



USDA ONE-TIME CLOSE PROGRAM

| PROGRAM SPECIFICATIONS | |
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| Channels | <ul style="list-style-type: none"> • Broker • Correspondent <ul style="list-style-type: none"> ○ Correspondent Table Funded ○ Correspondent Non-Delegated <ul style="list-style-type: none"> ▪ AFR must draw/prepare all Correspondent Non-Delegated closing packages • Important: Correspondent Delegated UW transactions are not permitted <p>Note: Correspondent Table Funded and Correspondent Non-Delegated partners must complete the AFR One-Time Close Programs webinar and pass a test prior to submitting an OTC transaction.</p> |
| FICO | <ul style="list-style-type: none"> • 620 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) |
| GUS Recommendation | <ul style="list-style-type: none"> • Accept/Eligible • Important: AFR does not permit Refer recommendations or manual underwrites on this program |
| Eligible Terms | <ul style="list-style-type: none"> • 30 Yr. Fully Amortizing Fixed • Important: Borrowers must qualify on a 29 Year term |
| Eligible Transaction Types | <ul style="list-style-type: none"> • Purchase |
| Eligible Property Types | <p>The security property must be owned and occupied by the applicants as their principal residence</p> <ul style="list-style-type: none"> • 1 Unit Stick Built Housing • PUDs (3555.207) • Modular Homes • Multi-width New Manufactured Housing <p>Important:</p> <ul style="list-style-type: none"> • The following property types are not permitted: <ul style="list-style-type: none"> ○ Single Width Manufactured Housing (AFR Overlay) ○ Site Condominiums (AFR Overlay) ○ Purchase of an existing manufactured home (USDA restriction) ○ Condominiums (USDA restriction) ○ 2, 3 and 4 Units (USDA restriction) ○ Unique/Niche Construction Types <ul style="list-style-type: none"> ▪ Log Homes, Bamboo Homes, Metal Homes, Tiny Homes, Storage Container Homes, Barndominiums, etc. • See Property Section below in the Overlay section for more information |
| Maximum LTV/CLTV | 100% of market value See Chapter 7 |
| Eligible Loan Costs | Loan costs which may be included in the loan amount are subject to the maximum loan to value See Chapter 12.16 for Eligible Loan Costs |
| Maximum Loan Amount | <ul style="list-style-type: none"> • The fair market value of the proposed (to-be constructed) subject property will be utilized to establish the maximum loan amount. • Land value is based on the value as reported in the Appraisal Report, with no seasoning requirement. • See Chapter 7.2 for Maximum Loan Amount |
| Maximum DTI | <ul style="list-style-type: none"> • Follow GUS Findings |
| Age of Documents | Credit and Verification Documents: <ul style="list-style-type: none"> • Must be dated within 120 days of the original closing date to be valid Appraisals <ul style="list-style-type: none"> • Valid for 150 days |
| Appraisal | Note: The appraised value determined by the Appraiser must be the “as completed” appraised value of the property after completion of construction |





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| Guarantee Fee | <p>USDA Rural Development guaranteed home loans obligated in fiscal year 2017 (October 1, 2016 through September 30, 2017) will be subject to the following fee schedule:</p> <ul style="list-style-type: none"> • Upfront Guarantee Fee: 1% • Annual Fee: 0.35% <ul style="list-style-type: none"> ○ Important: Annual Fee must be escrowed for 12 months |
| 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 | http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=sfp&NavKey=property@11 |
| Contractor/Builder Requirements | <p>Clients must forward the completed OTC Contractor/Builder Registration Packet in the FORMS library and all applicable documents to otc@afrwholesale.com and receive confirmation from AFR that the builder is registered prior to registering the loan.</p> |
| Geographic Restrictions | <ul style="list-style-type: none"> • Alaska • Hawaii <ul style="list-style-type: none"> ○ AFR does not operate in the states of Alaska or Hawaii and does not permit loans with a subject property in Alaska or Hawaii for all programs in all channels with the exception of Correspondent Delegated UW transactions. |
| Guidelines | <p>http://www.rd.usda.gov/publications/regulations-guidelines/handbooks#hb13555</p> <ul style="list-style-type: none"> • Chapter 12 Section 7 |
| Forms | See FORMS Section in the Resource Center |
| 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 • 0x30 Housing History required (mortgage/rent) |
| Property | <ul style="list-style-type: none"> • The following property types are not permitted: <ul style="list-style-type: none"> ○ Single-width Manufactured Housing ○ Site Condominiums ○ Co-Ops ○ Income Producing Properties ○ Unique/Niche Construction Types <ul style="list-style-type: none"> ▪ Log Homes, Bamboo Homes, Metal Homes, Tiny Homes, Storage Container Homes, Barndominiums, etc. ○ Properties with commercial influence are subject to additional review. <ul style="list-style-type: none"> ▪ Any property where marijuana is grown or processed inside the home or on the property, regardless of the quantity or state law is unacceptable • AFR requires a disaster report completed by a licensed appraiser on all properties on all transactions in a Presidentially Declared Disaster Area up to 60 days from the date of the disaster declaration. • Financing for a Site without a Dwelling is not permitted (Land Loans) • AFR does not permit the use of a plat mat 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. |
| Income | <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 |





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| | <p>income; anything less than 2 years will not be eligible for income.</p> <ul style="list-style-type: none"> • AFR does not permit voluntary agreements for child support, maintenance and alimony. • Marijuana income is unacceptable income regardless of state law. |
| Ownership Types | <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 |
| Compliance | <ul style="list-style-type: none"> • AFR's Net Tangible Bet 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 or C. • Any loan that is classified as a Rebuttable Presumption must have all HPML provisions applied <u>and</u> must meet Residual Income guidelines. AFR follows FHA Residual Income requirement for Rebuttable Presumption transactions. • Any loan that is classified as 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. • All loans must provide evidence of the borrower’s ability to repay with a fully completed/executed Ability to Repay Worksheet. • 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"> • Lender Paid Compensation is not permitted on Broker and Table Fund transactions; Borrower Paid Compensation is required. • AFR does not permit the use of a DPA to be used in conjunction with One Time Close Programs. • Funded Buy down Accounts not permitted • Gap Letters for Title are not permitted |
| Disclaimer | <ul style="list-style-type: none"> • 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). |

