (on an existing RD loan only) of a 1-Unit Primary Residence in a rural/designated location.
- [RD Announcements \(http://www.rurdev.usda.gov/rd-an_list.html\)](http://www.rurdev.usda.gov/rd-an_list.html)

LOCK-IN/REGISTRATION:

- Loan must be locked via Optimal Blue/Blue Connect.
 - Loan Type – USDA.
 - Doc Type – Full.
 - Amortization – 30 Year Fixed Rate.
 - **Loan Program Labels:**
 - WM_USDA_30_Fxd
- Price Adjustments apply for non-traditional credit; loans that have a Borrower with one (1) FICO; and No FICO. Contact Secondary Marketing at secondary@wintrustmortgage.com for a manual lock.

MINIMUM MORTGAGE:

- None.

MAXIMUM MORTGAGE:

- No maximum mortgage loan amount.
- Appraised Value divided by .965.
 - For Example: Appraised Value \$100,000/.965 = \$103,627 Max Loan Amount.

MAXIMUM LTV/CLTV:

- 100% (Government Agency "Soft/Silent Seconds" allowed. See SUBORDINATE FINANCING section for details)
- **PURCHASE:**
 - Minimum 80.01% LTV is required.
 - Maximum LTV is 103.5% of appraised value when guarantee fee is financed. Refer to **GUARANTEED FEE** section for changes with Conditional Commitments issued on and after October 1, 2011.
- **NO CASH OUT REFINANCE:**
 - Existing USDA Rural Housing loan only.
 - No Minimum LTV required.
 - Maximum LTV is 101.0% of appraised value when guarantee fee is financed. Refer to **GUARANTEED FEE** section for changes with Conditional Commitments issued on and after October 1, 2011.
- **Cash Out Refinance** – Not permitted.
Note: Discount points cannot be financed into the loan amount unless the applicants meet the RHS Low Income Limits.

ADDITIONAL CONSIDERATIONS:

- **PROPERTY INSPECTIONS:**
 - The Lender must provide certification that the property meets HUD Handbooks 4150.2 and 4905.1. The revised Adequacy Certification must be completed by an individual that has a thorough knowledge of both HUD handbooks.
 - Repairs which will affect soundness and functional adequacy of the property must be completed prior to closing.
 - A final inspection of the completed repairs will be required and can be provided by the Appraiser.
- **EXISTING PROPERTIES:**
 - **Individual Wells:**
 - Must be checked to ascertain the distance from the septic system, ease of maintenance and repair of well, as well as adequacy of the water pressure.
 - Water supply must meet the local health or state drinking water standards based on the results of the following;
 - ✓ Bacteriological analysis of the water supply.

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- ✓ Chemical analysis of the water supply source where there is a history of ground water contamination in the area.
 - ✓ The well construction must meet the requirements of the health authority.
 - ✓ Water samples to be collected by a third party.
 - **Lot Sewage Disposal Systems:**
 - Encompassed in HUD Handbook Guidelines.
 - Must be inspected by a party determined to be qualified by investor. The inspector must be state licensed for sewage disposal systems of a member of a qualified inspection service. The inspection must address the following:
 - ✓ That the system is operating satisfactorily.
 - ✓ That the system is adequate to dispose of all domestic wastes in a manner that does not endanger the public health.
 - **Cesspools:**
 - Will be ineligible unless the HUD/FHA Appraiser or Sewage Enforcement Officer can address the following:
 - ✓ That the cesspools are common to the area.
 - ✓ That the system is functioning properly.
 - ✓ That there are not records/citations indicating that the system has malfunctioned in the past.
 - ✓ The site must be sufficient to install a replacement system. A Soil Evaluation and Percolation Test for required alternate site is required.
 - **NEW CONSTRUCTION:**
 - Copies of plans, drawings, and specifications.
 - Certifications regarding the plans, drawings, and specifications (Although WM may voluntarily elect to use Form RD 1924-25, Plan Certification, this form is not a required form for the program. The certification may be on the plans and drawings, a separate form, or on any document that conveys the necessary information).
 - Building permits.
 - Copies of new construction inspections.
 - Occupancy Certificates.
 - Copies of construction warranties.
 - Plan Certification (1924-25), Equal Opportunity Agreement (400-1), Compliance Statement (400-6) and Notice to Contractors and Applicants (400-3) are available at: <http://www.rurdev.usda.gov/regs//formstoc.html>
 - **Certified Plans & Specifications:**
 - The Lender's file must contain evidence that the plans and specifications comply with all applicable development standards* applicable to the new construction. Acceptable evidence includes:
 1. Copy of the certification from a qualified individual or organization that the reviewed documents comply with applicable development standards. Form RD 1924-25 "Plan Certification" is an acceptable format, but may not be required by the Agency for guaranteed loans.-OR-
 2. Certificate of Occupancy issued by a local jurisdiction.**-OR-
 3. Building Permit (or equivalent) issued by local jurisdiction.**
 - The lender may accept certifications only from individuals or organizations trained and experienced in the compliance, interpretation or enforcement of the applicable development standards* for drawings and specifications.
- Plan certifiers may be any of the following:
- (1) Licensed architects,
 - (2) Professional engineers,
 - (3) Plan reviewers certified by a national model code organization,
 - (4) Local building officials authorized to review and approve building plans and specifications, or
 - (5) National codes organizations.
- * Applicable development standards The current edition of any of the model building, plumbing, mechanical, and electrical codes listed in exhibit E of RD Instruction 1924-A are applicable to single family residential construction, or other similar codes adopted by the Agency for use in the State.
- ** If this method is used, the State Director must determine whether local communities or jurisdictions qualify to

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use this form of “acceptable evidence” under RD Instruction 1924-A, section 1924.5(f)(1)(iii)(C)(2).

- **Evidence of Construction Inspections:**
 - The Lender’s file must contain copies of the documents described in one of the following three options:
 1. Certificate of Occupancy issued by a local jurisdiction that performs at least 3 construction phase inspections, including those prescribed in RD Instruction 1980-D § 1980.341(b)(2) and a 1-year builder warranty plan acceptable to Rural Development, or;
 2. Three construction inspections performed when:
 - Footings and foundation are ready to be poured and prior to back-filling.
 - Shell is complete, but plumbing, electrical and mechanical work is still exposed.
 - Final inspection of completed work prior to occupancy.
 - A 1-year insured builder warranty plan acceptable to Rural Development, or;
 3. Final inspection and a 10-year insured builder warranty plan acceptable to Rural Development.
- **Well and Septic Certifications:**
 - Required for private systems; must be completed by a local health authority. Private inspections are only permitted in municipalities that do not provide Health Authority Certification.
 - Bacteriological analysis of the water supply.
 - Chemical analysis of the water supply source where there is a history of ground water contamination in the area.
 - The well construction must meet the requirements of the health authority.
 - Water samples to be collected by a third party.
- **Individual Sewage Disposal System:**
 - Provide copy of Septic Permit Issued by local Municipality/Sewage Enforcement Officer. The permit must contain the approval to cover the completed system.
- **AZ, FL, ID, MN, MT, NH, NJ, NC, OR, PA and TX:**
 - See Rural Housing website: www.rurdev.usda.gov for state specific requirements and complete details.
- **PRIVATE ROAD MAINTENANCE AGREEMENT:**
 - Must be filed at time of submission to the RHS county/state office.
 - If recorded, a copy of the title insurance binder will contain the agreement.
 - If subject property is a condo or PUD, the Road Maintenance Agreement will be contained in the bylaws of CC&R’s.
 - If a Private Road Maintenance Agreement is not available the property is ineligible.

AGE OF DOCUMENTS:

- 120 days for existing property.
 - Appraisal >120 days- update/recert of value is required.
- 180 days for new construction.

APPRAISAL REQUIREMENTS:

- Copy of the Appraiser’s current license.
- Copy of the Appraiser’s current E&O Insurance.
- **Effective with Applications taken on and after Friday, August 5, 2011**, Appraiser eligibility must be verified. Contact your Account Executive.
- Obtain a conventional Appraisal completed on a standard FNMA 1004 approved Appraisal form (URAR).
- No acreage limit, however, Land Value can be no more than 30% of value.
- Exceptions may be acceptable if excessive and value is customary to the area as evidenced by the Appraisal and the site cannot be subdivided into two or more sites.
- Appraisal good for one-year (1).
- Re-Certification of value required after 120 days on existing properties, 180 days on new construction.
- **Effective with Appraisals completed on or after January 1, 2012, Appraisals will need to be [UAD compliant](#).**
 - Refer to [RD AN No. 4601](#).
- **DISASTER AREAS:**
 - All properties located in a disaster area require re-inspections.
 - Refer to the [FEMA](#) website.

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- Verify the Borrower's place of employment has not been negatively impacted by these events.

ARM INDEX:

- N/A.

ARM INITIAL INTEREST RATE CAPS:

- N/A.

ARM INTEREST RATE CEILING:

- N/A.

ARM INTEREST RATE FLOOR:

- N/A.

ARM MARGIN:

- N/A.

ARM RATE ADJUSTMENT:

- N/A.

ASSUMABILITY:

- ***Effective immediately (6/28/11) including loans in the pipeline assumable ineligible.***
- Assumable subject to specific criteria as listed below:
 - Subject property must still meet all criteria for the RHS 1980-D Loan Program.
 - Applicant (buyer) must meet all credit criteria for the RHS 1980-D Loan Program.
 - Assumption must be prior approved by servicer.
 - No additional financing is permitted in the transaction (second liens or equity lines).
 - Release of liability will not be granted to the original Borrower(s).
- A new title policy will be required at closing.
- Credit Report, Appraisal, loan guarantee and a \$300 processing fee will apply.

BORROWERS ELIGIBILITY:

- US Citizen.
- Permanent Resident Alien.
 - Eligible with proof of lawful permanent residency.
 - Underwritten same as US citizen.
- Home Ownership Counseling for all first-time homeowners is required by RHS in certain states:
 - CA, FL, GA, IN, LA, NE, SC, VA, WA, and WI: See Rural Housing website: www.rurdev.usda.gov for state specific requirements and complete details.
 - If you are originating GRH product in a state not referenced above, please confirm with Rural Development your state's requirements regarding homeownership counseling, as additional states are considering this requirement as a mandatory item for all first-time home buyers.

BORROWERS INELIGIBLE:

- Non-Permanent Resident Alien.
- Full time student.
- Current housing, if owned, is not safe, sanitary and adequate as determined by RHS.
- On HUD debarred list:

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- Listed in CAIVRS as clouded.
- Non-resident Alien.

Note: Generally full-time students are not eligible for RHS financing due to the full-time students temporary (non-permanent) occupancy status. Exceptions will be granted by the local RHS county/state if the following determination is made by RHS:

- The applicant intends to make the home his/her permanent residence and there are reasonable prospects that employment will be available in the area after graduation.

BUYDOWNS:

- Not permitted. Refer to [WM Bulletin 11-0218-C](#).

CASH RESERVES:

- Not Required.
- If cash reserves are indicated on GUS findings they must be verified.
- Cash reserves used as compensating factors for credit and/or ratio waivers must be documented.

CLOSING DOCUMENTS:

- Request for SFH Loan Guarantee required (1980-21), available at <http://www.rurdev.usda.gov/regs//formstoc.html>
- Use standard Fannie Mae closing documents.
- Late charges may not exceed Fannie Mae maximum (currently 5%) or the maximum permitted by state law, whichever is less.
- All Borrowers whose income or assets are used for qualifying purposes must take title to the property. No other persons are permitted to take title, unless approved by RHS as an exception.
- 72 hour advance notice of closing is required – no exceptions.
- A copy of the RHS Conditional Commitment for Loan Note Guarantee with all conditions must be submitted to Investor a minimum of 48 hours prior to the loan closing. If conditions are to be executed at closing, provided unexecuted copies. The branch will be notified within 24 hours of loan closing if the conditions are satisfactory.
- 4506T signed and dated at closing (Salaried and Self-Employed).
- Incomplete Repairs Agreement Exhibit E-347.
- Closers please refer to **GUARANTEE FEE** section for details on the proper handling of the Guarantee fee check for USDA.
- Closers must execute the “Lender Certificate for SFH Guaranteed Loan”. Please refer to the **UNDERWRITING SUBMISSION PROCEDURE** section.
- Additional information can be found in the [Administrative Notice No. 4543](#).
- **Important – Illinois** – 1% origination fee plus underwriting fee. Additional fees must be paid by the Borrower or out-of-pocket.
- All files sent to Investor Delivery located in Rosemont, IL, must have Title Commitment. Short form policies cannot be used in lieu of the title commitment.

CO-BORROWER(S):

- Permitted provided they occupy the property.

CREDIT:

- Minimum FICO of 620 required.
- **SELECTING FICO SCORES FOR DOCUMENTATION:**
 - The FICO score of the primary wage earner should be given the most emphasis; however FICO scores of other applicants should not be ignored. When reviewing appropriate credit reports select the correct FICO score for underwriting per these guidelines:
 - Three (3) scores: Select the middle score.
 - Two (2) scores: Select the lowest score.
 - One score (1): Does not qualify for streamlined documentation and is considered non-traditional credit*.

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- No score: Does not qualify for streamline documentation and is considered non-traditional credit*.
 - Non-Traditional credit eligible*. Refer to **VERIFICATION OF NON-TRADITIONAL CREDIT SOURCES** section below.
 - * Non-Traditional credit; any Borrower with one (1) FICO; and no FICO price adjustments apply. Contact Secondary Marketing at secondary@wintrustmortgage.com for a manual lock.
 - **VERIFICATION OF NON-TRADITIONAL CREDIT SOURCES:**
 - Three (3) non-traditional sources are required for Borrowers with current rent/housing history. Rent/housing may be included as one (1) of the three (3) tradelines. Four (4) non-traditional sources are required for Borrowers with no rent/housing history. Tradeline sources must be open and have a twelve (12) month history.
 - Underwriters may collect canceled checks, money order receipts, and/or written verifications that include the creditor's name, date the account was opened, account balance, monthly payment due, and payment history reported in 0x30, 0x60, 0x90 format. Subjective statements such as "satisfactory" or "acceptable" are not an acceptable format for repayment history confirmation. Rural Development will accept reports by providers who develop bill payment histories.
 - Acceptable tradeline sources include a recent twelve (12) month payment record of rent or housing, utilities, insurance (excluding those paid through payroll deductions), school tuition, payments to retail stores, and evidence of cash reserves that equal no less than two (2) months of PITI payments acquired through steady periodic savings deposits over twelve (12) months.
 - Payments made to relatives for credit sources are ineligible as a non-traditional trade reference.
 - Applicants may only have one (1) 30 day delinquency on any non-traditional tradeline within the last twelve (12) months. 60 and 90 day delinquencies or reports of disconnection notices are not acceptable.
 - **STREAMLINED DOCUMENTATION FOR FICO SCORES OF 640 OR HIGHER:**
 - For loan applications that contain co-applicants, each applicant must have a FICO score of 640 or higher to qualify for streamlined documentation.
 - You are not required to document adverse credit history waivers under RD Instruction 1980-D, section 1980.345(d), except for those involving a delinquent Federal debt or previous Agency loan.
 - You are not required to document applicant rent payment history.
 - No action will be necessary for any derogatory items, except for those involving a delinquent Federal debt or previous Agency loan.
 - Exception** - Any Borrower with a Foreclosure or Pre-Foreclosure activity in the previous 36 months; Chapter 7 Bankruptcy discharged in the previous 36 months; Chapter 13 Bankruptcy that has yet to complete repayment or has completed repayment within the previous twelve (12) months; and/or late mortgage payments in the most recent twelve (12) months must submit all supporting evidence along with the credit waiver regardless of credit score. The Underwriter must document the compensating factors as well as the rationale that was applied in the course of making a decision to approve the loan in their permanent loan file.
 - NOTE: Each applicant is treated separately.** If the applicant has a score higher than 640 and the co-applicant has a score lower than 640, then the applicant qualifies for streamlined documentation but the co-applicant's credit history should be carefully examined.
 - **CHAPTER 13 BANKRUPTCY:**
 - A Chapter 13 Bankruptcy does not disqualify a Borrower from obtaining a guaranteed loan. The Underwriter must document that twelve (12) months of the repayment period has elapsed under the plan with all payments made on time and the Borrower has received written permission from the Bankruptcy Court/Trustee to enter into a mortgage transaction.
 - **CONSUMER COUNSELING PAYMENT PLANS:**
 - Borrowers participating in a Consumer Credit Counseling Program are not disqualified from obtaining a guaranteed loan. The Underwriter must document that twelve (12) months of the repayment period has elapsed under the plan with all payments made on time and the Borrower has received written permission from the counseling Agency to enter into a mortgage transaction.
 - **FEDERAL DEBTS:**
 - Borrowers that are delinquent on Federal debts may be ineligible for a guaranteed loan per section 1980.345(f). Recorded outstanding judgments obtained by the United States in a Federal court (other than the U.S. Tax Court) or
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any delinquent Federal debt identified by CAIVRS (Credit Alert Interactive Voice Response System) shall cause the Borrower to be ineligible until the Federal debt is paid in full or otherwise resolved.

- Official documentation to prove debt resolution may include a release of liability from the creditor or official receipts from creditors stating the debts have been paid in full. Evidence of payment arrangements do not qualify as acceptable documentation. Loan funds from Rural Development may not be used to satisfy a debt.
- Additional information can be found in the [Underwriting and Loan Closing Documentation Matrix](#).

DISCLOSURES:

- Guarantee Fee Calculator Exhibit E-350.
 - **Effective October 1, 2011, the Implementation of Annual Fee and Decreased Upfront Fee.** Additional information can be found in the [Administrative Notice No. 4551](#). [Click here](#) for new Guarantee Fee Calculator.

DOCUMENTATION:

- **Follow standard FHA guidelines except as noted below:**
- **ASSETS:**
 - Assets are not required to be verified.
- **INCOME:**
 - All household income will be considered for GRH eligibility. However, all eligible income may not be acceptable as qualifying income. See below for eligible "Qualifying Income".
 - **Eligible Qualifying Income:**
 - Generally qualifying income will be calculated by considering the applicant's two-year history. If the applicant has had a recent substantial increase in earnings, concurrence of acceptance from both the underwriting center and the state or local county Rural Development Office is required.
 - Part-time Income having a history of at least 12 months may be used for qualifying.
 - Bonus pay received for a minimum of 12 months may be used for qualifying.
 - Non-taxable income can be grossed-up 125%. RHS requires evidence to support the percentage of gross-up.
 - A non-working Borrower or co-Borrower must provide an affidavit that they are not currently working or seeking work.
 - Annual income may be reduced by \$480 for each family residing in the household, other than the applicant, spouse or co-applicant who is:
 - Under 18 years of age.
 - A full time student aged 18 or older or.
 - Disabled or handicapped 18 years of age or older:
 - ✓ Certification of Disability or Handicap (1944-4) must be completed for file submission. Available at <http://www.rurdev.usda.gov/regs//formstoc.html>
 - A one-time deduction of \$400 may be taken for any elderly family member (a person who is 62 or older).
 - Additional adjustments in the amount of the annual expenses may be deducted for child care expenses for children up to the age of 12 if both parents are employed full time. A child care letter from the provider that states the cost of the care is required. Use 'Adjustment to Income Form'.
 - A deduction is permitted for reasonable attendant care and auxiliary apparatus expenses for each handicapped or disabled member of any household to the extent necessary to enable any member of such household (including handicapped/disabled member) to be employed. This deduction is limited to the amount by which the aggregate of such expenses exceeds 3% of the gross annual household income.
 - Child support, alimony and separate maintenance will be considered as part of the household income if received regularly. The length of time this income has been received is not considered when determining household income for eligibility purposes.
 - Household income may not exceed 115% of the area's median income level as determined by Rural development. See Rural Housing website: <http://eligibility.sc.egov.usda.gov> for complete details. Click on Single Family Housing underneath **Income Eligibility**, Programs.

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• **EMPLOYMENT REQUIREMENTS:**

➤ **Salaried Borrowers:**

- Minimum Income Verification:

- ✓ Written VOE (FNMA 1005) -OR-
- ✓ Most recent paystub with year-to-date earnings and most recent two (2) years W2's.

- Frequent change of job within same line of work acceptable as long as there are no gaps greater than thirty (30) days. Borrowers with gaps of employment in excess of thirty (30) days must provide a satisfactory written explanation and documentation.

➤ **Self Employed:**

- Sign IRS 8821 or 4506T at application.

- Two (2) years of tax returns are required if:

- ✓ Self-employed earnings.
- ✓ Bonus/Commission/1099 income of 25% or more of the Borrower's gross income.
- ✓ Dividend and interest income.

- Fully processed 4506-T with transcripts attached is required. The following scenarios include, but are not limited to, Borrowers who are:
 - Self-Employed, or
 - Own Rental Properties,
 - Financing a distressed property,
 - Employed in the mortgage or real estate industry,
 - Credit report that reflects multiple mortgages appearing for a short duration of time.
- Refer to **BORROWER ELIGIBILITY** section Requirements regarding Homebuyer Counseling for all first-time homeowners.
- Additional information can be found in the [Administrative Notice No. 4543](#).

DOWN PAYMENT REQUIRED:

- None.
- Verification of funds is not required unless the Borrower's contribution is > 2% of sales price.

DU/LP/GUS INFORMATION:

- Guaranteed Underwriting System (GUS) or manual underwrite eligible.
 - With a GUS "Approval" the following is the only required documentation to be sent to the RD office (unless GUS has flagged the loan for quality control then submit full file):
 - RD Form 1980-21 Request for SFH Loan Guarantee.
 - Uniform Residential Appraisal Report.
 - FEMA Form 81-93 Standard Flood Hazard Determination.
 - Evidence of qualified alien if applicant is not a U.S. Citizen.
- Desktop Underwriter® (DU®) or Loan Prospector® (LP®) ineligible.
- [RD Announcements \(http://www.rurdev.usda.gov/rd-an_list.html\)](http://www.rurdev.usda.gov/rd-an_list.html)

ESCROW HOLDBACKS:

- Escrow holdbacks are allowed for exterior work only, which cannot be completed due to inclement weather, and the work remaining to be done cannot affect the livability of the dwelling.
- The request must include a signed contract and bid schedule for all the proposed work, and include contractors' address, phone number and license number.
- The contract for completion of the work must provide for completion date within 120 days for weather related items.
- A 150% holdback for the amount of the bid(s) is required for weather related repairs.
- If 150% is held, the incremental "50%" portion cannot be financed into the loan. If it has been financed, a payment history must be received showing the application of a principal reduction for unused funds in the holdback that were not used toward the repair process.
- If the incremental "50%" holdback was used in full or in part, paid invoices must be received to confirm that all funds

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that were financed into the loan as part of the escrow holdback process were used for required repairs. The applicant cannot get cash back at the completion of the repair process for any unused holdback funds that were financed into the loan amount.

- There must be a completed escrow holdback agreement executed in file. The agreement must specify what repairs are being made, what happens to excess monies, and that WM is responsible for authorizing release of funds.
- The holdback must be for repairs or items not affecting the livability of the home (safety, soundness, sanitary).
- The holdback cannot be more than 10% of total loan amount.
- Loan Guarantee Form (1980-17) will not be issued by Rural Development until repairs are completed.

ESCROW WAIVERS:

- Not Permitted.

GEOGRAPHIC RESTRICTIONS:

- **All States** – Cash-out refinances not permitted. Borrower cannot receive any cash back.
- **Branches must be trained prior to originating this product.**
- **Alaska** – Ineligible.
- **Arizona** – Ineligible.
- **California** – Ineligible.
- **Colorado** – Multi-State Net Tangible Benefit Worksheet Exhibit (E-314).
- **Florida** - Ineligible.
- **Hawaii** – Ineligible.
- **Maryland** - DU™/LP™ Verification of Income or Asset relief not permitted.
- **Nevada** – Ineligible.
- See Rural Housing Website: www.rurdev.usda.gov for state specific requirements and complete details.

GIFTS:

- 100% of the Borrower's cash to close may come from a gift.
- Gifts from a relative, close personal friend, charitable organization or grants from a municipality or non-profit organization are permitted, provided they are unrelated to the transaction.
- A gift letter must be completed and signed by both the donor and the Borrower.
- **IF THE GIFT FUNDS ARE DEPOSITED:**
 - The transfer of funds must be verified by either a copy of the cancelled check and evidence of deposit into the Borrower's account or a copy of the withdrawal from the donor's account and a deposit into the Borrower's account.
- **IF THE GIFT FUNDS HAVE NOT BEEN DEPOSITED:**
 - Verify that the Borrowers received the specified funds prior to or at closing by either evidence of the transfer (withdrawal/deposit) or a cashier's check with donor as remitter at closing.

GUARANTEED FEE:

- A RHS Guarantee fee is charged and collected at the time of closing.
 - **Purchases** – 3.50% of Loan Amount (as determined by USDA Conditional Commitment. May be slightly higher if financed).
 - **Effective October 1, 2011, the new Guaranteed Fee is 2.00% and a new Annual Fee (payable monthly) will be .30%.**
 - **Conditional Commitments dated on or after October 1, 2011, must reflect the new fee structure.**
 - **Refinances** – 1.0% of Loan Amount and a new Annual Fee (payable monthly) will be .30% (Conditional Commitments dated on or after October 1, 2011, must reflect new fee structure).
 - **Effective December 7, 2011, the new Guaranteed Fee has been increased to 1.50%.**
 - **Conditional Commitments dated on or after December 7, 2011, must reflect the new fee structure.**
- Note: the new Annual Fee (payable monthly) remains at .30%.**

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- **Effective October 1, 2011, [Administrative Notice No. 4551](#). [Click here](#) for new Guarantee Fee Calculator.**
- No monthly Guarantee Fee is required.
- If the Guarantee Fee is financed, the closer should reduce the wire by the Guarantee fee amount. The closer will then request a check from accounting, made payable to USDA for the amount of the Guarantee fee.
- If the Guarantee fee is not financed, the closer needs to ensure that the Closing Agent returns the check for the Guarantee fee (made payable to USDA) to WM with the closing package.
- The check, payable to USDA, along with the following items need to be clipped together and placed in file for Insuring.
 - Copy of the signed HUD-1 Settlement statement.
 - Copy of the signed Note.
 - Loan Note Guarantee (1980-17) provided by USDA.
 - Any items requested on Loan Note Guarantee.
 - Completed Guaranteed Loan Closing Report (1980-19). Available at <http://www.rurdev.usda.gov/regs//formstoc.html>
- Insuring will:
 - Confirm all required documentation is provided and that the Loan Note Guarantee (1980-17) has been signed properly.
 - Submit documentation to the USDA office listed on the Loan Note Guarantee (1980-17).
 - Track the Guarantee certificate.

INTEREST ONLY OPTION:

- Not available.

LIMITATION ON REAL ESTATE OWNED:

- If an applicant has an existing GRH loan, they may apply for a new GRH loan provided the initial loan is outside of the commutable area of the proposed guaranteed loan (generally at least 50 miles) -OR- The initial GRH loan is inadequate for the applicants (going from a two (2) bedroom to a four (4) bedroom home). Must be increasing in size. Applicants must qualify for the program including both debts.

MORTGAGE INSURANCE:

- Not Applicable.

MORTGAGE INSURERS APPROVED:

- Not Applicable.

NEW CONSTRUCTION:

- Refer to **ADDITIONAL CONSIDERATIONS** section.

NON-OCCUPYING BORROWER:

- Not permitted unless approved by USDA.
- All Borrowers must occupy the property and take title to the property.

OCCUPANCY:

- Owner Occupied only.

POWER OF ATTORNEY:

- Not eligible with loans closed in a trust.
- POA must be dated/appointed on or before the execution of any document executed using the POA.
- The security instrument, note and all other closing documents must be signed exactly as appointed on POA.
- Notary section correct including: state, county, date, Borrower name, notary's signature, notary expiration, notary seal.

WM USDA RURAL HOUSING

- No POA allowed for loans with one Borrower.
- At least one Borrower must be present at closing.

PREPAYMENT PENALTY:

- N/A.

PROPERTY TYPES ELIGIBLE:

- **ELIGIBLE PROPERTY:**
 - Property's land value can be no more than 30% of the value. Exceptions may be acceptable if excessive land value is customary to the area as evidenced by the Appraisal.
 - Property must be located in a designated rural area. You may view eligible areas on USDA Rural Development's web-site at: <http://eligibility.sc.egov.usda.gov>. Click on Single Family Housing underneath **Property Eligibility**, Programs.
 - Ineligible areas are designated a non-rural are outlined in black.
 - Ineligible areas include an additional 1000 feet outside the lined areas, measured from the outer edge of any street or right of way.If you are in doubt, contact your local RHS office for clarification
 - **Existing Properties:** See **ADDITIONAL CONSIDERATION** section for requirements.
 - **New Construction:** See **ADDITIONAL CONSIDERATION** section for requirements. (Appraiser is acceptable)
 - Well and Septic Certification by county or local health authority for all private systems. If county or local health authority is unavailable a satisfactory verification from a disinterested third party will be acceptable.
 - AZ, CA, FL, MI, OR, PA, WV & WI: See Rural Housing Website: www.rurdev.usda.gov for state specific requirements and complete details.
- **PROPERTY TYPE:**
 - Single Family, Primary Residence Only.
 - Condos: See Rural Housing Website: www.rurdev.usda.gov for state specific requirements and complete details.
 - Amenities to be 100% complete.
 - Homeowners must be in control of the Homeowners Association.
 - Standard insurance requirements apply.
 - Project must be acceptable to FHA, VA, FNMA or FHLMC. Exceptions will be granted if acceptable to Rural Housing Services.
 - Must complete HOA Condo Certification Questionnaire, Exhibit E-334.
 - **PUDs:** See Rural Housing Website: www.rurdev.usda.gov for state specific requirements and complete details.
 - Project must be acceptable to FHA, VA, FNMA or FHLMC. Exceptions will be granted if acceptable to Rural Housing Services.
 - **AZ & FL:** Condos & PUDs, See Rural Housing Website: www.rurdev.usda.gov for state specific requirements and complete details.
 - Properties located in Special Flood Hazard Zones eligible as long as Flood Insurance is obtained.
 - In-Ground Swimming Pools eligible if Waiver is obtained from National office.

PROPERTY TYPES INELIGIBLE:

- Farms.
- Private Road with no Road Maintenance Agreement.
- Not safe, sanitary and adequate for family's needs.
- Mobile Home.
- Manufactured Homes.

QUALIFYING RATE:

- Note rate.

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RATIOS:

- 29%/41%.
- Ratio waivers are acceptable to RHS with compensating factors.
 - Acceptable compensating factors include, but are not limited to:
 - A minimal increase in housing expense.
 - A Borrowers historical ability to devote a higher percentage of income to housing expenses.
 - Conservative attitude toward the use of credit.
 - Presence of cash reserves available post closing.
 - Additional compensation or income available in the household to meet the mortgage obligation.
 - The potential for increased earnings through career advancement.
 - A credit score of 680 or higher may be documented as a standalone compensating factor when no additional risk layers are present (e.g., adverse credit).
 - A satisfactory payment history for the current mortgage or rent will be considered a strong compensating factor.
 - Ratio waiver must be completed by WM prior to submission to RHS & investor.
 - Cannot have both a Ratio and Credit waiver. Can only request one or the other.
- **Monthly Debts** - Section 1980.345(c)(1) requires payments on debts with more than six (6) months repayment remaining to be included in the total debt ratio. This type of debt is typically installment debts. Regardless of the existing balance, revolving debt will always be considered when calculating debt ratios. Underwriters may also include other shorter term debts (less than six (6) months repayment remaining) that are considered to have a significant impact on repayment ability. If no monthly payment is listed for the balance, Underwriters may use 5% of the balance for the monthly payment due or the Borrower can provide a recent statement as evidence of a lower payment.

Note – Debt can be paid off to qualify as long as you have a “paid in full” receipt.
- **Student Loans** - Student loans represent a debt obligation. Loans in repayment and deferred student loans must be included in the debt ratio per section 1980.345(c)(1). If available, Underwriters will utilize the payment amount listed on the credit report. If the credit report does not indicate a monthly payment amount, Underwriters may use the monthly payment amount provided by the loan servicer or 1% of the loan balance reflected on the credit report.
- **CA & TX:** Debt Analysis, See Rural Housing website: www.rurdev.usda.gov for complete details.
 - Total debt ratio should include revolving debt regardless of when the debt will be retired.
 - Installment loans with payments extending more than 6 months will be included.
 - Payoff of installment debt to qualify is permitted.
 - Child care expense is not considered in long term debt; however, it can be used as a deduction for income eligibility.
- **CA & TX:** Ratios, See Rural Housing website: www.rurdev.usda.gov for complete details.
- **CA:** Non-Purchasing spouse See Rural Housing website: www.rurdev.usda.gov for complete details.

REFINANCES:

- **NO CASH-OUT:**
 - Available – original loan must be GRH or USDA Section 502 Direct only – No “Cash-Out” Refinance.
 - Interest rate of the new loan must be lower than the current loan.
 - Additional Borrowers may be added to the new GRH loan or existing Borrowers may be deleted from the current loan. All applicants that will be a party to the promissory note for the new loan must meet all eligibility requirements.
 - 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 escrow account.
 - Unpaid fees, such as late fees due the current servicers, are not eligible to be included in the new loan amount.
 - Property inspection required. Any conditions noted on an Appraisal that are related to the safety or livability of the subject property must be addressed and rectified prior to loan closing. Expenses related to property inspections and property repairs may not be financed into the new GRH refinance loan, or escrowed prior to closing.
 - Confirm property meets HUD Handbook 4150.02 and 4905.1.
 - Additional information can be found in the [Administrative Notice No. 4549](#).

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- **CASH-OUT:**
 - Not Permitted.
- Borrowers can only receive cash they put into the loan i.e. earnest money, hazard insurance. Pro-rated taxes cannot be returned to the Borrower however can be applied as a principal reduction.

RELOCATION OR TRAILING CO-BORROWER:

- Not Eligible.

RIGHT OF OWNERSHIP:

- Fee Simple.

SALES CONCESSIONS:

- Seller contributions may be credited to closing costs, guarantee fee and escrow reserves; if seller contributes > 6% a comment from Appraiser on impact to value is required.
- Closing costs may be financed when there is equity above the contract price as supported by Appraisal. (Refer to **MAXIMUM LTV/CLTV** section).

SUBORDINATE FINANCING:

- Not available, unless provided by Government Agency as a soft/silent second. Any repayment must be considered in housing ratio.
- Purchase Transactions only.
- All legal documents to be reviewed by Investor Legal Department.

TITLE REQUIREMENTS:

- ALTA Lender's Mortgage Title Insurance Policy Required.
- Title Commitment still required.

TITLE VESTING:

- Individual.
- Joint Tenants.
- Tenants in Common.

TRANSACTION TYPES:

- Purchase.
- No Cash-Out Refinance.

UNDERWRITING SUBMISSION PROCEDURE:

- Guaranteed Underwriting System (GUS) or manual underwrite eligible (refer to **Submission Procedures** sub-section below).
 - With a GUS "Approval" the following is the only required documentation to be sent to the RD office (unless GUS has flagged the loan for quality control then submit full file):
 - RD Form 1980-21 Request for SFH Loan Guarantee.
 - Uniform Residential Appraisal Report.
 - FEMA Form 81-93 Standard Flood Hazard Determination.
 - Evidence of qualified alien if applicant is not a U.S. Citizen.
- Desktop Underwriter® (DU®) or Loan Prospector® (LP®) ineligible.
- **RD Announcements** (http://www.rurdev.usda.gov/rd-an_list.html)
- Additional information can be found in the [Administrative Notice No. 4543](#).
- **Effective with Applications taken on and after Friday, August 5, 2011**, Appraiser eligibility must be verified. Contact

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your Account Executive.

- Underwriter to print the Guarantee Fee Calculator Exhibit (E-350) and place it in the file with the NOLD.
- Underwriting: See Rural Housing website: www.rurdev.usda.gov for complete details.
- **SUBMISSION PROCEDURES:**
 - **Branch Submissions:**
 - Loans must be underwritten through your respective Underwriting Department.
 - When in receipt of the FNMA 1008 signed by the Underwriter, the branch will submit the credit package, including a copy of the signed 1008 or approval letter, to the RHS county/state office for review along with all of the below listed documents. The RHS county/state office will review the credit package for RHS eligibility and issue a Conditional Guarantee Certificate. Allow 3-5 working days for a response from the RHS county/state office.
 - Files submitted to RHS without evidence of approval by Underwriter will be returned without review by RHS.**
 - Original Forms/Documents needed for securing the Conditional Commitment:
 - The following three (3) forms are available at: <http://www.rurdev.usda.gov/regs/formstoc.html>
 - ✓ Request for Single Family Housing Loan Guarantee (1980-21) executed by both a branch authorized representative and all Borrowers.
 - ✓ Equal Opportunity Agreement: Used only if dwelling is to be constructed or improved. (400-1)
 - ✓ Statement required by the Privacy Act executed by the Borrowers (410-9).
 - The following two (2) forms are available at: http://www.ocio.usda.gov/forms/ocio_forms.html
 - ✓ Certification regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion – Lower Tier Covered Transaction Executed by Borrower(s) (AD 1048).
 - ✓ Certification regarding Debarment, Suspension, and Other Responsibility matters Primary Covered transactions executed by a Branch authorized representative (AD 1047).
 - Plans and Specifications if new construction.
 - Road Maintenance Agreement, if applicable.
 - Addendum to Mortgage Application which should be attached to original application and needs to be completed at the time of application.
 - Guaranteed Rural Housing Loans that are being originated using State Housing Finance Authority Funds (bond loans) that will be delivered to a Master Servicer, only submit the loan to investor's specific underwriting center. The submission must be identified as a Bond Loan.
 - Submission of loan package to the RHS office will either be based on the county the property is located in or a central state office.
 - ✓ **Note:** When submitting a file to Georgia RHS for eligibility review the loan package must be in a file folder labeled with the following information:
 - (Borrower): Last & first name, middle initial.
 - (Co-Borrower): Last & first name, middle initial.
 - This label must be placed on the top cut of the file on the next page.
 - WM's USDA Rural Housing ID# is Y1814.
 - **Upon receipt of the "Conditional Commitment" received from USDA the following must be submitted to the Closer:** - Lender Certificate for Single Family Home Guaranteed Loan (page two (2) of the Conditional Commitment).
IMPORTANT: If Conditional Commitment needs to be revised for loan amount it must be for \$500 or more, **no exceptions.**
- **HYBRID CORRESPONDENT:**
 - **Effective Thursday, December 1, 2011, ALL credit packages must be submitted to correspondent@wintrustmortgage.com. Please be sure to include the appropriate Underwriting Checklist Submission Document from our Correspondent website.**
 - Must be an approved lender with USDA.
 - Underwrite the file for credit and capacity and work directly with the local RD office(s) for the Conditional Commitment.
 - Closed loans will be delivered to WM at the Rosemont, IL office.

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- **CORRESPONDENT:**
 - Must be an approved lender with USDA.
 - Underwrite the file for credit and capacity and work directly with the local RD office(s) for the Conditional Commitment.
 - Closed loans will be delivered to WM at the Rosemont, IL office.
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