

**WM USDA RURAL HOUSING**

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## WM USDA RURAL HOUSING

### 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.
- Must comply with this [HB-1-3555 Guaranteed Loan Program Technical Handbook](#) and this guide
- [RD Announcements](#) ([http://www.rurdev.usda.gov/rd-an\\_list.html](http://www.rurdev.usda.gov/rd-an_list.html))
- Wintrust will only offer USDA on the delegated channel.
  - Wintrust will allow non-delegation but Correspondents must be set up as a Lender Agent with Wintrust Mortgage.

### LOCK-IN/REGISTRATION:

- Loan must be locked via Optimal Blue/Blue Connect.
  - Loan Type – USDA.
  - Doc Type – Full.
  - Amortization – 30 Year Fixed Rate.
  - Maximum Interest Rate
    - Must not exceed established, applicable usury rate. (> 100 basis points over the current Fannie Mae yield for 90 day delivery for 30 year fixed conventional loan, rounded up the nearest ¼ of 1 percent)
    - Fixed Rate through life of loan.
    - Rate lock must be ≤ interest rate on form RD 1980-21.
  - **Loan Program Labels:**
    - WM\_USDA\_30\_Fxd
    - WM\_USDA\_30\_Fxd\_STLN

### MINIMUM MORTGAGE:

- None.

### MAXIMUM MORTGAGE:

- Agency conforming 1 unit loan amount to them maximum LTV supported by the appraisal.
- Purchase can include these financed fees:
  - Guarantee fee, regardless of appraised value, and
  - Reasonable closing costs and escrows (tax and insurance) may be financed when there is equity above the contract price.
- Purchase cannot include these fees:
  - Unpaid fees, such as late fees due the servicer
  - Expenses and repairs related to the property inspection – See [Escrow Holdback](#) section of guide.

### MAXIMUM LTV/CLTV:

- Applicants may finance closing costs and fees up to 100% of the appraised value. In addition:
  - Loan amount may exceed the appraised value of the property (for example, greater than a 100 percent LTV) to include the amount of the financed guarantee fee.
  - This applies only to loans for which all or a portion of the guarantee fee, eligible closing costs and repairs are being financed into the loan to a maximum of 100% LTV.
- 100% (Government Agency “Soft/Silent Seconds” allowed. See SUBORDINATE FINANCING section for details)
- **PURCHASE:**
  - Minimum 80.01% LTV is required.
  - Maximum LTV is 101.00% of appraised value when guarantee fee is financed.

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- **NO CASH OUT REFINANCE:**
  - Existing USDA Rural Housing loan only.
  - No Minimum LTV required.
  - Maximum LTV is 101.00% of appraised value when guarantee fee is financed.
- **Cash Out Refinance** – Not permitted.

### ADDITIONAL CONSIDERATIONS:

- Any RD loan subject to availability of funds is NOT ELIGIBLE.
- QM Rebuttable presumption loans must pass residual income evaluation. See [DOCUMENTATION](#) section.
- Dual Agent transactions are not eligible.
- **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.
  - **Radon Test Requirements** – Testing for Radon is not a requirement, but is recommended. If Sales Contract is “subject to” Radon inspection, WM will require copy of the Radon results. Refer to [RD Letter 6/19/12](#) (Guidance on Radon Resistant Construction and Radon Mitigation).
- **EXISTING PROPERTIES:**
- Connection must be made to a public water/sewer system or a community water/sewer system, if connection costs to the public or community system are reasonable (3% or less of the estimated value of the property). If connection costs exceed 3%, the existing on-site systems will be acceptable provided they are functioning properly and meet the requirements of the local health department. The 3% test should be applied to both connecting to water and sewer separately.
  - **Individual Wells:**
    - Appraiser must indicate distance from well to septic.
    - 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.
        - 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. (can be certified by Appraiser if he is willing to do so)
    - 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.
- **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.

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- 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.rd.usda.gov/publications/regulations-guidelines/handbooks>
- **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:
    - 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
    - Certificate of Occupancy issued by a local jurisdiction.\*\* OR
    - 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:
    - Licensed architects,
    - Professional engineers,
    - Plan reviewers certified by a national model code organization,
    - Local building officials authorized to review and approve building plans and specifications, or
    - 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 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:
    - 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;
    - 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;
    - 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.
  - Shared well between four properties max.
  - **Bacteriological, nitrate and lead 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.
- **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.

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- If a Private Road Maintenance Agreement is not available the property is ineligible.
- **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.
- Property must comply with all USDA RD and HUD requirements. See [HB-1-3555 SFH Guaranteed loan program technical handbook](#) for additional considerations. (Must scroll down to Technical Handbook)
  - **AZ, FL, ID, MN, MT, NH, NJ, NC, OR, PA and TX:**
  - See Rural Housing website: [www.rurdev.usda.gov](http://www.rurdev.usda.gov) for state specific requirements and complete details.
  - **Flood Insurance**
    - If flood insurance is required, a flood insurance policy or the application signed by the insurance agent for such insurance reflecting the flood zone as listed on the standard flood hazard determination, along with a paid receipt evidencing the first full year's premium has been paid in full is required in the Closed Loan Package delivered to Wintrust Mortgage. Insurance must be placed on a property located in an area where flood insurance is required by the National Flood Insurance Act of 1968, as amended.
    - The minimum amount of flood insurance coverage for individual insurance must be equal to the lesser of:
      - ✓ 100% of the insurable value of the improvements (with losses to be paid at replacement cost) as determined by the hazard insurance provider, or
      - ✓ National Flood Insurance Program (NFIP) maximum for the particular type of building, or
      - ✓ The maximum that may be required under applicable state law.

### AGE OF DOCUMENTS:

- Credit Documents - 120 days
- Title Commitment must be no more than 90 days old on the date the note is signed

### APPRAISAL REQUIREMENTS:

- Copy of the Appraiser's current license.
- Copy of the Appraiser's current E&O Insurance.
- Appraiser eligibility must be verified. Contact your Account Executive.
- Obtain a conventional Appraisal completed on a standard FNMA 1004 approved Appraisal form (URAR).
  - Market condition addendum report required economic life.
  - Include cost approach and remaining economic life.
- Appraisal transfers are not allowed
- Appraisals are valid for 150 days, effective from date of appraisal, and must be valid when the conditional commitment is requested
- Must comply with 7 CFR 3555 when implemented.
- No acreage limit, site size must be typical for the area.
- See [ADDITIONAL CONSIDERATIONS](#) for the property related items.
- Appraisal good for one-year (1).
- Re-Certification of value required after 150 days on existing properties, 180 days on new construction.
- Appraisals will need to be [UAD compliant](#).
- **PROCEDURE FOR APPRAISALS ON PROPERTIES IN A DISASTER AREA:**
  - If property was appraised **prior** to the disaster you must obtain an additional property inspection **prior** to closing. Appraiser must provide an addendum stating "I have reviewed the subject property and noted no damage, deferred maintenance, adverse affect on value or marketability related to the recent severe weather."
  - If the Appraiser indicates damage, the extent of the damage must be addressed, and completion of any repairs needed to ensure that the property is "safe, sound and sanitary" will be required. A new full Appraisal is required.
  - If a property is appraised **after** the disaster, you must obtain an interior and exterior inspection even if the AUS **or** loan program has offered a more streamlined property inspection.

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- Non-standard Appraisals (1075/466, 2055 or 2075/2070) are **not** allowed for a minimum of one (1) year after the disaster.
- Refer to [FEMA website](#).
- Verify the Borrowers 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:**

- Ineligible.

**BORROWERS ELIGIBILITY:**

- SAM must be checked within 30 days of the note date for Borrower, Seller, Listing or Selling agent, Loan Officer, Processor, Underwriter, Appraiser/or Builder.
- US Citizen.
- Permanent Resident Alien.
  - Eligible with proof of lawful permanent residency.
  - Underwritten same as US citizen.
  - LINK
- Immigration document number must be input into GUS and pass review.
- Home Ownership Counseling for all first-time homeowners is required by RHS in certain states:
  - FL, GA, LA, NE, SC, VA, and WA: See Rural Housing website: [www.rurdev.usda.gov](http://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:
  - Listed in CAIVRS as clouded.
  - Non-resident Alien.

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**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.

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### BUYDOWNS:

- Not permitted.

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### CASH RESERVES:

- Not Required.
- If cash reserves are indicated on GUS findings they must be verified.
- If reserves are used for qualifying, the amount used for qualifying is a 60 day average balance on the account. If the bank statement does not provide an average balance, a VOD is required
- Cash reserves used as compensating factors for credit and/or ratio waivers must be documented.
- 401k: If funds are not readily available, can not be used for reserves.

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### CLOSING DOCUMENTS:

- Request for SFH Loan Guarantee required (1980-21), available at <http://forms.sc.egov.usda.gov/eForms/searchAction.do?pageAction=BrowseForms>
- Must comply with new regulations technical handbook, and respective forms published 12/1/14: 7 CFR Part 3555. <http://www.rurdev.usda.gov/RegulationsAndGuidance.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.
- HUD1 cannot reflect cash back to the borrower(s) except for items prepaid by the borrower outside of closing. These would include the credit report, appraisal, earnest money, and/or pre-paid hazard insurance.
- 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 [HB-1-3555 SFH Guaranteed loan program technical handbook](#)
- **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.

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### CO-BORROWER(S):

- Permitted provided they occupy the property.

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**CREDIT:**

- **Minimum FICO of 620 is required.**
- See Chapter 10 of the technical handbook for additional information on credit analysis.
- <http://www.rd.usda.gov/files/3555-1chapter10.pdf>
- FICO < 680 and no GUS accept, requires a rent verification
- Borrowers must have a minimum of 2 FICO scores.
- GUS “Accept” Recommendation will not require additional verification of rent.
- Credit history must comply with all USDA RD requirements.
- Non-traditional credit not allowed.
- **Collections**
  - For loans with a GUS accept, no LOX or documentation is required.
  - [See Technical Handbook](#)
- **Derogatory Credit**
  - Foreclosure – 3 years
  - For loans with a GUS accept, no LOX or documentation is required
  - Short Sale - [See Technical Handbook](#)
- **Credit Report**
  - A residential mortgage credit report (RMCR) may be required subject to the requirements of Chapter 10 of the Technical Handbook.
- **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 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.
- **Authorized User Tradelines**
  - Lenders must ensure open authorized user tradelines reported on the credit report are an accurate reflection of the applicant’s independent approach to credit repayment and credit history.
  - Closed authorized user accounts require no consideration for manual or GUS Loan submissions.
  - A GUS underwriting recommendation of “Accept” with open authorized user tradelines must include evidence in the lender’s permanent casefile of one of the following:
    - Another applicant on the mortgage loan application owns the tradeline in question,
    - The owner of the tradeline is the spouse of an applicant,
    - Evidence the applicant has been making payments on the account for the last 12 months, or
    - There are two or more other tradelines 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.
- If one of these Conditions cannot be met an underwriting recommendation of “Accept” must be manually downgraded to a “Refer” and the file must be manually underwritten
- **Disputed Credit Tradelines:**
- When an applicant’s credit report indicates a tradeline or public record is in dispute, a GUS underwriting recommendation of “Accept” may need to be downgraded by the lender to a “Refer.” A downgrade is not required if any of the following conditions are met in regards to the disputed item listed on the credit report.
  - The tradeline has a zero balance
  - The tradeline is marked paid in full or resolved
  - The tradeline has a balance owed of less than \$500 and is more than 24 months old
- In the event a GUS underwriting recommendation is downgraded to a “refer” the lender must remit a fully underwritten case file to the Agency.
- [See HB-1-3555 SFH Guaranteed loan program technical handbook](#) for additional considerations. (Must scroll down to Technical Handbook)



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- **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
  - No score: Does not qualify for streamline documentation
  - Non-Traditional credit **ineligible**
- **STREAMLINED DOCUMENTATION FOR FICO SCORES OF 640 OR HIGHER (Allowed with GUS "Approval")::**
- 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. Minimum FICO of 680 will be required.

### DISCLOSURES:

- Guarantee Fee Calculator Exhibit E-350.
- Follow State/Federal Requirements.

### DOCUMENTATION:

- **ASSETS:**
  - Assets are not required to be verified.
  - Earnest Money – See [DOWNPAYMENT REQUIRED](#)
- **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".
  - The CFPB's Ability to Repay Rule and Qualified Mortgage Standards are effective for all mortgage loan applications dated on or after January 10, 2014.
  - Must comply with all USDA requirements. <http://www.rd.usda.gov/publications/regulations-guidelines/handbooks>
  - Net family assets with a cumulative total of \$5000 or greater must be considered in the family income calculation.
    - 401(k) accounts are not considered in net family assets.
  - **Residual income Requirements for QM Rebuttable Presumption loans**
    - If monthly residual income is \$2500 or greater, then no additional minimum reserve requirements on top of base loan program.
    - If monthly residual income is  $\geq$  \$800 but  $<$  \$2500, then 3 months liquid PITI reserves are required.
    - If monthly residual income is  $<$  \$800 then loan is not eligible.
    - Underwriting must document residual income prior to closing.
  - All household income will be considered for GRH eligibility. However, all eligible income may not be acceptable as qualifying income.

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- **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.
  - See Chapter 9 of the technical handbook for additional income guidance.
  - <http://www.rd.usda.gov/files/3555-1chapter09.pdf>
  - 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.
- 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.
- **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.
      - A VOE within 10 calendar days of the Note is required.
    - 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.
    - Year to Date profit and loss and Balance Sheet required.
    - 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.
      - Verification of employment via a CPA letter or business license lookup from a government website within 30 calendar days of the Note is required.
- Fully processed 4506-T with transcripts attached is required for all household members 18+.
- Refer to **BORROWER ELIGIBILITY** section Requirements regarding Homebuyer Counseling for all first-time homeowners.
- See [HB-1-3555 SFH Guaranteed loan program technical handbook](#) for additional considerations. (Must scroll down to Technical Handbook)

### DOWN PAYMENT REQUIRED:

- None.
- Verification of funds is not required unless the Borrower's contribution is > 2% of sales price.
- Documenting Earnest Money
  - 2 months asset statements required documenting source of funds for earnest money deposit
- See [Technical Handbook](#).

### 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 3555-21 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.

## WM USDA RURAL HOUSING

- Refer to **UNDERWRITING SUBMISSION PROCEDURE** section, **Submission Procedures-Delegated Submissions** sub-section for additional requirements.
- Must comply with new regulations technical handbook, and respective forms published 12/1/14: 7 CFR Part 3555.
- 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 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.
- Interior work is not eligible

### ESCROW WAIVERS:

- Not Permitted.

### GEOGRAPHIC RESTRICTIONS:

- **Florida** – Broward, Miami-Dade and Monroe county ineligible, all others eligible.
- **California** – All counties eligible except San Bernardino & Riverside Counties
- **Maryland** - DU™/LP™ Verification of Income or Asset relief not permitted.
- **Nevada** – Ineligible.
- **New York** – Allowed with approved WM Attorney (Contact correspondent rep for more details).
- **Hawaii** – Properties in Lava zones 1 & 2 ineligible.
- See Rural Housing Website: [www.rurdev.usda.gov](http://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, employer or labor union, charitable organization or grants from a municipality or non-profit organization are permitted, provided they are unrelated to the transaction.
- See [Technical Handbook](#).
- A gift letter must be completed and signed by both the donor and the Borrower.

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- **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 of 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.
- **Conditional Commitments:**
  - **Up-Front:**  
- 1.00% -
  - **Annual:**  
- 0.35% -
- 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.rd.usda.gov/publications/regulations-guidelines/forms-publications>
- 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.
- The dwelling retained may not be financed with a Section 502 Direct or Guaranteed loan, or have a Section 504 repair loan or active grant.
- See [Technical Handbook](#) for additional considerations.

### MORTGAGE INSURANCE:

- Not Applicable.

### MORTGAGE INSURERS APPROVED:

- Not Applicable.

## WM USDA RURAL HOUSING

### 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.
- **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](http://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](http://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.
    - Must include Condo Warranty form verifying eligibility
    - 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](#).

## WM USDA RURAL HOUSING

- **PUDs:** See Rural Housing Website: [www.rurdev.usda.gov](http://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](http://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.
- 2-4 units
- Time share
- Income producing properties
- Leasehold
- Life Estate
- Commercial Property
- Condo/PUD Hotel
- Mixed Use
- Coops

### RATIOS:

- 29%/41%.
- Higher ratios may be permitted in accordance with RD requirements with a GUS Accept/Eligible recommendation.
- Debts with > 10 monthly payments remaining must be included in the qualifying ratios.
- Can payoff and close revolving debt to qualify.
- Must comply with all USDA RD requirements. [See HB-1-3555 SFH Guaranteed loan program technical handbook](#) for additional considerations. (Must scroll down to Technical Handbook)
- Payment shock
  - Payment shock is a risk layer:
    - PITI is >29% AND
    - Proposed mortgage payment is 100% or > current housing expense, or borrower has no housing expense history.
    - Payment shock is not a risk layer if PITI ratio is < 29% and the loan has a GUS Accept/Eligible recommendation.
    - Payment shock should not exceed 100% without strong documented compensating factors.
- Ratio waivers are acceptable to RHS with compensating factors.
  - See [Chapter 11 of the Technical Handbook](#)
  - Never greater than 32%/44%
  - Must have FICO >= 680
  - 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.

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- 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 ten 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 ten 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** – Lenders must include the greater of one percent of the outstanding loan balance or the verified fixed payment as reflected on the credit report. [See Chapter 11 for additional considerations.](#)
- **CA & TX:** Debt Analysis, See Rural Housing website: [www.rurdev.usda.gov](http://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](http://www.rurdev.usda.gov) for complete details.
- **CA:** Non-Purchasing spouse See Rural Housing website: [www.rurdev.usda.gov](http://www.rurdev.usda.gov) for complete details.

#### REFINANCES:

- Cash Out is not allowed.
- No other real estate-owned allowed.
- Must also comply to [HB-1-3555 Chapter 6](#)
- Non-Streamline (Rate & Term):
  - At least one applicant whose income or assets are used for qualifying must have 2 historical trade line payment references that have existed for 12 months.
  - 0\*30 in last 12 months mortgage payments.
  - The maximum loan amount cannot exceed the balance of the existing Rural Housing long being refinance plus:
    - Accrued interest
    - Financed guarantee fee
    - Reasonable and customary closing cost
    - Fund to establish a new tax and insurance escrow
  - Unpaid fees, such as late fees due to the servicer are not eligible to be included in the new loan amount.
  - Borrowers may be reimbursed at closing for any fees paid in advance (for example, appraisal and credit report fee). A nominal amount of “cash-out” to the borrowers may occasionally result due to final escrow and interest calculations. This amount, if any, must be applied to a principle reduction of the new loan.
  - The existing loan to be refinanced was closed at least 12 months prior to Rural Housing’s receipt of a conditional commitment request for refinance.
  - At least one original borrower must remain on the new loan.
  - Recent listed properties – listing must have expired or been withdrawn prior to application date.
  - All loans must be submitted to Guaranteed Underwriting System (GUS).
  - Texas properties ineligible.
  - Escrow accounts are required for all USDA refinances.
- Streamlined-Assist
  - 620 minimum FICO
  - Existing USDA Guaranteed Rural Housing loan only.
  - 0\*30 in last 12 months mortgage payments.

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- No Appraisal.
- The borrower's adjusted annual income may not exceed the Rural Development limit for the area.
- Complete 1008 with DTI shown, this is for reporting purposes only as there isn't a DTI restriction.
- Minimum 12 months on loan being refinanced.
- The borrower must receive a Net Tangible Benefit. Net Tangible Benefit is defined as a \$50 or greater reduction in the principle, interest and/or annual fee monthly payment compared to the existing principle and interest including the annual fee payment.
- Total adjusted annual income for the household cannot exceed the USDA RD moderate level for the area.
- Any existing secondary/subordinate financing cannot be included in the new loan amount. Any existing secondary financing must be subordinate to the new first lien.

### • **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.
- Can not exceed 6% of sales price. (including any interested party contributions)
- 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 commitment must be no more than 90 days old on date the note is signed.

### **TITLE VESTING:**

- Individual.
- Joint Tenants.
- Tenants in Common.
- Ineligible – Illinois land trust

### **TRANSACTION TYPES:**

- Purchase.
- No Cash-Out Refinance.



## WM USDA RURAL HOUSING

### UNDERWRITING SUBMISSION PROCEDURE:

- All loans must be submitted to USDA Guaranteed Underwriting System. (GUS)
  - Refer/Eligible will require a Manual Underwriter
- 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 3555-21 Request for SFH Loan Guarantee.
  - FNMA 1008 signed by the Underwriter.
  - USDA Form 3555-21 Request for SFH Loan Guarantee
  - GUS Findings
  - Credit report for non-borrowing spouse in community property states.
  - Uniform Residential Appraisal Report.
  - FEMA Form 81-93 Standard Flood Hazard Determination.
  - Evidence of qualified alien if applicant is not a U.S. Citizen qualified through GUS or obtained local office approval prior to submission.
- Must comply with new regulations technical handbook, and respective forms published 12/1/14: 7 CFR Part 3555.
- <http://www.rurdev.usda.gov/RegulationsAndGuidance.html>
- 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)
- Appraiser eligibility must be verified. Contact 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](http://www.rurdev.usda.gov) for complete details.
- **SUBMISSION PROCEDURES:**
- **Delegated 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: [USDA Forms](#)
- Request for Single Family Housing Loan Guarantee (3555-21) 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: [USDA Forms](#)
- 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).
  - The following form must be fully completed, signed and submitted with the Credit Package:
- Representations Regarding Felony Conviction and Tax Delinquent Status for Corporate Applicants (AD 3030). Refer to [USDA Forms](#)
  - 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.

**WM USDA RURAL HOUSING**

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- 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.*
  - **CORRESPONDENT Non-Delegated:**
  - ***ALL credit packages must be submitted to [correspondent@wintrustmortgage.com](mailto: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.
    - The following form must be fully completed, signed and submitted with the Credit Package:
  - Representations Regarding Felony Conviction and Tax Delinquent Status for Corporate Applicants (AD 3030). Refer to [USDA Forms](#)
  - **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.
-