



## USDA REPAIR ESCROW

PROGRAM SPECIFICATIONS	
<b>Channels</b>	<ul style="list-style-type: none"> <li>• Broker</li> <li>• Correspondent               <ul style="list-style-type: none"> <li>○ Table Funded</li> <li>○ Non-Delegated UW</li> <li>○ Delegated UW                   <ul style="list-style-type: none"> <li>▪ <b>Important:</b> CDE clients <u>must</u> complete an interview with the AFR Renovation Department and be approved <u>prior</u> to submission on any USDA Repair Escrow transaction.</li> </ul> </li> </ul> </li> </ul>
<b>FICO</b>	<ul style="list-style-type: none"> <li>• <b>580</b> minimum qualifying credit score for all qualifying borrowers</li> <li>• 2 credit scores required for all qualifying borrowers</li> </ul>
<b>UW Method</b>	<ul style="list-style-type: none"> <li>• Guaranteed Underwriting System (GUS)</li> </ul>
<b>AUS Recommendation</b>	<ul style="list-style-type: none"> <li>• Accept/Accept</li> <li>• Refer</li> <li>• Refer with Caution</li> </ul> <p><b>Note:</b> Reference Chapter 10 of HB-1-3555 Guaranteed Loan Program Technical Handbook for Refer, Refer with Caution and Manual Underwriting requirements</p>
<b>Eligible Terms</b>	<ul style="list-style-type: none"> <li>• 30 Yr. Fully Amortizing Fixed</li> </ul>
<b>Eligible Transaction Types</b>	<ul style="list-style-type: none"> <li>• Purchase</li> <li>• Rate/Term Refinance</li> </ul>
<b>Eligible Property Types</b>	<p>The security property must be owned and occupied by the applicants as their principal residence</p> <ul style="list-style-type: none"> <li>• 1Unit</li> <li>• Condominiums (3555.205)               <ul style="list-style-type: none"> <li>○ Must be approved or accepted by HUD/FHA, VA, Fannie Mae or Freddie Mac</li> </ul> </li> <li>• PUDs (3555.207)</li> <li>• New Manufactured Housing (3555.102 and 3555.208)               <ul style="list-style-type: none"> <li>○ Singlewide &amp; Multi-wide</li> </ul> </li> <li>• Existing Manufactured Housing               <ul style="list-style-type: none"> <li>○ Follow the guidelines for the Existing Manufactured Housing Unit Pilot Program</li> </ul> </li> </ul>
<b>Maximum LTV</b>	<ul style="list-style-type: none"> <li>• 100% of the appraised value</li> </ul>
<b>Maximum DTI</b>	<ul style="list-style-type: none"> <li>• Accept/Eligible GUS: Follow findings</li> <li>• Refer/Manual Underwriting:               <ul style="list-style-type: none"> <li>○ The monthly housing expense to income ratio may not exceed 29 percent of repayment income.</li> <li>○ The total debt ratio may not exceed 41 percent of repayment income.</li> </ul> </li> </ul> <p><b>Note:</b> Reference Chapter 11 of HB-1-3555 Guaranteed Loan Program Technical Handbook</p>
<b>Repairs</b>	<p>The combination of both exterior AND interior repair escrows cannot exceed 10 percent of the final loan amount.</p> <p>Repair items will be required to be completed within 180 days of loan closing.</p>
<b>Maximum Escrow Amount</b>	<ul style="list-style-type: none"> <li>• Cost of the repairs</li> <li>• Contingency Reserve - 1.5 times the cost of repairs</li> <li>• 2 inspections @ \$165 each</li> </ul>
<b>Ineligible Repairs</b>	<ul style="list-style-type: none"> <li>• Escrow accounts are not permitted for foundation/structural, electric, and plumbing repairs.</li> <li>• Any repair affecting the livability of the structure</li> </ul>
<b>Inspection</b>	<p>A final inspection report on a 1004D must be completed by the appraiser with photos certifying the defect/repair has been properly repaired as required as outlined in the 3555-1.</p>
<b>Guarantee Fee</b>	<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"> <li>• Upfront Guarantee Fee: 1%</li> <li>• Annual Fee: 0.35%</li> </ul>
<b>Income Limits</b>	<p>The Borrower's adjusted income may not exceed the Rural Development limit for the area</p> <ul style="list-style-type: none"> <li>• Income Eligibility               <ul style="list-style-type: none"> <li>○ <a href="http://eligibility.sc.gov.usda.gov/eligibility/incomeEligibilityAction.do?pageAction=state&amp;NavKey=income@11">http://eligibility.sc.gov.usda.gov/eligibility/incomeEligibilityAction.do?pageAction=state&amp;NavKey=income@11</a></li> </ul> </li> <li>• Income Limits               <ul style="list-style-type: none"> <li>○ <a href="https://www.rd.usda.gov/files/RD-GRHLimitMap.pdf">https://www.rd.usda.gov/files/RD-GRHLimitMap.pdf</a></li> </ul> </li> </ul>





<b>Property Eligibility</b>	<a href="http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=sfp&amp;NavKey=property@11">http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=sfp&amp;NavKey=property@11</a>  UW must determine the home is habitable
<b>Geographic Restrictions</b>	<ul style="list-style-type: none"> <li>• Hawaii             <ul style="list-style-type: none"> <li>○ 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.</li> </ul> </li> <li>• AFR requires the use of AFR's Texas counsel on all Texas transactions with the exception of Correspondent Delegated loans. AFR utilizes this 3<sup>rd</sup> party for document preparation and require 48 hours for both title review and to generate a closing package.</li> </ul>
<b>Guidelines</b>	<a href="https://www.rd.usda.gov/files/3555-1chapter12.pdf">https://www.rd.usda.gov/files/3555-1chapter12.pdf</a>
<b>Forms</b>	See FORMS in the Resource Center
<b>OVERLAYS</b>	
<p>Follow all overlays outlined in the Single Family Guaranteed Loan Program (USDA) Program Matrix and:</p> <ul style="list-style-type: none"> <li>• AFR will require a contingency reserve of 1.5 times the cost of repairs</li> <li>• No self-help permitted</li> <li>• Borrower is not permitted to contribute their own funds to the repair escrow</li> <li>• AFR requires an FHA Roster Appraiser to perform the appraisal</li> <li>• 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.</li> <li>• AFR does not permit the renovation or construction of an Additional Dwelling Unit (A.D.U.).</li> <li>• 2nd level review by AFR Management on any property that is identified to have a current "As-is" property condition rating of C5 or C6. Loan is subject to additional requirements/conditions. Note: "As Completed" Property Condition Rating as determined by the Appraiser must be C1-C4.</li> </ul>	

