

USDA Fixed Product Guidelines

Purchase

Occupancy	Units	Maximum Base LTV	CLTV Including Guarantee	Minimum Credit Score
Primary	1	100	102	640

Rate/Term Refinance*

Occupancy	Units	Maximum Base LTV	CLTV Including Guarantee	Minimum Credit Score
Primary	1	100	102	640

* Existing first lien must be a USDA loan.

Maximum Loan Amount

Units	Continental US	Alaska and Hawaii
1	417,000	\$625,500

Minimum loan amount \$50,000.

Loan Terms

30 Year

Eligible Borrowers

All borrowers must have a valid social security number.

Borrower Restrictions (Ineligible)

- Non-Permanent Resident Aliens.
- Foreign Nationals.
- Borrowers eligible for conventional uninsured financing.
- Borrowers who exceed the income limits.
- Full time students.
- Living Trusts.

Co-Borrowers

- Co-Borrower must occupy the property.
- Co-Borrower must take title to the property and sign the note and the mortgage.
- Co-Signors are not permitted.
- Co-Borrower may not be an interested party to the transaction.

Properties

All eligible property must meet the following criteria:

- Located in a designated rural development area.

- Meet 2000 IECC codes or comparable codes.
- Properly working water and waste systems.

Eligible Property types

- 1 unit SFR
- PUD
- Modular Homes
- New construction

Eligible designated USDA SFR property may be found at the following website:
<http://eligibility.sc.egov.usda.gov>

Ineligible properties

- Properties with private road with no road maintenance agreement.
- Unsafe/inadequate.
- Mobile homes.
- Manufactured homes.
- Co-ops.
- 2-4 units.
- Properties located in a flood plain.

New Construction

- Must have a building permit.
- Must have a certificate of occupancy.
- Must meet thermal requirements RES check.
- Executed builders warranty form 1924-19.
- Executed plan certification form 1924-25.

If the Builder is providing a **one-year warranty**, the following inspections are required:

- Framing Inspection
- Footing Inspection
- Final Inspection
- Thermal Certification
- Certified Plans & Specs

If the builder is providing a **10-year warranty**, only a Final Inspection and a Thermal Certification is required.

Existing Properties

Existing properties (Properties older than one year) must meet the current requirements of HUD Handbooks 4150.2 and 4905.1, typically verified through an RHS Adequacy Certification (Existing Dwelling Inspection Report), or by the Appraiser certifying in the comments section of the appraisal that the property meets HUD Handbooks 4150.2 and 4905.1.

Unique Property

Must prove marketability with like comparables within an acceptable distance of the subject.

Property Requiring Escrow for Completion

All work must be completed prior to closing. Appraisal may not be rendered as “subject to” completion.

Appraisal

Appraisals must be obtained via the EAGLE web site to comply with AIR and must include Fannie Mae Market Conditions Addendum.

- Sales contracts renegotiated after the appraisal which increase the sales price are not permissible.
- Appraisals may not be transferred to UFF from another lender or AMC.

Financing Type

The following financing is offered in designated areas:

Purchase

Purchase of new or existing structure.

Rate and Term Refinance (no cash out)

- Pay off of existing loan (must be USDA to USDA).
- Interest rate on the new loan must be lower than that of the existing loan with a benefit to the borrower.
- The new loan amount may not exceed the balance of the loan being paid off and may include:
 - The balance of the new loan plus the guarantee fee.
 - Reasonable and customary closing costs.
 - Amount necessary to establish new tax and insurance escrow accounts.
 - Unpaid fees on the loan being paid off, such as late fees etc., may not be included in the new loan.
- Any form of secondary financing may not be included in the refinance transaction.

Properties that have been listed for sale within the last 12 months must be taken off the market prior to the date of application and the borrower must provide written intent to occupy the property post loan closing.

Credit

All borrowers must have a minimum of three open trade lines with a minimum of 12 months history on at least one of the three.

Limited or No Traditional Credit References

Manually underwritten loans are not eligible.

Trade Lines in Dispute

Disputed trade lines which derogatory activity occurred within the last 24 months that are reported must be updated to show dispute resolution or acceptable settlement. Disputed collection accounts with Zero balance are acceptable.

CAIVRS

Borrower must have clear CAIVRS.

Mortgage

Late payments of 30 days or more within the prior 12 months are ineligible.

Bankruptcy

- Chapter 7 - a minimum of 3 years must have elapsed since the discharge.
- Chapter 13 - a minimum of 12 full months satisfactory payment history must have elapsed. Borrower must have trustee approval and receive a GUS accept.

Foreclosure and Deed in Lieu of Foreclosure

A minimum of 3 years must have elapsed since the satisfaction and release of a previous foreclosure.

Consumer Credit Counseling

Borrower must be completely out of CCC for a minimum of 12 months.

Credit inquiries

All inquiries must be addressed with a credit supplement.

Liabilities

Accounts may not be "paid down" to 10 months or less to allow the borrower to qualify. Installment or Mortgage accounts must be paid in full.

The total debt ratio should include revolving debt regardless of when the debt will be retired. Installment loans will only be considered if the debt will be retired in more than six months. However, if the monthly payment on the debt is substantial, the payment will also be included in long term debt.

Contingent Liabilities

Contingent liabilities are debts the borrower is not currently required to pay but may be required to pay in the future (e.g. co-signed loans, court ordered payments, previous residence sold on assumption of Mortgage).

Co-signed Loans

The monthly payment on a co-signed loan may be excluded from long term debt only with evidence of timely payments being made by the primary obligor for a period of 12 months or longer.

Contingent liabilities need not be considered if:

- The mortgage is current with no late payments in the last 12 months
- The value of the property documented by an appraisal or HUD-1 from the sale of the property minus the UFMIP results in an LTV of 75% or less

Projected Obligations

Debt payments such as student loans or balloon notes schedule to begin or come due within 12 months of the mortgage loan closing must be included as monthly obligations. Debt Payments do not have to be classified as projected obligations if the borrower provides evidence that the debt will be deferred to a period outside the 12 month time frame.

Court Order

If the obligation to make payments on a debt has been assigned to another person by court order, such as a divorce decree, the payment may be excluded from long term debt. The following documents are required:

- Copy of the court order or divorce decree
- For Mortgage debt, a copy of the document(s) transferring ownership of the property
- If a transfer of ownership has not taken place, any late payments associated with loan on the property should be taken into account when reviewing the borrower's credit profile.

Employment

The borrower must have a 2 year history of employment with a minimum of 30 days paystubs from their current job. All job gaps of one month or longer must be satisfactorily explained.

A verbal verification of employment is required for all borrowers. This policy applies to all income types with the exception of passive income.

- For salaried borrowers, the verbal verification of employment must be completed within 10 days prior to note date.
- For self-employed borrowers, the verbal verification of employment must be completed within 30 days prior to note date.
- For military income, a military Leave and Earnings Statement dated within 30 days prior to note date is acceptable in lieu of a verbal verification of employment.

Self-Employment

Borrower must provide 2 years personal and business returns.

Employment by Relatives or Transaction Participants

If the borrower is employed by a relative, a closely held family business, the property seller, real estate agent, or any party to the real estate transaction, the following documentation must be obtained:

- Borrower's signed and completed personal federal income tax returns for the most recent two-year period, and
- Verification of Employment form (VOE) and
- W-2's for the most recent two tax years.

Current income reported on the VOE or pay stub may be used if it is consistent with W-2 earnings reported on the tax returns. If the tax returns do not include W-2 earnings or income is substantially lower than the current VOE or pay stub, further investigation is needed to determine whether income is stable.

Borrowers Who Are Re-entering the Workforce

Income from borrowers who re-enter the workforce *and* currently have less than a two-year employment and income history may be used to qualify, if:

- The borrower has been at the current employer for a minimum of six months, *and*
- There is evidence of a previous employment history.

Income

Household income may not exceed 115% of the median average income as determined by USDA within designated lending areas.

Income Limits

Each county has different income limit criteria. Refer to the website below for eligibility:

<http://eligibility.sc.egov.usda.gov>

Commission

Must have a two year history of receipt to use as qualifying income and include the following:

1. Most recent YTD paystub or salary voucher documenting at least one month of income.
2. W-2s and/or 1099s covering the most recent two years.
3. Complete signed individual federal tax returns for the most recent two years and a signed 4506-T.

Employee-paid business expenses reflected on the borrower's tax returns must be deducted from the borrower's gross commission income when calculating income.

Bonus

Must have a two year history of receipt to use as qualifying income. To document, obtain all of the following:

1. Most recent YTD paystub or salary voucher documenting at least one month of income.
2. W-2s covering the most recent two years.
3. Verbal VOE not more than 10 calendar days prior to the Note Date.

Overtime and Second Job

Must have a 2-year history of receipt and be likely to continue for the next 3 years. To document, obtain all of the following:

1. Most recent YTD paystub or salary voucher documenting at least one month of income.
2. W-2s covering the most recent two years
3. Verbal VOE not more than 10 calendar days prior to the Note Date.

Foreign Income

Acceptable only if income can be verified on U.S. personal tax returns.

Foreign income should be paid in U.S. currency. However, income paid in foreign currency may be considered on a case-by-case basis if it's converted into U.S. currency.

Seasonal Income

Borrower must be employed in the same job for the past 2 years and expect to be rehired in the next season.

Retirement Income

Must be verified that the income will continue for a minimum of 3 years. Annuities require verification that sufficient assets allow for planned distributions. Social Security income must be verified via tax returns or award letter.

Investment Income

Interest and dividend income must be received for a minimum of 2 years prior to loan closing.

Trust Income

Income must be guaranteed to continue for a minimum of 3 years.

Non Taxable Income

Must be verified as being exempt from federal income tax and may be grossed up using the same tax rate from the borrower's previous tax year.

Borrowers Returning to Work after an Extended Absence:

- Must be employed in the current position for a minimum of 6 months.
- Must have a 2 year history prior to the absence.

Child Support, Alimony or Maintenance Income

In order to be used as income, alimony, child support or separate maintenance payments the following must be obtained:

- Evidence the borrower has received the total court ordered amount for the most recent three months; if child support, proof of the ages of the children for which child support is received to prove 3 year continuance; and
- Copy of the signed court order reflecting the payor's obligation for the previous 12 months, or
- Copy of the signed court order reflecting the payor's obligation for the previous six to 12 months if the monthly income does not exceed 30% of the borrower's qualifying income.

Income from alimony, child support or separate maintenance payments may be considered qualifying income if:

- The documentation shows that the payor was obligated to make payments to the borrower for the most recent 12 months and is obligated to make payment to the borrower for the next three years.
- The payor was obligated for less than 12 months but not less than six months and if the amount of the monthly payment does not exceed 30% of the borrower's qualifying monthly income.

Please note: Income cannot be considered for qualifying if the payor has been obligated to make payments for less than six months, the payments are not for the full amount or the payments are not received on a consistent basis.

Allowable Deductions to Household Income:

Member of Household	Amount of Deduction
Each minor child under 18 years of age	\$480
Each disabled or handicapped individual who is not the applicant or co-applicant	\$480
Each full time student 18 years or older	\$480
Each elderly (62 years of age or older) or disabled applicant	\$400
Medical expenses for any elderly family member	Total that exceeds 3% of gross annual income
Child care expenses for children 12 years old or under	Actual cost of care, supported by full documentation of cost

Exclusions from Household Income

- Foster care payments.
- Food stamps.

Repayment Income

- Only the income from the borrower(s) on the loan application may be used in calculating the ratios.
- Employment income and repayment income (non-employment income) may be used in the qualifying income.

Debt to Income

Determined by GUS.

Down Payment/Assets/Reserves

Eligible borrowers must lack sufficient reserves to obtain conventional uninsured financing (20% down payment).

Down Payment

No borrower investment is required. Verification of funds is not required unless the borrower’s contribution is the greater than 2% of the purchase price.

Gifts

There must be no expected or implied repayment of the funds to the donor by the borrower.

Seller Contributions

Maximum seller contribution is 6% of the lesser of the sales price or appraised value.

Reserves

Not required

Up Front Guarantee Fee

Purchase	Refinance
2.00%	2.00%

Annual Guarantee Fee

- Annual fee of .40 of the outstanding principal balance.
- The annual guarantee fee is calculated on the total loan amount and is based on the average annual scheduled unpaid principal balance for the life of the loan.

Additional Overlay Requirements

The following section describes the required and permissible documentation on all loan types.

Employment

A verbal verification of employment must be completed three days prior to the note date and prior to loan QC.

Income

A signed 4506-T must be processed for all borrowers when tax returns are used to calculate income and the IRS transcripts must be obtained for the most recent two years available prior to final approval.

- Tax transcripts may not be substituted for the borrower’s tax returns.

Assets

A verification of deposit is not permitted as a sole verification of assets. Borrowers must provide current statements from the institution managing or holding the asset.

Short Payoff

The loan must fund no later than the 5th day of the month to receive the interest credit.

Acreage

The maximum allowed is 20 acres.

The guidelines contained herein are general product guidelines, and are in no way intended to imply an approval of any particular borrower or transaction. All loans are subject to final approval of United Fidelity Funding Corp. For additional information or clarification of guidelines, policies and procedures, contact your Account Executive. Guidelines are subject to change without notice.
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