

	<p>Lenders must verify the applicant has no delinquent Federal debt through CAIVRS. CAIVRS is a Federal government wide repository of information on those individuals with delinquent or defaulted Federal debt, and those for whom a payment of an insurance claim or guarantee loss claim has occurred. An applicant with an outstanding judgment obtained by the United States in a Federal court, other than the United States Tax Court, is not eligible for a guarantee unless otherwise stated in Chapter 10 of the USDA handbook.</p> <p>When a lender uses the USDA automated underwriting system (GUS), the CAIVRS confirmation is automatically retrieved once the application is entered.</p> <p><u>Government Services Administration's (GSA) & System for Award Management(SAM)</u></p> <p>Lender must screen the applicant and parties to the transaction on the U.S. GSA's SAM.gov website as part of the eligibility determination for the applicant. Lender must document their permanent file with the date and screen print of the results of that check. Form RD 3555-21 will document the lender performed the check. The check should occur prior to the request for commitment and be no greater than 30 days prior to loan closing, otherwise updated documentation of a more current check of SAM will be required.</p> <p><u>Electronic Signatures</u></p> <p>Allow per USDA Handbook except for closing documents. FSB does not allow electronic signatures on any closing documents. All documents at closing for signature must have original signatures.</p> <p><u>Power of Attorney (Borrower Only)</u></p> <p>POA's must be reviewed by management on all loans using this feature. Please email POA for review to mtgsupportcenter@flanagansstatebank.com prior to CTC.</p> <p><u>Undisclosed Debt Acknowledgement Form</u></p> <p>This form must be signed by all borrowers that experience an inquiry on their credit report. Only having one borrower sign for all applicable borrowers is not acceptable.</p>
Escrow Accounts for Taxes and Insurance	<p>Escrow accounts are always required on an USDA loan. No exceptions.</p> <p><u>Property Taxes</u></p> <p>When calculating escrow set up for property taxes, FSB will require certain parameters to ensure accuracy.</p> <ul style="list-style-type: none"> • All tax amounts are to show on the title commitment or tax certificate. • Tax amounts must show without excess exemptions applied. If an exemption will be in effect when the borrower takes possession of the home, we must have documentation that the title company will file the exemption at closing. If the title company cannot provide this confirmation, the exemption must be removed and tax calculation showing at the worst-case scenario for escrow set up and DTI calculation. • For New Construction, the title company must provide an estimate of the property taxes based on the appraised value of the home. A state/county approved calculator for property taxes will be allowed but the calculation must be based on appraised value.

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	<p><u>Homeowners Insurance</u></p> <p>Homeowners insurance must have the following on the declarations page:</p> <ul style="list-style-type: none"> • Property address to match appraisal address exactly • Deductible to be indicated on dec page – cannot exceed 1% of dwelling or \$1000 whichever is greater • Borrowers names to match 1003 and be spelled correctly • Mortgagee Clause to read exactly: Flanagan State Bank ISAOA 333 Chicago Road PO Box 302 Paw Paw, IL 61353 • Loan number to be on policy • Dwelling coverage to be indicated. Must cover loan amount. If a manufactured home, exceptions may apply • Effective date and expiration date to be on or before closing date • Must show policy is effective for 1 year if a purchase • If a refinance and policy will expire before first payment is made, FSB will need proof of what the new premium will be upon renewal • Must have invoice or paid receipt for premium in file prior to closing • Condo must have HO-6 insurance to cover 20% of appraised value • Condo insurance must show unit owner name and unit. Must have \$1,000,000 in building coverage and liability coverage <p>Coverage must be bound prior to closing. A quote can be used for initial underwriting but will not be accepted for final approval.</p> <p><u>Flood Insurance</u></p> <p>Dwelling to cover loan amount. Unless loan amount is over \$250,000. \$250,000 is the max FEMA allows. USDA requires total estimated cost new on cost approach section of appraisal.</p> <ul style="list-style-type: none"> ➤ Flood zone to be indicated and must match flood zone on appraisal and flood cert. ➤ Unless a higher maximum amount is required by state law, the maximum allowable deductible is \$1000 or 1% of the face amount of the policy ➤ All the other homeowner's insurance requirements apply to flood insurance as well, see above.
Escrow Repair	<p>Allowed per HB-1-3555</p> <p><u><i>Escrow for Interior Development (7 CFR 3555.202(c)1)</i></u></p> <p>When the dwelling is complete with the exception of minor interior development work, the Agency may issue the loan note guarantee on the loan if the following conditions are met:</p> <ul style="list-style-type: none"> ➤ The cost of any remaining interior work is not greater than 10 percent of the final loan amount not to exceed \$5000 ➤ The livability of the dwelling is not affected;

	<ul style="list-style-type: none"> ➤ The CD reflects the holdback; ➤ The work will be completed within 30 days of closing; and ➤ The escrow account is established in a federally supervised financial institution. <p>Certification of completion/Final Inspection is required to verify the work was completed and must:</p> <ul style="list-style-type: none"> ➤ Be completed by the appraiser; ➤ State that the improvements were completed in accordance with the requirements and conditions in the original appraisal report; ➤ Be accompanied by photographs of the completed improvements; and ➤ The individual performing the final inspection of the property must sign the completion report. <p><u>Weather related repairs will be acceptable but must be completed at the first available opportunity or a penalty may be incurred.</u></p> <ul style="list-style-type: none"> ➤ Weather related repairs will require 2 bids from licensed contractors. If licensing is not required in a state, the bids must be from a professional contractor. Valid insurance may be requested from the contractor. ➤ The higher bid will be used for the holdback. ➤ 150% of the higher bid will be used, regardless of who is providing the funds at closing. ➤ A Final Inspection for the repairs will be required to release funds ➤ Final Inspection with Final Invoices to be sent to rebeccamoorehead@flanaganstatebank.com for approval to release funds ➤ Escrow Repair Holdback Agreement must be fully executed by all parties providing funds toward repairs to be completed after closing. Form is available at www.fsbtpo.com.
Flood Hazards/Flood Insurance	<p>Existing dwellings are eligible under the SFHBLP only if flood insurance through FEMA's National Flood Insurance (NFIP) is available for the community and flood insurance whether NFIP, "write your own", or private flood insurance, as approved by the lender, is purchase by the borrower.</p> <p>Lenders are required to accept private flood insurance policies that meet the requirements of 42 USC 4012a(b)(1)(A).</p> <p>Insurance must be obtained as a condition of closing and maintained for the life of the loan for existing residential structures when any portion of the structure is determined to be located in a SFHA, including decks and carports, etc.</p> <p>However, according to the Homeowner Flood Insurance Affordability Act (HFIAA) of 2014, flood insurance is not required for any additional structures that are located on the property but are detached from the primary residential structure and do not serve as a residence, such as sheds, garages or other ancillary structures.</p> <p>New or proposed construction in an SFHA is ineligible for a loan guarantee unless:</p> <ul style="list-style-type: none"> • A final Letter of Map Amendment (LOMA) or final Letter of Map Revision (LOMR) removes the property for the SFHA is obtained from FEMA. • Note: FEMA NFIP flood elevation certificates are ineligible documentation

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	<p>At the lender's discretion, it may require flood insurance even if the residential building and related improvements to the property are not located within the SFHA.</p> <p>Flood insurance must cover the lesser of the outstanding principal balance of the loan or the maximum amount of coverage allowed under FEMA's National Flood Insurance Program (NFIP). Unless a higher amount is required by state or federal law, the maximum deductible clause for a flood insurance policy should not exceed the greater of \$1,000 or 1 percent of the face amount of the policy.</p> <p>If property is in a flood zone, USDA will require an LOX from the borrower to explain: "why there are no other suitable properties that are not located in a flood zone"</p> <p>Possible reasons may include, but are not limited to:</p> <ul style="list-style-type: none"> ➤ No similar room count on homes ➤ None in the same school district, if children are in household ➤ None with the same amenities and describe amenities
Geographic Locations/Restrictions	<p>Eligible states are as follows: All states <i>except</i> for NY, MA, VT, CT, ME, RI, NH, VA, AK, HI – Delegated Only, Washington D.C.</p> <p>Additional Transactions as follows</p> <ul style="list-style-type: none"> ➤ State specific regulatory requirements supersede all underwriting guidelines set forth by FSB
Guarantee Fee	Effective 10/1/2016 and after – Upfront Guarantee Fee: 1.0%; annual fee .35%
Income	<p>See Handbook Ch 9 – Income Analysis for complete requirements.</p> <p>Income or assets derived from the following sources are ineligible for qualifying:</p> <ul style="list-style-type: none"> • The production or sale of marijuana • Bitcoin or other cryptocurrencies <p>Repayment/Qualifying Income – represents the stable and dependable income of parties to the note used to repay the loan.</p> <p>Household Income/Annual Income</p> <ul style="list-style-type: none"> • Income from all working adult members (age 18 or older) residing in the home must be included in the household income. The total of that income cannot exceed the moderate-income limits established for the area in which they are purchasing the home. <p>Household income used to determine program eligibility is defined as Annual Income and Adjusted Annual Income.</p> <p>Annual Income – represents the entire household's combined income, regardless of whether the household members are on the loan application or not. The income of all adult household members.</p>

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