



USDA STANDARD

PROGRAM SPECIFICATIONS	
Description	The SFHGLP assists approved lenders in providing low- and moderate-income households the opportunity to own adequate, modest, decent, safe and sanitary dwellings as their primary residence in eligible rural areas.
Channels	<ul style="list-style-type: none"> • Broker • Correspondent <ul style="list-style-type: none"> ○ Table Funded ○ Non-Delegated (UW) ○ Delegated (UW)
FICO	<ul style="list-style-type: none"> • 580 minimum qualifying credit score for all qualifying borrowers • 2 credit scores required for all qualifying borrowers
UW Method	<ul style="list-style-type: none"> • Guaranteed Underwriting System (GUS)
AUS Recommendation	<ul style="list-style-type: none"> • Accept/Accept • Refer • Refer with Caution <p>Note: Reference Chapter 10 of HB-1-3555 Guaranteed Loan Program Technical Handbook for Refer, Refer with Caution and Manual Underwriting requirements</p>
Eligible Terms	<ul style="list-style-type: none"> • 30 Yr. Fully Amortizing Fixed
Eligible Transaction Types	<ul style="list-style-type: none"> • Purchase • Rate/Term Refinance (3555.101d) • Streamline Refinance • Streamlined-Assist Refinance (see separate Matrix) • Repair Escrow (see separate Matrix) • Construction –to- Permanent (see separate Matrix) • Existing Manufactured Housing Unit Pilot Program (see below) <p>Reminder: Cash Out refinance transactions are not permitted</p>
Eligible Property Types	<p>The loan security must include the same property as the original loan. The security property must be owned and occupied by the applicants as their principal residence</p> <ul style="list-style-type: none"> • 1Unit • Condominiums (3555.205) <ul style="list-style-type: none"> ○ Must be approved or accepted by HUD/FHA, VA, Fannie Mae or Freddie Mac • PUDs (3555.207) • Manufactured Housing (3555.102 and 3555.208) <ul style="list-style-type: none"> ○ Singlewide & Multi-wide ○ See Pilot Program section below for Existing Manufactured Housing Units <p>Reminder: Purchase of an existing manufactured home is not permitted, unless it is a refinance of an existing RD Section 502 Direct Loan or Guarantee.</p>
Maximum LTV/CLTV	100% of appraised value
Maximum Loan Amount	<p>The applicant is permitted to finance reasonable and customary expenses associated with purchasing a home as long as the total amount financed does not exceed any of the following limits:</p> <ul style="list-style-type: none"> • The maximum loan amount for which the applicant qualifies, as determined by their income and repayment ability, • The fair market value of the property, as determined by a current appraisal conducted in accordance with the USPAP; and • The LTV of the loan can exceed 100% of the market value of the property when the guarantee fee is financed. Loans may exceed 100% LTV only to the extent that the excess represents a financed guarantee fee. <p>The purchase price of the property is permitted to exceed these limits for applicants with sufficient cash reserves.</p> <p>A newly constructed dwelling that does not meet the definition of an existing dwelling, as defined at Section 3555.10, and cannot meet the requirements of Section 3555.202(a) is limited to 90 percent of the present market value. The dwelling must meet or exceed the International Energy Conservation Code (IECC) in effect at the time of construction.</p>
Maximum DTI	<ul style="list-style-type: none"> • Accept/Eligible GUS: Follow findings • Manual Underwriting:





	<ul style="list-style-type: none"> ○ The monthly housing expense to income ratio may not exceed 29 percent of repayment income. ○ The total debt ratio may not exceed 41 percent of repayment income. <p>Note: Reference Chapter 11 of HB-1-3555 Guaranteed Loan Program Technical Handbook</p>
Guarantee Fee	<p>USDA Rural Development guaranteed home loans obligated in fiscal year 2018 (October 1, 2017 through September 30, 2018) will be subject to the following fee schedule:</p> <ul style="list-style-type: none"> • Upfront Guarantee Fee: 1% • Annual Fee: 0.35%
Income Limits	<p>The Borrower's adjusted income may not exceed the Rural Development limit for the area</p> <ul style="list-style-type: none"> • Income Eligibility <ul style="list-style-type: none"> ○ http://eligibility.sc.egov.usda.gov/eligibility/incomeEligibilityAction.do?pageAction=state&NavKey=income@11 • Income Limits <ul style="list-style-type: none"> ○ https://www.rd.usda.gov/files/RD-GRHLimitMap.pdf
Property Eligibility	<p>http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=sfp&NavKey=property@11</p>
Geographic Restrictions	<ul style="list-style-type: none"> • Hawaii <ul style="list-style-type: none"> ○ AFR does not operate in the state of Hawaii and does not permit loans with a subject property in Hawaii for all programs in all channels with the exception of Correspondent Delegated UW transactions. • AFR requires the use of AFR's Texas counsel on all Texas transactions with the exception of Correspondent Delegated loans. AFR utilizes this 3rd party for document preparation and require 48 hours for both title review and to generate a closing package.
Guidelines	<p>https://www.rd.usda.gov/resources/directives/handbooks</p>
Forms	<p>See FORMS Section in the Resource Center</p>
Resources	<p>https://www.rd.usda.gov/resources/usda-linc-training-resource-library</p>
OVERLAYS	
Credit	<ul style="list-style-type: none"> • 2 credit scores required for all qualifying borrowers. Use the middle score if 3 credit scores or the lower of the two if 2 credit scores. Lowest representative score from all borrowers will be used for qualification purposes. • Non-traditional credit/credit reference letters are not permitted with the exception of Correspondent Delegated UW transactions with a GUS Accept recommendation • Housing History 0x30 for 12 months • Refinancing of a Reverse Mortgage (HECM) is not permitted unless: <ul style="list-style-type: none"> ○ The forward mortgage transaction is paying off a current Reverse Mortgage (HECM) when the applicant was not a party to the HECM and has either inherited the property or is purchasing the property from the estate (i.e. HECM parties are deceased).
Property	<ul style="list-style-type: none"> • The following property types are not permitted: <ul style="list-style-type: none"> ○ 2, 3 and 4 Units ○ Co-Ops ○ Mixed Use ○ Manufactured Housing in a Condominium Project ○ Off Grid ○ Properties with commercial influence are subject to additional review. ○ Any property where marijuana is grown or processed inside the home or on the property, regardless of the quantity or state law is unacceptable • Non-traditional heating methods (solar, wood burning stoves, etc.) without a heating back up source are not permitted. Off grid properties are not permitted. • AFR requires a disaster report completed by a licensed appraiser on all properties on all transactions in a Presidentially Declared Disaster Area with individual assistance. If the loan is closed, AFR may require this report up to 60 days after the date of the disaster declaration. If the loan has not already closed and funded, AFR will not close or fund until the inspection report is completed to AFR's satisfaction. In all cases, the inspection must be dated after the affected incident period. The disaster report must comply with applicable agency guidelines. On a case-by-case basis AFR may allow a loan to close and fund if the incident period was declared more than 14 days prior to the scheduled closing date. Originators are responsible for determining potential impact to a property located in an area where a disaster is occurring or has occurred. This is regardless of whether a property was included in the area covered by the declaration. If an originator has reason to believe that a property might have been damaged in a disaster the originator must work with AFR to ensure that the property is free from damage. Please note, that due to the nature of natural disasters AFR may amend this policy and add additional restrictions at any time without notice.





	<ul style="list-style-type: none"> • Financing for a Site without a Dwelling is not permitted • AFR does not permit the use of a plat map in lieu of a survey if a survey is required • AFR will not submit documents for “re-designation of ineligible areas” • AFR follows the Appraisal Update guideline in the 3555-1: Appraisals are valid for 150 days unless accompanied by an appraisal update on Form 1004D, which will extend total validity period of appraisal to 240 days. • AFR will not permit properties with more than 100 acres • If the utilities are off at the time of the inspection, the Appraiser must ask to have them turned on and complete all requirements under Mechanical Components. However, if it is not feasible to have the utilities turned on, then a pressure test and electrical test is required and must be completed by an appropriately licensed professional.
<p>Income</p>	<ul style="list-style-type: none"> • AFR does not permit amended tax returns if they are dated 90 days of application date. All amended tax returns must be more than 90 days of the application date and acknowledged (stamped and signed by the IRS or with the transcripts) • Employer Assistance is not permitted • AFR requires a minimum of 2 years for the length of self-employment to use as income. • AFR requires 2 years receipt of OT and Bonuses to be used as qualifying income; anything less than 2 years will not be eligible for income. • AFR does not permit voluntary agreements for child support, maintenance and alimony. • Marijuana income is unacceptable income regardless of state law. • Rental income used for qualifying purposes requires proof of 3 months receipt per property. • Examples of acceptable documentation include, bank statements evidencing deposits. • In cases where a gap in rental income is documented, AFR will require a letter of explanation from the borrower.
<p>Ownership Types</p>	<p>The following are ineligible for submitting/delivery to AFR:</p> <ul style="list-style-type: none"> • Life Estate • Blind Trusts • Irrevocable Trusts • 1031 Exchanges • LLCs, Corporations and Partnerships • Community Land Trusts • American Indian Land
<p>Compliance</p>	<ul style="list-style-type: none"> • AFR’s Net Tangible Benefit Policy/Recoupment Policy <ul style="list-style-type: none"> ○ See AFR Resource Center for AFR Policy/State Requirements/Forms ○ When a state has a more restrictive recoupment policy, this policy must be met • AFR does not close and/or purchase any New York loan that is a subprime home loan. All NY Loans must be tested the time the commitment is prepared. <ul style="list-style-type: none"> ○ If the APR at the time of commitment cannot be determined AFR will not proceed with or purchase a loan with a client code of TF, C or CDE. • Any loan that is classified as Rebuttable Presumption or a Higher-Priced Mortgage Loan (HPML) must have all HPML provisions applied. AFR follows Regulation Z requirements for HPML/HCML transactions. <ul style="list-style-type: none"> ○ Loans must have an ability to repay (loan must be a full income/credit qualifying transaction) ○ Loan must have an established escrow account (with the exception of Condos and PUDs where the consumer must participate in a governing association that is required to purchase a master policy insuring all dwellings) – see the TILA HPML Escrow Rule for more guidance ○ Loan cannot have a prepayment penalty (AFR does not permit prepayment penalties) • File remains subject to all Qualified Mortgage (“QM”) and Ability-to-Repay (“ATR”) underwriting guidelines, including Points and Fees thresholds through consummation. AFR will not originate, close, fund, or purchase any loan that is not legally deemed as a QM. • All loans must provide evidence of the borrower’s compliance of QM/ATR with a compliance report. Note: Correspondent Delegated UW clients must provide a compliance report evidencing compliance. • All loans must provide evidence of the borrower’s ability to repay with a fully completed/executed Ability to Repay Worksheet. Note: Correspondent Delegated UW clients must provide a fully completed/executed Ability to Repay Worksheet showing evidence the borrower meets the ability to repay requirements. • AFR will not originate loans as a high cost or predatory mortgage loan • AFR will comply in all respects with CFPB’s Rule on TILA-RESPA Integrated Disclosures. AFR will not originate, close, fund, or purchase any loan that does not adhere to the Rule.





Miscellaneous	<ul style="list-style-type: none"> Funded Buy down Accounts not permitted AFR requires all Correspondent Delegated (CDE) transactions to be purchased within 90 days of the Note date. 		
Disclaimer	All overlays herein are subject to change by AFR without notice. Where AFR is silent, the UW must follow all guidelines outlined in the Guaranteed Rural Housing Loan Program Technical Handbook (HB-1-3555).		
Existing Manufactured Housing Unit Pilot Program			
Effective December 1, 2016, AFR has offered the Existing Manufactured Housing Unit Pilot Program. Rural Development has established a pilot program for the financing of existing manufactured housing units with the Section 502 Guaranteed program. New units or existing manufactured housing units that are or are not already financed through RD are eligible for financing through the SFH 502 Direct or Guaranteed Loan program. This program has been extended in the Federal Register through November 4, 2024 .			
Effective Date	December 1, 2016		
Eligible States	<ul style="list-style-type: none"> Colorado Iowa Louisiana Michigan Mississippi Montana Nevada New Hampshire 	<ul style="list-style-type: none"> New York North Dakota Ohio Oregon Pennsylvania South Dakota Tennessee Texas 	<ul style="list-style-type: none"> Utah Vermont Virginia Washington West Virginia Wisconsin Wyoming
Eligibility Requirements	<p>To be eligible for financing under this Pilot the existing manufactured housing units, including new units which have been on the dealer’s lot in excess of 12 months, must meet the following guidelines in addition to those already set forth for new Guaranteed manufactured units in 7 CFR Part 3555, Section 3555.208 and Chapter 13 HB-1-3555:</p> <ul style="list-style-type: none"> The unit must have a floor area of not less than 400 square feet. The unit must have been constructed on or after January 1, 2006, in conformance with the Federal Manufactured Housing Construction Safety and Standards (FMHCSS), as evidenced by a legible picture of the affixed HUD Certification Label in the appraisal. The unit must meet the Comfort and Heating Cooling Certificate Uo Zone for the location according to Attachments 9-A and 9-B (HB-1-3550). The unit inspection is required and will utilize a certification that the foundation design meets HUD Handbook 4930.3, “Permanent Foundations Guide for Manufactured Housing (PFGMG). <ul style="list-style-type: none"> The foundation certification must be from a licensed professional engineer, or a registered architect, who is licensed/registered in the state where the manufactured home is located and must attest to current guidelines of the PFGMH. The certification must be site specific and contain the engineers or registered architect’s signature, seal and/or state license/certification number. If the unit inspection cannot be provided with a certification as described above, a unit inspection is required utilizing Form HUD-309, “HUD Manufactured Home Installation Certification and Verification Report” completed in accordance with 24 CFR §3286.511 by a qualified party as follows: <ul style="list-style-type: none"> A manufactured home or residential building inspector employed by the local authority having jurisdiction over the site of the home, provided that the jurisdiction has a residential code enforcement program; A professional engineer; A registered architect; A HUD-accepted Production Inspection Primary Inspection Agency (IPIA) or a Design Approval Primary Inspection Agency (DAPIA); or An International Code Council certified inspector. The unit must not have had any alterations or modification to it since construction in the factory. The towing hitch and running gear must have been removed. The manufactured home must be classified and taxes as real estate. Lenders are responsible for ensuring the title has been purged and the manufactured home has been officially converted from chattel to real property, as state law allows. The remaining economic life of the property must meet or exceed the 30 year term of the proposed loan. The unit replacement cost coverage in an amount equal to the insured value of the improvements or the unpaid principal balance is required with hazard or wind deductible(s) of up to but not exceeding the greater of \$1,000 or one percent (1%) of the policy limits until the loan is paid in full. Loans must be manually underwritten. 		





	<ul style="list-style-type: none">• The applicant(s) and property must meet all other criteria set forth in 7 CFR Part 3555 and HB-1-3555 for Guaranteed loans.
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