

## Primary Residence Purchase or Refinance (manual underwrite ONLY) \*

600*	1	100%	100% Maximum LTV plus the amount of the GF	101%
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Eligibility for loans are determined by CFR 3555 as published by Rural Development/USDA for the Guaranteed Loan Program. To reference the CFR 3555 that will be effective as of December 1, 2014 use this link: <https://usdalinc.sc.egov.usda.gov/USDALincTrainingResourceLib.do>. These guidelines have incorporated the updates of CFR 3555 and FSB underwriting will use these parameters for determining loan qualification.

## Eligibility Requirements

<b>4056T &amp; Tax Transcripts</b>	<p>Transcripts are required on all borrowers and all household members.</p> <p>It is the submitting lender, broker or Loan Officer that is responsible to provide FSB with valid data on all household members accordingly. The 4506C must be properly completed to insure acceptance by the IRS. FSB will order all transcripts for a file.</p> <p>If transcripts are not delivered to FSB for underwriting, this WILL NOT delay the submission to USDA but will delay the CTC of the file.</p>
<b>Appraisal</b>	<p>Must meet USDA/RD requirements per CFR 3555 – See Chapter 12</p> <p><b>Must state home meets HUD Handbook 4000.1 on page three of the appraisal form in the “comment” section. Alternatively, the appraiser may make their certification in an addendum to the appraisal.</b></p> <p><u>Swimming Pools</u> Per CFR 3555 – USDA may approve dwellings with in-ground swimming pools</p> <p><u>Use of Property</u> The use of the property must comply with zoning and use restrictions. If the existing property does not comply with current zoning regulations, but is accepted by the zoning authority, it is considered a legal nonconforming property. The property is not eligible for a USDA guarantee when the use is not legal. The appraisal must reflect any adverse effect of the legal nonconforming use on the value and marketability of the property. (Chapter 12)</p> <p><u>Age of Appraisal</u> The appraisal must have been completed within 150 days of loan closing. The lender may pass the cost of the appraisal on to the borrower. All appraisal reports must include a Market Condition Addendum (Form FNMA 1004MC) and meet the Uniform Appraisal Dataset (UAD) requirements set forth by Fannie Mae and Freddie Mac.</p> <p>Residential appraisals will be completed using the sales comparison approach. The cost approach is not required for the Guaranteed Loan Program. (USDA Message 5-14-15) An appraisal prepared for REO purposes, or for any other purpose other than for a purchase transaction, is not acceptable for a loan guarantee. A new appraisal with the</p>

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intent to arrive at an opinion of value for a purchase transaction must be obtained. (e.g., FHA REO appraisals are not allowed)

Lenders may extend the validity period of an appraisal with an appraisal update report that will be no greater than 240 days from the effective date of the initial appraisal report at loan closing (150 days for the original appraisal plus 90 days for the Appraisal Update Report). Appraisals with no update will be no greater than 150 days from the effective date of the appraisal report at loan closing (120 days validity period plus a 30-day extension period). The 30-day extension period cannot be used when the original appraisal report is updated. An original report can be updated on time with an Appraisal Update Report. The appraisal update/extension must be requested before the original appraisal expires.

Note: When a client seeks a more current value or analysis of a property that was the subject of a prior assignment, this is not an extension of that prior assignment that was already completed. It is simply a new assignment.

Note: The ECOA Valuations Rule requires copies of appraisals and other written valuations be delivered to borrower promptly upon completion, or three (3) business days before consummation, whichever is earlier.

### Use of Property

The use of the property must comply with zoning and use restrictions. If the existing property does not comply with current zoning regulations, but is accepted by the zoning authority, it is considered a legal nonconforming property. The property is not eligible for a USDA guarantee when the use is not legal. The appraisal must reflect any adverse effect of the legal nonconforming use on the value and marketability of the property.

### Economic Life

The economic life of a property must meet or exceed the term of the proposed loan. The appraiser may reject the property if the future economic life of the property is shortened by obvious and compelling pressure to a higher use, making a long-term mortgage impractical.

### Appraisal transfer

An appraisal ordered by another lender for the applicant can be transferred to the lender who will complete the purchase transaction. The initial lender must agree to the transfer of the report. A letter from the initial lender who ordered the appraisal report must be retained in the permanent loan file as evidence the lender transferred the report to the lender completing the purchase transaction. The receiving lender must assume full responsibility for the integrity, accuracy and thoroughness of the appraisal report including the methods that the original lender used to acquire the appraisal. The appraisal report must be no older than 120 days at loan closing to be valid

### Existing Dwelling vs New Construction

An existing dwelling, per USDA, has been completed for more than 12 months or has been completed less than 12 months but has been previously occupied.

A new construction dwelling is defined as a property that has been completed in the last 12 months and/or not previously occupied.

	<p>If the property is considered new construction, further conditions will be required. Please see “New Construction” section in this matrix.</p> <p>Required repairs under the noted handbooks are limited to those repairs necessary to preserve the continued marketability of the property and to protect the health and safety of the occupants. Applicants are encouraged to obtain a detailed home inspection of the property independent of any other inspections.</p> <p>Termite inspections are not required unless the lender, appraiser, inspector or State law requires the inspection to confirm the property is free of active infestation. <i>See Special Requirements Section for further information on Termite Inspections.</i></p> <p>An inspection to confirm thermal standards is not required for existing dwellings.</p>
<b>Appraiser Requirements</b>	<p>Appraisers must be on FHA’s approved list on the FHA Connection with State Certification designation of Certified General or Certified Residential.</p> <p>The assigned appraiser must perform the physical inspection of the property and may not sign the appraisal performed by another appraiser.</p> <p>Only appraisers who are properly licensed or certified, as appropriate, to make residential real estate appraisals in accordance with the criteria set forth by the Appraiser Qualification Board of the Appraisal Foundation regardless of the amount of the loan.</p>
<b>Assets/Reserves</b>	<p>All assets disclosed by borrower on the 1003 must be documented with 2 months most recent consecutive bank statements.</p> <p>NSF or similar fees are not allowed. If borrower has NSF or overdrafts on their bank statements, FSB will need an LOX to explain why these exist. The LOX should not indicate Financial Mismanagement. The underwriter will take into consideration any information provided on the NSF’s and determine if the file has merit to proceed with an approval.</p> <p><b><u>Cash Reserves</u></b></p> <p>Although cash reserves after closing are not required, cash reserves are considered in the risk assessment provided by GUS. Lenders must determine if the asset is liquid or readily converted to cash and can be done so absent retirement or job termination.</p> <p>Assets such as 401K, IRA’s, etc, may be included in the underwriting analysis up to only 60% of the vested value. Funds borrowed against these accounts may be used for loan closing but are not to be considered as cash reserves.</p> <p>Note: These funds cannot be used within GUS for cash reserves but will be used in the analysis for a manual underwrite for reserves by FSB.</p> <p>Funds from gifts from <u>ANY</u> source will <u>NOT</u> be included in the cash reserves calculation in GUS.</p> <p><b>Borrower Investment</b></p> <ul style="list-style-type: none"> <li>• No minimum borrower investment is required toward down payment.</li> <li>• <b><u>Cash on hand is ineligible.</u></b> Funds must be validated in an account</li> </ul>

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