



## USDA Rural Loan Matrix

<b>Documentation Requirements</b>	All loans must meet standard FHA loan documentation and qualification requirements		
<b>Exceptions</b>	Exceptions to guideline requirements will be made on a case-by-case basis with Sr. management approval		
<b>Owner Occupied Only</b>	Property Type	Up to FHA Loan Limits	High Balance
<b>600 Minimum FICO score</b>	SFR Detached	110/110*	NA
	SFR Attached	110/110*	NA
	Condo/Townhouse	110/110*	NA
	*for Pricing Criteria and does NOT determine final loan eligibility criteria		
<b>Terms/Product</b>	<ul style="list-style-type: none"> <li>Fixed: 30 Yr. only</li> </ul>		
<b>Underwriting</b>	<p><b><u>All USDA files will need 2 months bank statements regardless if funds are needed or not needed for closing.</u></b></p> <p><b>Validate Credit Score</b> - GUS Refer, Refer with Caution, and Manually Underwritten files: One applicant whose income and/or assets is used to originate the loan must have a validated credit score. This applicant must have two tradelines on the credit report that have been/were/are open for 12 months based on the date the account was opened as stated on the credit report. A validated score does not indicate the applicant has an acceptable credit history. A validated score confirms that one applicant has an eligible minimum credit history.</p> <p>The following tradelines are eligible to validate the credit score and may be open, closed, and/or paid in full: loans (secured/unsecured), revolving accounts, installment loans, credit cards, collections, charge-off accounts, etc. Lenders may use an authorized user account to validate the credit score when one of the following is met:</p> <ul style="list-style-type: none"> <li>•The tradeline is owned by another applicant on the mortgage loan application;</li> <li>•The owner of the tradeline is the spouse of the applicant; or</li> <li>•The applicant can provide evidence that they have made payments on the account for the previous 12 months prior to loan application</li> </ul> <p>Public records (bankruptcy, foreclosure, tax liens, judgments, etc.), disputed, and self-reported accounts are ineligible tradelines for credit validation.</p> <p>USDA foreclosure requires documented extenuating circumstance w National USDA approval.</p> <p><b>With GUS accept, manual downgrade for minimum tradeline is not required</b></p> <p><b>CREDIT SCORES AND VALIDATION (continued) Common Scenarios:</b></p> <p>A. Only one eligible tradeline on the credit report? Non-traditional tradelines may be verified to meet the cumulative tradeline number requirement.</p> <p>B. No eligible tradelines on the credit report? One applicant whose income or assets are used to underwrite the loan must have an eligible non-traditional credit history. Refer to the Nontraditional credit section of this matrix for guidance. GUS Refer, Refer with Caution, and manually underwritten files are not eligible for debt ratio exceptions if:</p> <ol style="list-style-type: none"> <li>1. There is not one applicant with a validated score using traditional tradelines on the credit report, or</li> <li>2. The file requires non-traditional credit tradelines.</li> </ol>		



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<b>Underwriting Cont.</b>	<p><b>CREDIT EXCEPTIONS</b> Credit repayment issues do not always reflect an inability or unwillingness to meet financial obligations. When evidence of significant derogatory credit is present, lenders may consider extenuating circumstances and determine if the applicant is creditworthy. The lender's underwriter must use prudent underwriting judgment to evaluate loan requests that include significant derogatory credit. Refer to guidance in this Chapter to determine if a credit exception is required.</p> <p>GUS Accept files - No credit exception required: GUS has determined the credit is an acceptable risk. Confirm the Declarations on the loan application are accurate. No credit exception is required.</p> <p>GUS Refer, Refer with Caution, manually underwritten files: The credit exception must include the lender's documented rationale on the underwriting transmittal summary or similar underwriting form. The rationale must meet the following:</p> <ul style="list-style-type: none"><li>•The circumstances that led to the derogatory credit were temporary in nature, beyond the applicant's control, and due to the current employment/financial/health of the household are unlikely to recur. Examples include but are not limited to: temporary loss of job/unemployment, delay or reduction in benefits, illness, divorce, dispute over payment for defective goods or services, etc.;</li><li>• The approved lender must explain their rationale for issuing the credit exception (identified compensating factors, etc.) and why the applicant(s) remains an acceptable credit risk; and</li><li>•The applicant must provide documentation to the approved lender for their permanent loan file that supports the extenuating circumstances.</li></ul> <p>USDA does not approve the lender's credit exception. Lenders are responsible for their credit decision. Previous USDA losses, delinquent non-tax Federal debts, delinquent child support, and ineligible CAIVRS results are not eligible for lender approved credit exceptions.</p> <p><b>NON-TRADITIONAL CREDIT</b></p> <p>Applicants that do not have the required traditional credit history, a validated credit score, may document their willingness to pay debt obligations through alternate sources. The use of a non-traditional credit history is not a reason to deny a loan.</p> <p><b>Applicants with a 12-month Verification of Rent (VOR):</b> Two tradelines are required: The VOR plus one additional tradeline. This tradeline must be an eligible traditional tradeline from the credit report with a 12-month history or an eligible non-traditional tradeline.</p> <p><b>Applicants with no rent history:</b> Three tradelines are required. Tradelines may be a combination of traditional tradelines from the credit report with 12-month history or eligible non-traditional tradelines.</p> <p><b>Non-traditional credit may be documented as</b></p> <ol style="list-style-type: none"><li>1. A Non-Traditional Mortgage Credit Report (NTMCR),</li><li>2. Self-Reported tradelines on a traditional credit report, or</li></ol>
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<p><b>Underwriting Cont.</b></p>	<p>3. Evidence from third party verifications, canceled checks, money order receipts, electronic payments, payment histories from the creditor/company, bank statements that clearly identify debit payments for the service/product, etc.</p> <p>An eligible non-traditional tradeline must have a 12-month history and cannot have been closed more than 6 months prior to loan application. Examples of acceptable non-traditional credit sources include but are not limited to:</p> <ul style="list-style-type: none"> <li>•Rent or housing payments</li> <li>•Utility services: gas, electric, water, land-line telephone service, or cable TV (services should not be included in rent payments)</li> <li>•Insurance payments: automobile, life, household, renter’s insurance, medical supplements. Premiums paid through payroll deduction for employee offered coverage of plans are ineligible. Premiums paid quarterly or annually are acceptable when the payment(s) provide 12 months of coverage.</li> <li>•Childcare: licensed childcare providers may provide documentation to support the date of enrollment, dates of fees paid, etc. Bank statements to support cash withdraws or handwritten receipts are not acceptable.</li> <li>•School tuition</li> <li>•Payments to local stores (car dealerships, department/furniture/appliance stores, specialty stores)</li> <li>•Payments for uninsured portions of medical bills</li> <li>•Internet or cell phone services</li> <li>•Automobile leases</li> <li>•Personal loans with repayment terms in writing, supported with canceled checks, money order receipts, or electronic payment receipts</li> <li>•12 month documented history of savings that demonstrate regular deposits which equal three months of proposed mortgage (PITI) payments that will be retained as cash reserves post-closing</li> <li>•Any other reference that gives insight into the applicant’s willingness to make periodic payments on a regular basis for recurring credit obligations.</li> </ul> <p>Child support, alimony, garnishments, court ordered debts, monthly subscription services, gym memberships, etc. are not eligible non-traditional credit tradelines. Applicant’s that utilize nontraditional credit to qualify for a guaranteed loan are not eligible for debt ratio waivers</p> <p><b>RECENT/UNDISCLOSED DEBTS/INCREASED BALANCE OF EXISTING DEBTS IDENTIFIED AFTER A CONDITIONAL COMMITMENT IS ISSUED</b></p> <p>Lenders may discover new debt(s)/increased payments of existing debts/etc. after USDA issues a Conditional Commitment (Form 3555-18/18E) but prior to loan closing. These debts/payment amounts were not part of the loan application submitted to USDA. Examples of these debts include but are not limited to: installment debts, revolving credit lines, real estate taxes, final homeowner’s insurance premiums, etc.</p>
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<b>Underwriting Cont.</b>	<p><b>Cumulative debt amount of \$50 or less:</b> When the additional monthly amount(s) of the new/increased debt(s) does not exceed \$50, the lender may retain the issued Conditional Commitment. The lender must retain all documentation to support the new/increased debt(s) and payment(s) in the permanent loan file. No further action is required.</p> <p><b>Cumulative debt amount \$51 or more:</b> Lenders must request the GUS loan to be released by USDA. Lenders must enter the new/increased debt(s) and payment amount(s). The lender must retain all documentation to support the data entries. A new preliminary underwriting submission must be completed to confirm the GUS underwriting recommendation. Lenders must upload documentation as applicable and complete a new final underwriting submission to USDA. USDA will issue a new Conditional Commitment. Lenders cannot not close loans without a valid Conditional Commitment.</p>
<b>Credit Score</b>	<ul style="list-style-type: none"> <li>• 600 - Lower of 2 or Middle of 3 repositories. (580-599 exception only)</li> <li>• 640 and below credit scores require a manual underwrite. (GUS will not approve 640 and below)</li> </ul>
<b>Down Payment</b>	<ul style="list-style-type: none"> <li>• No minimum down payment required- but asset verification is still required</li> </ul>
<b>Seller Assist/IPC</b>	<ul style="list-style-type: none"> <li>• Maximum 6 % of sales price</li> </ul>
<b>DAP Assistance</b>	<ul style="list-style-type: none"> <li>• Borrowers who choose to make a down payment may use a Government or Municipal Down Payment Assistance Program (DAP).</li> </ul>
<b>Subordinate Financing</b>	<ul style="list-style-type: none"> <li>• Not Permitted.</li> </ul>
<b>Assets/ Reserves</b>	<p><b>Documentation:</b> Two months of recent bank statements, <b>or</b></p> <ul style="list-style-type: none"> <li>• Verification of Deposit (VOD) and a recent bank statement; <b>or</b></li> <li>• Alternate evidence (example: statement print outs stamped by lender) to support account activity and monthly balances.</li> <li>• Investigate all recurring deposits on the account statements that are not attributed to wages or earnings to confirm the deposits are not from undisclosed income sources. There is no tolerance or percentage of the amount of a recurring deposit that is not required to be investigated.</li> <li>• Investigate individual (non-recurring) deposits greater than \$1,000 on the account statements that are not attributed to wages or earnings to confirm the deposits are not from undisclosed income sources.</li> <li>• If the source of a deposit is readily identifiable on the account statement(s), such as a direct deposit from an employer, the Social Security Administration, an IRS or state income tax refund, or a transfer of funds between verified accounts, and the source of the deposit is printed on the statement, the lender does not need to obtain further explanation or documentation. However, if the source of the deposit is printed on the statement, but the lender still has questions as to the source of deposit, the lender should obtain additional documentation.</li> </ul> <p><b>Reserves: Eligible</b> •Lenders must use the lesser of the current balance or previous month's ending balance when calculating reserves. Deposited gift funds require further documentation and calculation. Refer to the "Gift Funds" section for further guidance</p> <p><b>Funds to Close: Eligible</b></p>
<b>Mortgage/Rent History</b>	<ul style="list-style-type: none"> <li>• If GUS is ACCEPT and Credit Score is &gt; 640, follow GUS Findings.</li> <li>• If GUS is REFER and Credit Score is &lt; 640 need verification of rent (cancelled checks or 3<sup>rd</sup> party Institution) ~ If GUS is REFER and Credit Score is &gt; 640, follow GUS Findings.</li> </ul>
<b>Occupancy</b>	<ul style="list-style-type: none"> <li>• Owner Occupied Primary residence only.</li> </ul>
<b>Debt to Income Ratio</b>	<ul style="list-style-type: none"> <li>• Must maintain Gus Accept Findings – typically maximum 31/43% DTI, Credit score less than 640 – DTI must not exceed 29/41</li> </ul>



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<b>Student Loan Payments</b>	<ul style="list-style-type: none"> <li>• <u>Student loans</u>. Lenders must include the payment as follows: <ul style="list-style-type: none"> <li>○ <u>Fixed payment loans</u>: A permanent amortized, fixed payment may be used in the debt ratio when the lender retains documentation to verify the payment is fixed, the interest rate is fixed, and the repayment term is fixed.</li> <li>○ <u>Non-Fixed payment loans</u>: Payments for deferred loans, Income Based Repayment (IBR), Graduated, Adjustable, and other types of repayment agreements which are not fixed cannot be used in the total debt ratio calculation. <u>The higher of one half percent (.50%) of the loan balance or the actual payment reflected on the credit report</u> must be used as the monthly payment in the underwriter decision. No additional documentation is required.</li> </ul> </li> </ul>
<b>Bankruptcy</b>	<ul style="list-style-type: none"> <li>• Minimum 2 Years discharged if a result of extenuating circumstances. Minimum 3 Years discharged if a result of financial mismanagement. Multiple Bankruptcies are not permitted. &lt;2 yrs. w/documented extenuating circumstance</li> </ul>
<b>Foreclosure</b>	<ul style="list-style-type: none"> <li>• Minimum 3 Years completed. Delinquencies since Foreclosure discharge will be scrutinized and may result in an ineligible loan. &lt;3 yrs. w/documented extenuating circumstance</li> </ul>
<b>Property Types</b>	<ul style="list-style-type: none"> <li>• Single Family Attached and Detached, Condo, PUD, Man. Home on <i>Pilot Program*</i> (the existing manufactured home needs to be built 2006 or newer)</li> </ul>
<b>Condominium</b>	<ul style="list-style-type: none"> <li>• Condominium must be currently agency approved</li> </ul>
<b>Mortgage Insurance</b>	<ul style="list-style-type: none"> <li>• 1.00% Up front guarantee Fee as of 10/1/15, .35% Annual Fee</li> </ul>
<b>Cash out</b>	<ul style="list-style-type: none"> <li>• Not applicable. Program is available on Purchases/ Rate and Term only. Cash back can be documented funds into transaction</li> </ul>
<b>Appraisal</b>	<ul style="list-style-type: none"> <li>• Full Appraisal is required. Appraisals must be ordered via Mortgage Machine or approved AMC. Appraisal must meet HUD standards</li> </ul>
<b>Escrows</b>	<ul style="list-style-type: none"> <li>• Escrow of Tax, Insurance and MIP are required on all loans.</li> </ul>
<b>Property Flips</b>	<ul style="list-style-type: none"> <li>• Flip transactions are eligible</li> </ul>
<b>Number of Financed Properties</b>	<ul style="list-style-type: none"> <li>• Borrower may own additional property however the other property must be deemed inadequate (increased family size, family needs, and safety hazards) or other property must be more than 50 miles away from the subject</li> <li>• Relocation due to a new job opportunity</li> <li>• Requires a larger home to provide for a growing family.</li> <li>• Obtaining a divorce and the ex-spouse will retain the dwelling.</li> <li>• Is a non-occupying co-owner or co-borrower on another mortgage loan and wants to purchase their own dwelling.</li> </ul>
<b>Well and Septic requirements</b>	<ul style="list-style-type: none"> <li>• USDA requires a water test if there is a well. Click n' Close will need to confirm they meet state &amp; local standards</li> <li>• The appraiser will need to state on the appraisal if a septic inspection is required</li> </ul>
<b>Non Arm's Length Transactions</b>	<ul style="list-style-type: none"> <li>• Must be an Arm's Length transaction.</li> </ul>
<b>Eligible States</b>	<ul style="list-style-type: none"> <li>• Eligible in all Click n' Close licensed states.</li> </ul>
<b>Tax Transcripts</b>	<ul style="list-style-type: none"> <li>• Required on all household members regardless of income source.</li> </ul>