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USDA STANDARD

PROGRAM SPECIFICATIONS	
Description	The SFHGLP assists approved lenders in providing low- and moderate-income households the opportunity to own adequate, modest, decent, safe and sanitary dwellings as their primary residence in eligible rural areas.

Channels	• Broker
	• Correspondent
	  ○ Non-Delegated (UW)
	  ○ Delegated (UW)

FICO	• 580 minimum qualifying credit score for all qualifying borrowers • 1 credit score required for all qualifying borrower, • Use the middle score if 3 credit scores, or • The lower of the two if 2 credit scores. • Lowest representative score from all borrowers will be used for qualifying purposes.
UW Method	• Guaranteed Underwriting System (GUS)
AUS Recommendation	• Accept/Accept • Refer • Refer with Caution Note: Reference Chapter 10 of HB-1-3555 Guaranteed Loan Program Technical Handbook for Refer, Refer with Caution and Manual Underwriting requirements
Eligible Terms	• 30 Yr. Fully Amortizing Fixed
Eligible Transaction Types	• Purchase • Rate/Term Refinance (3555.101d) • Streamline Refinance • Streamlined-Assist Refinance (see separate Matrix) • Repair Escrow (see separate Matrix) • Construction –to- Permanent (see separate Matrix) **Reminder:** Cash Out refinance transactions are not permitted
Refinance Seasoning for existing USDA Loans	• The existing USDA loan being refinanced must have closed at least 180 days prior to the request for Conditional Commitment, • The existing USDA loan being refinanced must have a mortgage payment history which does not reflect a delinquency greater than 30 days within the previous 180-day period.

Eligible Property Types	The loan security must include the same property as the original loan.
	The security property must be owned and occupied by the applicants as their principal residence
	• 1Unit
	• Condominiums (Chapter 12)
	  ○ Must be approved or accepted by HUD/FHA, VA, Fannie Mae or Freddie Mac
	• Manufactured Housing (3555.102 and 3555.208)
	  ○ Singlewide & Multi-wide

Maximum LTV/CLTV	100% of appraised value
Maximum Loan Amount	The applicant is permitted to finance reasonable and customary expenses associated with purchasing a home as long as the total amount financed does not exceed any of the following limits: • The maximum loan amount for which the applicant qualifies, as determined by their income and repayment ability, • The fair market value of the property, as determined by a current appraisal conducted in accordance with the USPAP; and • The LTV of the loan can exceed 100% of the market value of the property when the guarantee fee is financed. Loans may exceed 100% LTV only to the extent that the excess represents a financed guarantee fee. The purchase price of the property is permitted to exceed these limits for applicants with sufficient cash reserves. A newly constructed dwelling that does not meet the definition of an existing dwelling, as defined at Section 3555.10, and cannot meet the requirements of Section 3555.202(a) is limited to 90 percent of the present market value. The dwelling must meet or exceed the International Energy Conservation Code (IECC) in effect at the time of construction.
Maximum DTI	• Accept or Accept Full Documentation: Follow findings • GUS Refer, Refer with Caution, and manually underwritten loans requiring a debt ratio waiver:

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	○ Max PITI ratio 32%, ○ Max TD ratio 44%, ○ Min FICO of 680, and ○ Meets at least one of the acceptable compensating factors described in HD-1-3555, Chapter 11, Section 11.3.
Guarantee Fee	USDA Rural Development guaranteed home loans obligated in fiscal year 2018 (October 1, 2017 through September 30, 2018) will be subject to the following fee schedule: • Upfront Guarantee Fee: 1% • Annual Fee: 0.35%
Income Limits	The Borrower's adjusted income may not exceed the Rural Development limit for the area • Income Eligibility ○ http://eligibility.sc.egov.usda.gov/eligibility/incomeEligibilityAction.do?pageAction=state&NavKey=income@11 • Income Limits ○ https://www.rd.usda.gov/files/RD-GRHLimitMap.pdf
Property Eligibility	http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=sfp&NavKey=property@11
Geographic Restrictions	• Hawaii ○ AFR does not operate in the state of Hawaii and does not permit loans with a subject property in Hawaii for all programs in all channels with the exception of Correspondent Delegated UW transactions. • AFR requires the use of AFR's Texas counsel on all Texas transactions with the exception of Correspondent Delegated loans. AFR utilizes this 3rd party for document preparation and require 48 hours for both title review and to generate a closing package.
Guidelines	https://www.rd.usda.gov/resources/directives/handbooks
Forms	See FORMS Section in the Resource Center
Resources	https://www.rd.usda.gov/resources/usda-linc-training-resource-library
OVERLAYS	
Credit	• 580 minimum qualifying credit score for all qualifying borrowers • 1 credit score required for all qualifying borrower, • Use the middle score if 3 credit scores, or • The lower of the two if 2 credit scores. • Lowest representative score from all borrowers will be used for qualifying purposes. • Non-traditional credit/credit reference letters are not permitted with the exception of Correspondent Delegated UW transactions with a GUS Accept recommendation • Housing History 1x30 for 6 months • Refinancing of a Reverse Mortgage (HECM) is not permitted unless: ○ The forward mortgage transaction is paying off a current Reverse Mortgage (HECM) when the applicant was not a party to the HECM and has either inherited the property or is purchasing the property from the estate (i.e. HECM parties are deceased).
Property	• The following property types are not permitted: ○ 2, 3 and 4 Units ○ Co-Ops ○ Mixed Use ○ Manufactured Housing in a Condominium Project ○ Off Grid ○ Properties with commercial influence are subject to additional review. ○ Any property where marijuana is grown or processed inside the home or on the property, regardless of the quantity or state law is unacceptable • Non-traditional heating methods (solar, wood burning stoves, etc.) without a heating back up source are not permitted. Off grid properties are not permitted. • Financing for a Site without a Dwelling is not permitted • AFR does not permit the use of a plat mat in lieu of a survey if a survey is required • AFR will not submit documents for "re-designation of ineligible areas" • AFR follows the Appraisal Guidelines in the 3555-1 Chapter12 • AFR will not permit properties with more than 100 acres • Manufactured Home requirements: ○ Purchase of a new unit or existing manufactured home must meet all HUD requirements. ○ Purchase of an existing Unit and site must have a manufactured date that is within 20 years from the date of the loan closing and meets or exceeds the FMHCSS as evidence by both an affixed HUD Certification label and HUD Data Plate. Alternative documentation: ✓ Institute for Building Technology and Safety (IBTS) certification, or

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	✓ In-Plant Primary Inspection Agency (IPIA) of the Manufacturer.
Income	• Amended tax returns are acceptable, provided there is proof that the IRS has received the return and proof of payment has been made if any taxes were due. • Employer Assistance is not permitted • AFR requires a minimum of 2 years for the length of self-employment to use as income. • AFR does not permit voluntary agreements for child support, maintenance and alimony. • Marijuana income is unacceptable income regardless of state law. • Rental income used for qualifying purposes requires proof of 3 months receipt per property. • Examples of acceptable documentation include, bank statements evidencing deposits. • In cases where a gap in rental income is documented, AFR will require a letter of explanation from the borrower.
Ownership Types	The following are ineligible for submitting/delivery to AFR: • Life Estate • Blind Trusts • Irrevocable Trusts • 1031 Exchanges • LLCs, Corporations and Partnerships • Community Land Trusts • American Indian Land

Compliance	• AFR's Net Tangible Benefit Policy/Recoupment Policy
	  ○ See AFR Resource Center for AFR Policy/State Requirements/Forms
	  ○ When a state has a more restrictive recoupment policy, this policy must be met
	• AFR does not close and/or purchase any New York loan that is a subprime home loan. All NY Loans must be tested the time the commitment is prepared.
	  ○ If the APR at the time of commitment **cannot** be determined AFR will **not** proceed with or purchase a loan with a client code of C or CDE.
	• Any loan that is classified as Rebuttable Presumption or a Higher-Priced Mortgage Loan (HPML) must have all HPML provisions applied. AFR follows Regulation Z requirements for HPML/HCML transactions.
	  ○ Loans must have an ability to repay (loan must be a full income/credit qualifying transaction)
	  ○ Loan must have an established escrow account (with the exception of Condos and PUDs where the consumer must participate in a governing association that is required to purchase a master policy insuring all dwellings) – see the TILA HPML Escrow Rule for more guidance
	  ○ Loan cannot have a prepayment penalty (AFR does not permit prepayment penalties)
	• File remains subject to all Qualified Mortgage ("QM") and Ability-to-Repay ("ATR") underwriting guidelines, including Points and Fees thresholds through consummation. AFR will not originate, close, fund, or purchase any loan that is not legally deemed as a QM.
	• All loans must provide evidence of the borrower's compliance of QM/ATR with a compliance report. **Note: Correspondent Delegated** UW clients must provide a compliance report evidencing compliance.
	• All loans must provide evidence of the borrower's ability to repay with a fully completed/executed Ability to Repay Worksheet. **Note:** Correspondent Delegated UW clients must provide a fully completed/executed Ability to Repay Worksheet showing evidence the borrower meets the ability to repay requirements.
	• AFR will not originate loans as a high cost or predatory mortgage loan
	• AFR will comply in all respects with CFPB's Rule on TILA-RESPA Integrated Disclosures. AFR will not originate, close, fund, or purchase any loan that does not adhere to the Rule.

Miscellaneous	• Funded Buy down Accounts not permitted • AFR requires all Correspondent Delegated (CDE) transactions to be purchased within 90 days of the Note date.
Disclaimer: • All overlays herein are subject to change by AFR without notice. Where AFR is silent, the UW must follow all guidelines outlined in the Guaranteed Rural Housing Loan Program Technical Handbook (HB-1-3555).	