

RD AN No. 4543 (1980-D)
October 14, 2010

TO: All State Directors
Rural Development

ATTENTION: Rural Housing Program Directors,
Guaranteed Loan Coordinators,
Area Directors, and Area Specialists

FROM: Tammye Treviño (*Signed by Tammy Trevino*)
Administrator
Housing and Community Facilities Programs

SUBJECT: Single Family Housing Guaranteed Loan Program
Underwriting and Loan Closing Documentation Matrix

PURPOSE/INTENDED OUTCOME:

This Administrative Notice (AN) combines information on multiple underwriting topics and loan documentation requirements from previously issued ANs. The guidance in this AN applies to manually underwritten loans and all loans entered into the Guaranteed Underwriting System (GUS).

COMPARISON WITH PREVIOUS AN:

This AN replaces RD AN's 4303 dated August 13, 2007, AN 4363 dated May 2, 2008, AN 4365 dated May 7, 2008, AN 4367 dated May 7, 2008, AN 4389 dated September 15, 2008, AN 4404 dated December 3, 2008, AN 4411 dated December 3, 2008, AN 4413 dated December 3, 2008, AN 4414 dated January 5, 2009, AN 4432 dated April 20, 2009, AN 4435 dated April 30, 2009, AN 4436 dated May 7, 2009, AN 4441 dated May 7, 2009, AN 4451 dated June 22, 2009, AN 4454 dated June 29, 2009, AN 4469 dated July 31, 2009, AN 4470 dated August 18, 2009, AN 4474 dated September 17, 2009, and AN 4476 dated October 23, 2009.

EXPIRATION DATE:
October 31, 2011

FILING INSTRUCTIONS:
Preceding RD Instruction 1980-D

IMPLEMENTATION RESPONSIBILITIES:

Lenders must obtain sufficient documentation to arrive at a responsible underwriting decision. Rural Development has expanded upon documentation requirements in response to the various types of income, credit, assets, property types, and appraisals considered in the underwriting analysis.

Please refer to the attached documentation matrix as a reference for documenting Single Family Housing Guaranteed Loan Program (SFHGLP) mortgage loan files. For complete documentation information and specific program eligibility requirements, refer to RD Instruction 1980-D, supplemented by published ANs. Guidance is published online at:

<http://www.rurdev.usda.gov/regs/>.

The documentation matrix is designed to assist lenders and Rural Development field offices in determining the required documentation for the type of underwriting that has occurred. Lenders who utilize the Agency's automated underwriting system, the Guaranteed Underwriting System (GUS), may submit reduced documentation to Rural Development in order to obtain a Conditional Commitment for Loan Note Guarantee. However, lenders are required to retain a fully documented file supporting the electronic delivery of their request through GUS. Manually underwritten files require full documentation submittal to Rural Development to obtain a Conditional Commitment for Loan Note Guarantee. Manually underwritten files include files that were: 1) not entered into GUS and 2) files that were submitted to GUS and received an underwriting recommendation of "REFER" or "REFER WITH CAUTION." The "GUS Underwriting Findings" report will determine the documentation that must be submitted to Rural Development regardless of the underwriting recommendation.

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Documentation Matrix - Origination



Use of the following information is for reference in documenting SFHGLP files. For complete information, refer to RD Instruction 1980-D, supplemented by applicable Administrative Notices (AN) available online at: <http://www.rurdev.usda.gov/regs>. All section references are to RD Instruction 1980-D.

Underwriting Documentation

GUS Accept – Submit to RD for Commitment	Documentation – Lender Case File <small>[GUS Accept]</small>	Manual UW - Submit to RD for Commitment <small>[Includes GUS Refer & Refer with Caution]</small>	Documentation – Lender Case File <small>[Manual, GUS Refer and GUS Refer with Caution]</small>	Topic	Documentation
	√		√	GUS Underwriting Findings Report	The final GUS Underwriting Findings Report, obtained when the last “final submission” to Rural Development occurs, must be retained in the lender’s permanent loan file. The Agency will access this report from the electronic GUS loan file. The Agency must include, “See official GUS Underwriting Findings Report for additional conditions,” on Form RD 1980-18 and/or the attachment to Form RD 1980-18.
		√	√	Underwriting Analysis: Uniform Underwriting Transmittal and Summary (Fannie Mae (FNMA) Form 1008/Freddie Mae (FHLMC) Form 1077) or similar underwriting analysis form	Lenders must complete the underwriting analysis for all loans excluding requests that receive a GUS “Accept” underwriting recommendation. The signature or authorization of the approved lender’s underwriter must be evident on the loan underwriting analysis prior to issuance of a Conditional Commitment.

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		√	√	Credit Worthiness/Derogatory Credit: Credit Waivers	<p>Loans approved with adverse credit listed in section 1980.345(d)(1) must be accompanied by a credit waiver. Credit waivers approved by the lender should be fully documented by the underwriter on the underwriting analysis. Properly documented credit waivers must explain the circumstances surrounding the adverse credit were temporary in nature, beyond the applicant’s control, <u>and</u> have been removed per section 1980.345(d)(3)(i). Lender must document the compensating factors considered in support of the underwriting decision and submit the supporting documentation to Rural Development.</p> <p>Manually underwritten loans, and GUS loans that receive a “Refer” or “Refer with Caution” underwriting recommendation, approved by the lender for applicants with eligible credit scores of 640 and above do not require the lender to submit supporting documentation to Rural Development.</p> <p><i>Exception:</i> Any applicant with a foreclosure or pre-foreclosure activity in the previous 36 months, Chapter 7 bankruptcy discharged in the previous 36 months, Chapter 13 bankruptcy that has yet to complete repayment or has completed repayment within the previous 12 months, and/or late mortgage payments in the most recent 12 months must submit all supporting evidence along with the credit waiver regardless of credit score. The lender must document the compensating factors as well as the rationale that was applied in the course of making a decision to approve the loan in their permanent loan file.</p> <p>Lenders should not approve loans with credit scores of 580 and below if the loan exhibits any of the indicators of unacceptable credit listed in section 1980.345(d).</p> <p>GUS “Accept” loans do not require the lender to submit an explanation of credit waiver to Rural Development nor retain credit waiver documentation in their permanent loan file. The GUS Underwriting Findings Report serves as evidence of credit review and approval by the lender.</p>

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√	√	√	√	Credit Worthiness: Previous Rural Development Loans	Rural Development will determine if an applicant has previously secured a guaranteed loan from the Agency and the current status of such loan. If the Agency has incurred a loss as the result of a previous guarantee, the Agency must determine if the loss was beyond the applicant’s control. The applicant is responsible for providing the lender with official documentation to support the circumstances. Documentation submitted to Rural Development must meet requirements listed in section 1980.345(e). A previous Agency loss may be noted on the credit report, identified by the applicant as part of the loan application, and/or by Rural Development when performing their internal cross reference prior to the issuance of a loan note guarantee.
√	√	√	√	Credit Worthiness: Federal Debts	<p>Applicants that are delinquent on Federal debts may be ineligible for a guaranteed loan per section 1980.345(f). Recorded outstanding judgments obtained by the United States in a Federal court (other than the U.S. Tax Court) or any delinquent Federal debt identified by CAIVRS (Credit Alert Interactive Voice Response System) shall cause the applicant to be ineligible until the Federal debt is paid in full or otherwise resolved.</p> <p>Official documentation to prove debt resolution may include a release of liability from the creditor or official receipts from creditors stating the debts have been paid in full. Evidence of payment arrangements do not qualify as acceptable documentation. Loan funds from Rural Development may not be used to satisfy a debt.</p>
		√	√	Credit Worthiness: Chapter 13 Bankruptcy in Progress	A Chapter 13 bankruptcy does not disqualify an applicant from obtaining a guaranteed loan. The lender must document that 12 months of the repayment period has elapsed under the plan with all payments made on time and the applicant has received written permission from the bankruptcy court/trustee to enter into a mortgage transaction.
		√	√	Credit Worthiness: Consumer Counseling Payment Plans	<p>Applicants participating in a Consumer Credit Counseling Program are not disqualified from obtaining a guaranteed loan. The lender must document that 12 months of the repayment period has elapsed under the plan with all payments made on time and the applicant has received written permission from the counseling Agency to enter into a mortgage transaction.</p> <p><i>Exception:</i> GUS “Accept” loans are not subject to additional documentation since the credit scores already reflect degradation in the applicant’s credit history.</p>

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		√	√	Debt Ratio Waiver Requests	<p>Lenders may request Rural Development concurrence to exceed ratio thresholds when documented compensating factors are present. Debt ratio waiver requests should be identified by the underwriter on the underwriting analysis and must include all compensating factors considered by the lender. Acceptable compensating factors include but are not limited to: a minimal increase in housing expense; an applicant’s historical ability to devote a higher percentage of income to housing expenses; conservative attitude toward the use of credit; presence of cash reserves available post closing; additional compensation or income available in the household to meet the mortgage obligation; and the potential for increased earnings through career advancement. A credit score of 680 or higher may be documented as a standalone compensating factor when no additional risk layers are present (e.g., adverse credit).</p> <p>Rural Development’s consideration and concurrence with a debt ratio waiver request, per section 1980.345(c)(5), is represented by the issuance of a Conditional Commitment for Loan Note Guarantee.</p> <p>Exception: Lenders are not required to submit a debt ratio waiver request for GUS “Accept” loan files.</p>
√	√	√	√	Temporary Interest Rate Buydowns	<p>Lenders may request Rural Development concurrence to allow a funded buydown account per section 1980.392(b). The underwriter must document the compensating factors which indicate the applicant’s ability to meet the expected increases in loan repayment on the underwriting analysis. Acceptable compensating factors include but are not limited to the following: the applicant has the potential for increased income as indicated by job training or education; a demonstrated ability to devote a greater portion of income towards housing expenses; or the applicant has substantial assets available to cushion the effect of increased payments. Loan files with temporary interest rate buydowns must be underwritten at the full note rate. A written copy of the escrow agreement signed by both the applicant and the provider of funds is required. Funded buydowns are not allowed on refinance transactions. Buydown funds may come from the seller, lender or other third party, but cannot come from the applicant. The initial interest rate considered is temporarily reduced no more than two percent below the note rate and increased by no more than one percent annually.</p>

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		√	√	Payment Shock	<p>Payment shock is a risk layer for underwriters to consider when the Principal, Interest, Taxes, and Insurance (PITI) ratio exceeds 29% and the proposed mortgage payment is 100% or greater than current housing expense or the applicant has no history of housing expense.</p> <p>Calculation: Proposed PITI ÷ Current Housing Expense - 1 = ___ x 100 = Payment Shock %</p> <p>Payment shock is not a risk layer if the PITI ratio is 29% or below.</p> <p>Exception: Payment shock is not considered a risk layer if the PITI ratio is 31% or below on Rural Energy Plus Loans.</p>
√	√	√	√	Documentation of Qualified Alien Status	Lenders must obtain evidence and document that non U.S. citizens who apply for a guaranteed loan are qualified aliens. Lenders may contact Rural Development for assistance in verifying qualified alien status of applicants.
√	√	√	√	Form RD 1980-21, "Request for Single Family Housing Loan Guarantee"	Form RD 1980-21 must be completed (executed and dated) by the approved lender or their authorized representative and by all applicants that will be a party to the note. Multiple forms may be utilized if more than two applicants are on the loan. Rural Development will accept Form RD 1980-21 via fax, regular/overnight mail, or email. Original signatures are not required. Lenders must complete the entire form with accurate loan information and document the interest rate agreed to by the applicant(s).
√	√	√	√	Credit Alert Interactive Voice Response System (CAIVRS)	<p>Lenders must document the CAIVRS number obtained for each applicant. In the event the CAIVRS number indicates a claim has been filed for a delinquent Federal debt please refer to the section above entitled, “Credit Worthiness/Derogatory Credit: Federal Debts.”</p> <p>Lenders who utilize GUS are provided with a service that automatically retrieves a CAIVRS number for each applicant upon completion of the “Borrower” application page.</p>
	√	√	√	Uniform Residential Loan Application (URLA) Form FNMA 1003/FHMLC 70	<p>A complete URLA executed by the lender and all applicants must be submitted. Rural Development will accept a copy of the final URLA signed by all parties at loan closing. The URLA must be received prior to loan note guarantee issuance.</p> <p>The Agency can retrieve the URLA from within GUS on automated applications.</p>

Credit Documentation

NON-PURCHASING SPOUSE (NPS) in COMMUNITY PROPERTY STATES: Except for obligations specifically excluded by state law, the debts of NPS's must be included in the applicant's qualifying ratios when the applicant resides in a community property state or the property guaranteed is located in a community property state. The NPS's credit history is not considered a reason to deny a loan application. However, the NPS's obligations must be considered in the debt-to-income ratio unless excluded by state law. A credit report that complies with Rural Development requirements must be obtained for the NPS in order to accurately determine the debts that must be counted in the total debt ratio. Community property states include: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin.

Note: GUS will only retrieve credit reports for applicants. Therefore, lenders must obtain an acceptable credit report outside of GUS for applications in community property states. On the "Asset and Liabilities" application page lenders must enter the debt obligations (those obligations not excluded by state law) of the NPS in the appropriate liability section. In the "Notes" data field lenders should identify the debt as "spousal debt" or "NPS debt." Lenders must retain a copy of the NPS's credit report in their permanent loan case file and submit to Rural Development.

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	√	√	√	Credit Report	<p>Rural Development accepts the following credit report types: (1) Tri-merged Credit Report (MMCR), (2) Residential Mortgage Credit Report (RMCR), and (3) Nontraditional Mortgage Credit Report (NTMCR). Credit reports that meet the standards of Fannie Mae, Freddie Mac, Housing and Urban Development (HUD) and the Department of Veteran Affairs (VA) are acceptable for Rural Development purposes. Credit reports must be re-verified if the loan is not closed within 120 days from the date of the original verification (180 days for proposed new construction).</p> <p>Credit Reports for GUS transactions are included in the "Final" underwriting submission. The Agency can retrieve the report electronically.</p>

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		√	√	Credit Scores: Underwriting Score Selection	<p>Select the correct credit score for underwriting purposes from eligible credit reports:</p> <p>Three scores: Select the middle score 750, 721, 712 Two scores: Select the lowest score 619, 633 One score: Ineligible score, nontraditional credit must be verified No score: Nontraditional credit must be verified</p> <p>A repeating score is eligible for selection: 750, 750, 735</p> <p>A NTMCR score is not eligible for consideration.</p> <p><i>Exception:</i> GUS will select the eligible credit score for underwriting purposes. One score <u>may</u> be appropriate when utilizing GUS. The scorecard will make this determination.</p>

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		√	√	Verification of Nontraditional Credit Sources	<p>Lenders may order a NTMCR or develop their own report for an applicant. Nontraditional credit may not be used to enhance poor payment records or low credit scores.</p> <p>Three nontraditional sources are required for applicants with current rent/housing history. Rent/housing may be included as one of the three trade lines. Four nontraditional sources are required for applicants with no rent/housing history. Tradeline sources must be open and have a 12 month history.</p> <p>Lenders may collect canceled checks, money order receipts, and/or written verifications that include the creditor’s name, date the account was opened, account balance, monthly payment due, and payment history reported in 0x30, 0x60, 0x90 format. Subjective statements such as “satisfactory” or “acceptable” are not an acceptable format for repayment history confirmation. Rural Development will accept reports by providers who develop bill payment histories.</p> <p>Acceptable trade line sources include a recent 12 month payment record of rent or housing, utilities, insurance (excluding those paid through payroll deductions), school tuition, payments to retail stores, and evidence of cash reserves that equal no less than 2 months of PITI payments acquired through steady periodic savings deposits over 12 months.</p> <p>Payments made to relatives for credit sources are ineligible as a non-traditional trade reference.</p> <p>Applicants may only have one 30 day delinquency on any nontraditional trade line within the last 12 months. 60 and 90 day delinquencies or reports of disconnection notices are not acceptable.</p>

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		√	√	Verification of Rent or Housing Debt	<p>Verify a 12 month payment history for rent or housing expenses when applicable. Lenders may collect canceled checks or money order receipts. Written verifications by independent management companies may be accepted in lieu of canceled checks. Written verification should include creditor name, date the rental agreement or contract began, monthly payment due, and payment history reported in 0x30, 0x60, 0x90 day format. Statements such as “satisfactory” or “acceptable” are not acceptable. Rent or housing payment history reported on the credit report is acceptable.</p> <p>Applicants with credit scores of 640 and above do not need to provide Rural Development with a rent or housing verification. <i>Exception:</i> Any applicant with a foreclosure or pre-foreclosure activity in the previous 36 months, Chapter 7 bankruptcy discharged in the previous 36 months, Chapter 13 bankruptcy that has yet to complete repayment or has completed repayment within the previous 12 months, and/or late mortgage payments in the most recent 12 months must submit a verification of rent or housing, regardless of credit score.</p> <p>Loan files that receive a GUS “Accept” underwriting recommendation are not subject to verification of rent or housing history.</p>
	√	√	√	Liabilities: Monthly Debts	<p>Section 1980.345(c)(1) requires payments on debts with more than six months (6) repayment remaining to be included in the total debt ratio. This type of debt is typically installment debts. Regardless of the existing balance, revolving debt will always be considered when calculating debt ratios. Underwriters may also include other shorter term debts (less than 6 months repayment remaining) that are considered to have a significant impact on repayment ability. If no monthly payment is listed for the balance, underwriters may use 5% of the balance for the monthly payment due or the applicant can provide a recent statement as evidence of a lower payment.</p>

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	√	√	√	Liabilities: Collection Accounts	<p>The lender must determine if open collection accounts should be paid in full by the applicant prior to or at closing. Lenders must consider the collection type, age, and its potential to negatively affect clear title to the subject property. If the lender determines collection accounts may remain open, they must document an adverse credit waiver on the underwriting analysis. The credit waiver must address the circumstances surrounding each collection account; specifically, that the situation was temporary in nature, beyond the applicant’s control, <u>and</u> has been removed per section 1980.345(d)(3).</p> <p>Applicants with eligible credit scores of 640 and above do not require the lender to submit the supporting documentation to Rural Development; however the lender is not relieved from documenting their permanent mortgage loan file with their rationale for not requiring collection accounts to be paid prior to loan closing. Exception: Any applicant with a foreclosure or pre-foreclosure activity in the previous 36 months, Chapter 7 bankruptcy discharged in the previous 36 months, Chapter 13 bankruptcy that has yet to complete repayment or has completed repayment within the previous 12 months, and/or late mortgage payments in the most recent 12 months must submit supporting documentation to Rural Development regardless of credit score.</p>
	√	√	√	Liabilities: Co-signed Obligations/Non-Mortgage Debt	<p>Section 1980.345(c)(1)(i) requires debts which have been co-signed by the applicant for another party to be considered in the debt ratio unless evidence can be obtained that it has not been necessary for the applicant to make payments over the last 12 months.</p> <p>A co-signed obligation refers to an agreement where the applicant is liable for the note with other parties. Liabilities solely in the applicant’s name must always be considered in the debt ratio, regardless of who is making the monthly payment as the legal obligation resides with the applicant.</p>

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	√	√	√	Liabilities: Previous Mortgage	<p>Section 1980.345(c)(1)(ii) requires all previous mortgage liabilities disposed of through a sale, trade, or transfer <u>without a release of liability</u>, to be included in the debt ratio calculation unless evidence can be obtained to confirm the remaining party has made payments over the last 12 months.</p> <p>In divorce settlements when one person retains ownership of a residence as a result of the proceedings, it does not imply that the person relinquishing ownership is automatically released of the financial liability associated with an existing mortgage debt. The divorce decree along with a release of liability from the mortgage creditor must be presented as evidence that an applicant is no longer legally responsible for the mortgage payment. If no release of liability is granted by the creditor then the applicant remains legally obligated for the debt. Quit claim deeds do not remove liability for mortgage debts.</p>
	√	√	√	Liabilities: Student Loans	<p>Student loans represent a debt obligation. Loans in repayment and deferred student loans must be included in the debt ratio per section 1980.345(c)(1). If available, lenders will utilize the payment amount listed on the credit report. If the credit report does not indicate a monthly payment amount, lenders may use the monthly payment amount provided by the loan servicer or 1% of the loan balance reflected on the credit report.</p>
				Liabilities: Child Care Expense	<p>Child care expenses are not required to be considered as a recurring liability when calculating debt-to-income ratios. Child care expenses are utilized to calculate the adjusted gross income in determining program eligibility.</p>
	√	√	√	Liabilities: 401(k) Loans	<p>Loans against personal assets such as 401(k) accounts, retirement funds, or other liquid assets are not considered in the debt ratio.</p>
	√	√	√	Liabilities: Child Support, Alimony, Garnishments	<p>Applicants obligated to pay child support, alimony, garnishments, or other court ordered debts must have these payments included in the debt ratio. If the applicant has a release of liability from the court/creditor, the debt can be excluded. Lenders may use select pages from the applicable agreement/court order to document the required monthly payment due and the duration of the debt.</p>

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	√	√	√	Liabilities: Direct Verification of Other Debts – Excluded from the Credit Report	<p>Lenders must verify the previous 12 months repayment history of additional debts disclosed by the applicant that do not appear on a credit report. Written third party verifications that meet stated guidelines and/or canceled checks or money order receipts are acceptable.</p> <p>Lenders must apply due diligence to every GUS loan file regardless of the underwriting recommendation. The GUS Underwriting Findings Report requires lenders to ensure all liabilities were listed on the credit report and/or made available to GUS. If some debts were not listed on the credit report but manually entered into GUS by the lender, an “Accept” recommendation must be downgraded to a “Refer.” A “Refer” must be downgraded to a “Refer with Caution.” A manual underwrite must be completed for loan files with these characteristics.</p> <p>Note: Non-Purchasing spousal debts not included on the applicant’s credit report in GUS do not require a manual downgrade.</p>

Employment/Income Documentation

Credit documentation (credit report/income/application, etc.) must be re-verified if the loan is not closed within 120 days from the date of the original verification (180 days for new construction). Adult household members that are not on the loan application must provide income verification to the lender for their employment status as outlined in this section.

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	√	√	√	Verification of Income: Employed Applicant	<p>The following documentation is acceptable for verifying the income of employed loan applicants (excluding self-employed): (1) Verification of Employment (VOE) (Form RD 1910-5 or equivalent) or VOE’s supplied by an employment verification service AND the most recent paycheck stub; <u>OR</u> (2) paycheck stubs or payroll earnings statements covering the most recent 30-day period, AND W-2 forms for the previous 2 tax years AND a telephone verification of the applicant's current employment <u>OR</u> (3) computer-generated documents accessed and printed from an Intranet or Internet, AND W-2 tax forms for the previous 2 years, AND a telephone verification of the applicant's current employment.</p> <p>Lenders are allowed to utilize third party verification services per section 1980.309(f). Verification of income must be re-verified if the loan is not closed within 120 days from the date of the original verification (180 days for new construction). Income documentation must identify the applicant as the employee and show the time period covered by the verification along with both the current period earnings and year to date earnings. The original documents must not contain any alterations, erasures, correction fluid, or correction tape. All income verifications must pass directly between the loan originator and the employer.</p>

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	√	√	√	Verification of Income: Self-Employed Applicant	The following documentation is acceptable for verifying the income of self-employed loan applicants: (1) signed individual federal income tax returns for the most recent two years accompanied by all appropriate schedules as determined by the type of self-employment; (2) signed business tax returns for the most recent two years; (3) year-to-date profit and loss (P&L) statement accompanied by a current balance sheet; (4) year-to-date income and expense statement. The documents noted in items (3) and (4) are not required to be audited. As an alternative, the lender may obtain IRS-issued transcripts of the applicant’s tax returns, as long as the transcripts include the information from all of the applicable schedules. In all cases, the lender must obtain sufficient documentation to support its determination regarding the viability of the business and of the self-employed applicant’s income. Income verifications must be re-verified if the loan is not closed within 120 days from the date of the original verification (180 days for new construction).
	√	√	√	Verification of Income: Non-employed (Other)	Obtain written verification of the income (e.g., an award letter, pension statement, or other appropriate documentation) or verification through individual federal income tax returns for the most recent year. Examples of other income types can include: alimony/child support, automobile expense, military income, pension/retirement income, social security/disability income, trust income, unemployment, and notes receivable.
	√	√	√	Verification of Income: Household Assets	Section 1980.347(d)(3)(iii) states, “Where the household has net family assets, as defined in section 1980.302(a), in excess of \$5,000, the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate must be considered when calculating annual income.” Verification documentation must coincide with the type of asset identified for income purposes. Examples of assets can include (but is not limited to) cash, savings, stocks, bonds, investments, and real estate.

Determining Repayment Income

Repayment income includes the stable and dependable income of applicants that will be party to the note.

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	√	√	√	<p>Determining Repayment Income: Employed Applicant</p> <p>Note: GUS does not evaluate the stability and dependability of repayment income in the underwriting recommendation. The lender must determine the history and stability of earnings prior to entering repayment information into GUS. Repayment income often differs from annual and adjusted income calculations that determine program eligibility.</p>	<p>Approved lenders must determine stable and dependable monthly income from <u>verifiable</u> sources. Refer to sections 1980.345(b) and 1980.345(c)(2)(i). There is no minimum length of time an applicant must have held a position to consider employment income as dependable. Obtaining two years of documentation for an applicant’s employment and income history will assist lenders in their analysis regarding probable stability and continuance of the present income source. The applicant should not have any gaps in employment of more than a month within a two year period of loan application. The lender may consider reasonable allowances under the following circumstances: (1) a recent graduate, as evidenced by college transcripts, or a recent member of the military, as evidenced by discharge papers, entering the civilian workforce. Caution must be utilized when the applicant’s employment includes a probationary period; (2) an applicant has recently re-entered the workforce after an absence to care for a family member or minor child, extended medical illness, or other circumstance reasonable to the lender; (3) an applicant will begin a new job with a firm offer letter from the employer indicating a start date within 90 days of loan closing (lenders must verify the applicant will have sufficient income, or cash reserves, to support mortgage payments and other obligations during the time between loan closing and the start of employment), this type of allowance is commonly represented by an applicant entering a teaching position with a contract from the school district; and (4) an applicant that frequently changes jobs but demonstrates income continuity. Sources of income the lender cannot verify are not acceptable for the purpose of qualifying applicants for guaranteed loans. Income that is verified, but not considered stable and dependable by the lender, may be considered as a compensating factor for meeting debt ratios. It remains the lender’s responsibility to fully document their analysis and basis for stable and dependable income utilized. The lender must be able to determine the applicant’s income stability based on the available documentation.</p>

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	√	√	√	Determining Repayment Income of Self-Employed Applicant	<p>Applicants should be self-employed for at least two years at the time of loan application. If the applicant has not been self-employed for at least two years the lender must confirm the applicant is in the same line of work. The applicant must be able to document a reasonable probability of success based on a market feasibility study and pro forma financial statements for the business. The lender must carefully consider the following: the applicant’s training and experience, the location and nature of the business, and the demand for that type of business in the area. If the lender is unable to support the above with documentation, the income should not be utilized for repayment income purposes.</p> <p>Lenders are encouraged but not required to use Fannie Mae Form 1084, “Cash Flow Analysis,” and Fannie Mae Form 1088, “Comparative Income Analysis,” to document a trend analysis for the applicant’s business.</p> <p>The most common self-employed applicant is one engaged in a Sole Proprietorship. This type of structure requires owners to personally sign for debt obligations associated with their business even though the debt is often paid with business funds. When completing the calculations required by sections 1980.345(b) and 1980.345(c), the lender may <u>add</u> the following allowable IRS deductions to net profit (item #31 on Schedule C or item #36 on Schedule F): (1) Depletion (item #12 on Schedule C) and (2) Depreciation (item #13 on Schedule C or item #16 on Schedule F).</p> <p>If a debt such as a car loan is paid through the business, the debt does not need to be included in debt ratio calculations as long as documentation is provided to confirm the debt is paid by the business. Documentation showing the debt payments are being paid by the business may include 12 months of canceled business checks.</p> <p>Industry standard requires an applicant to demonstrate a 25% ownership interest in the business in order to be considered self-employed.</p>

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	√	√	√	Repayment Income: Bonus, Commission, and Overtime	Income should be considered for the previous two years with the same/present employer. Non-reimbursed expenses should be subtracted from the gross income reported on the applicant’s tax returns. Income earned for less than one year should not be considered as repayment income without significant compensating factors (e.g., the applicant has recently changed from a salary to commission position with the same organization). If there is a significant variance when comparing income from one year to the next, a period of more than two years should be used in calculating income.
	√	√	√	Repayment Income: Part-Time, Second, and Seasonal Positions	Applicant should have worked in this position for the past two years, as evidenced by a written Verification of Employment (VOE) or tax returns (individual or business), without interruption. Lenders may consider income received for less than two years if the employer verifies it is likely to continue.
	√	√	√	Repayment Income: Tax Exempt	Tax exempt income types include but are not limited to, social security, retirement, disability, child support, some worker’s compensation benefits, certain public assistance payments, military allowances, etc. Section 1980.345(c)(2)(ii) allows non-taxable income to be “grossed up” by the amount of federal tax savings attributable to the nontaxable income for repayment purposes only. No other adjustments for tax-exempt income are authorized. Rural Development does not offer a standard percentage that income can be grossed up (e.g., 125%). It is determined by the lender’s analysis in accordance with section 1980.345(c)(2)(ii).
	√	√	√	Repayment Income: Military	In addition to base pay, military personnel may be entitled to additional forms of pay. Income sources such as variable housing allowances, clothing allowances, flight or hazard pay, rations and proficiency pay may be used for repayment income provided it is verified as stable and dependable. Additional consideration for the tax-exempt nature of these payments may be applied.
	√	√	√	Repayment Income: VA Benefits	Direct compensation from the U.S. Department of Veterans Affairs (VA), (i.e., regular payments for a service related disability), can be included as repayment income upon VA verification. The difference between the costs of education and the VA education benefits received may be considered repayment income.

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	√	√	√	Repayment Income: Government Assistance Programs	Income received for programs such as unemployment income, workers' compensation, earned income credit, foster children, etc. may be counted as repayment income as long as it is expected to continue for at least the first three years of the mortgage. Income to be received for less than three years may be used as a compensating factor. Unemployment income requires a two year documentation of receipt and reasonable assurance of its continuance. This may be appropriate for individuals employed on a seasonal basis (e.g., farm laborers, construction workers, etc.).
	√	√	√	Repayment Income: Retirement	Income must continue for at least the first three years of the mortgage. If any benefits will expire within the first three years, the income source may be considered as a compensating factor.
	√	√	√	Repayment Income: Interest and Dividends	Income should be received for the past two years and may be averaged based upon verified documentation. Any funds derived from these sources that are required for closing must be subtracted before the projected interest or dividend income is calculated.
	√	√	√	Repayment Income: Employee Differential Payments	If the employer subsidizes the applicant's mortgage payments through direct payments it is considered a housing allowance. The amount of these payments should be included as gross income when calculating the annual income and can be utilized for repayment income if the income is likely to continue for at least the first three years of the mortgage. These payments may not be used to directly offset the mortgage payment.
	√	√	√	Repayment Income: Automobile/Expense Allowance	The amount an applicant's automobile allowance or expense account payment exceeds actual expenditures can be considered as repayment income. Income should have been received for two years along with verification from the employer that these payments will continue. The applicant's monthly car payment must be treated as a recurring debt and must not be offset by the car allowance.

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	√	√	√	Repayment Income: Rental	<p>A retained dwelling must meet the requirements of section 1980.346(a). To calculate net monthly rental income for annual income purposes, the monthly gross rent amounts received must be reduced by a vacancy factor of 25% before subtracting the monthly principal, interest, taxes, insurance, and homeowner association dues, etc.</p> <p>It is the lender’s responsibility to determine whether rental income is stable and dependable for repayment purposes. Rental income received for less than a 24 month duration should not be included in repayment income.</p> <p>Regardless of the stability of net rental income, it must always be considered when calculating annual income for program eligibility as follows: (1) any positive net rental income is included in the calculation of annual income or (2) negative net rental income is treated as \$0.</p> <p>Repayment income calculations must be handled as follows: (1) any positive net rental income determined to be stable and dependable is included in the calculation or (2) any negative net rental income determined to be stable and dependable is treated as a recurring liability.</p> <p>Document the rental income amount is stable and dependable by verifying amounts listed on the applicant’s income tax IRS Form 1040 Schedule E for the past two years. This income may be averaged over the past 24 month period and depreciation may be added back to the net income or loss shown on Schedule E.</p> <p>Applicants may only retain one dwelling in addition to the new dwelling (principal residence) purchased with a guaranteed loan. The dwelling retained may not be financed with a Section 502 Direct or Guaranteed loan.</p>
	√	√	√	Repayment Income: Alimony, Child Support or Separate Maintenance	<p>Obtain evidence that payments are likely to be received for at least the first three years of the mortgage. Obtain evidence the payments have been received for the past 12 months. Payment periods of less than 12 months may be acceptable if the lender can document the payer’s ability and willingness to make timely payments.</p>

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	√	√	√	Repayment Income: Section 8 Housing Vouchers	<p>Applicants that receive Section 8 Homeownership Vouchers may have this income considered for repayment purposes only. The monthly subsidy may be treated in one of the following manners:</p> <ol style="list-style-type: none"> (1) If the subsidy is paid directly to the applicant it may be “grossed up” by 25% to compensate for its non taxable status OR (2) If the subsidy does not pass through the hands of the applicant it should be treated as an “offset” to the monthly PITI (i.e., reduce the monthly PITI payment by the amount of homeownership assistance provided prior to dividing by monthly repayment income to determine the debt-to-income ratio). <p>Lenders who utilize GUS for this type of repayment income must use option (1) above.</p>
	√	√	√	Repayment Income: Unreimbursed Employee Expenses	Unreimbursed employee expenses are reported on IRS Form 2106 “Employee Business Expenses.” The sum of columns A and B on Line 8 represents the total amount spent out of pocket. The amount of unreimbursed employee expenses must be deducted from repayment income.
	√	√	√	Gaps in employment	Lender must document all gaps in employment of greater than one month over the last two years. It remains the lender’s responsibility to determine stable and dependable income, which includes the analysis of gaps in employment as it relates to the probability of continued income.

Adjustments to Annual Income Documentation

The following adjustments may be made to the annual income calculation (refer to section 1980.347) to determine program qualification. Annual income includes all eligible income from adult household members, regardless of whether they will be a party to the note.

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√	√	√	√	Child Care Expenses	Refer to section 1980.348(c). Documentation can be in the form of tax returns, third party verifications, canceled checks, or money order receipts. Child support payments and/or private school tuition paid by an applicant are not eligible child care expenses.
√	√	√	√	Medical Expenses: Elderly Family	Refer to section 1980.302(a) for the definition of an elderly family. Refer to section 1980.348(d)(1) for allowable medical deductions and calculations to an elderly household's annual income. Documentation can be receipts, copies of billing statements, invoices or other written documentation supporting the expenses.
√	√	√	√	Disability Expenses: Disabled Persons	Refer to section 1980.302(a) for the definition of a disabled person. Refer to section 1980.348(d)(2) for eligible disability deductions and calculations. Documentation can be receipts, copies of billing statements, invoices, or other written documentation supporting the expenses.

Asset Documentation

Assets are not required for guaranteed loan consideration. Assets disclosed on the loan application must be supported with appropriate documentation. Satisfactory explanation and documentation should be provided for large deposits or increases in liquid assets.

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√	√	√	√	Depository Accounts: Checking Account, Savings Account, Certificate of Deposit, and Money Market Fund	Refer to section 1980.347(d)(3)(iii). Verification of Deposit with the average 2 month balance OR 2 consecutive monthly bank statements dated within 45 days of the initial loan application date must be provided as evidence of the asset. This applies to all liquid assets.
√	√	√	√	Earnest Money Deposit	Earnest money deposit on the sales contract can be considered an asset if the deposit is not already reflected in a liquid asset account. If the funds have cleared the applicant’s account, place the amount as an “Other Credit” in Section VII of the loan application. For GUS transactions, lenders should only enter the earnest money once; on either the “Asset and Liabilities” or the “Transaction Details” page.
√	√	√	√	Retirement Accounts	Obtain the most recent statement and conditions under which funds may be withdrawn or borrowed. Retirement funds may be utilized as cash reserves and/or a compensating factor if the account allows for withdrawals by the applicant(s). Retirement accounts that restrict withdrawals only in connection with the applicant’s employment separation, retirement, or death should not be considered as cash reserves or a compensating factor. Calculate the asset amount as 60% of the vested account balance to allow for withdrawal penalties.
√	√	√	√	Gifts	Document through an executed gift donor letter and establish the gift does not have to be repaid. If gift funds are not verified in the applicant’s account at the time of application, obtain proof of transfer from the donor to the applicant. All gift funds, including grants, must be from an eligible source (i.e., a relative, domestic partner, fiancé, church, municipality, or non-profit organization). Gifts may not contribute to cash reserves in GUS transactions or be considered a compensating factor.

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	√	√	√	Sale Proceeds of Real Property	Obtain an executed HUD-1 or equivalent closing statement to indicate actual cash sales proceeds realized by the applicant. Proceeds from the sale of property should be included in the applicant’s liquid assets. For GUS transactions, the “Net Equity” section of the “Assets and Liabilities” page will be auto-populated once the “REO Property” section is completed.
	√	√	√	Stocks and Bonds	Obtain a monthly or quarterly statement provided by the stockbroker or financial institution managing the portfolio.
	√	√	√	Cash on Hand	Obtain a written explanation from the applicant as to how the funds were accumulated and the amount of time taken to do so. The lender must consider the applicant’s current income stream and time frame taken to accumulate cash on hand as being legitimate. Applicant’s that report cash on hand, but also retain depository accounts must be carefully analyzed by the lender.

Property Documentation

Applicants may only retain one dwelling that meets the requirements of section 1980.346(a) in addition to the new dwelling purchased with a guaranteed loan. The dwelling retained may not be financed with a Section 502 Direct or Guaranteed loan.

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	√	√	√	Sales Contract, Purchase Agreement, and/or Agreement of Sale	The sales contract along with amendments, agreements, and/or certifications must be reviewed by the lender and accurately represent the transaction.
√	√	√	√	Appraisal Forms	<p>The appraisal forms that must be used for loan origination purposes are as follows:</p> <ul style="list-style-type: none"> • Uniform Residential Appraisal Report (URAR): FNMA 1004/FHMLC 70 for one unit single family dwellings • Manufactured Home Appraisal Report and Addendum: FNMA 1004C/FHLMC 70B for all manufactured homes • Individual Condominium Unit Appraisal Report FNMA 1073/FHLMC 465 for all individual condominium units <p>Appraisals must be completed by licensed or certified appraisers. There is no approved appraiser list for Rural Development loan programs. Section 1980.334(b)(1) requires the cost approach section of the appraisal to be completed when dwellings are less than one year old. For dwellings more than one year old, the cost approach section need be completed only to the extent necessary to comply with site value analysis and the requirements of section 1980.313(e). A Marshall and Swift cost approach analysis is not required for any property. Appraisals are valid for six months, effective from the date of the appraisal, and must be valid at the time of request.</p> <p>Form 1004 MC “Market Conditions Addendum to the Appraisal” must accompany all appraisals.</p>

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√	√	√	√	Appraisals in Remote Rural Areas: New Construction	<p>Remote rural areas, identified by State Directors, can make it difficult to appraise a new construction property. If the sales comparison approach is not necessary to develop a credible opinion or conclusion regarding value, the lender’s appraiser may decide to use the Scope of Work Rule of the Uniform Standards of Professional Appraisal Practice (USPAP) and perform an appraisal without completing the Sales Comparison approach to value. Appraisers must explain the exclusion of the Sales Comparison approach to value and fully document their efforts to obtain comparable market data (i.e., complete Form 1007 “Marshall and Swift Square Foot Appraisal,” document the cost analysis, not consider external depreciation based on the remoteness of the site, and consider factors that impact the site such as immediate proximity to a feedlot, factory, or similar considerations).</p> <p>After a market is established in the remote rural areas, appraisers should no longer invoke either the Departure Rule or the Scope of Work rule in lieu of the Sales Comparison approach. The cost approach section must be completed when the dwelling is less than one year old. For dwellings more than one year old, the cost approach must be completed only to the extent necessary to comply with the site value analysis and requirements of section 1980.313(e). A Marshall and Swift cost approach analysis is not required in such cases.</p>

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	√		√	<p>Existing Dwellings: HUD Handbook Minimum Property Standards</p> <p>An existing dwelling has been completed for more than 12 months or has been completed less than 12 months but has been previously occupied.</p>	<p>An existing dwelling must meet HUD Handbooks 4150.2 and 4905.1. HUD Handbook determinations may be completed by one of the following methods:</p> <ul style="list-style-type: none"> • An FHA roster appraiser may certify compliance to the handbooks; • A licensed or certified appraiser who is not on the FHA roster can complete the HUD Handbook determinations when the approved lender deems the appraiser as qualified; or • A separate home inspection report prepared by the appraiser or a home inspector deemed qualified by the lender. <p>Appraisers may certify the requirements of HUD Handbooks 4150.2 and 4905.1 have been met on page three of the appraisal form in the “Comment” section, in an addendum to the appraisal, or elsewhere on the appraisal form. For consistency nationwide, the preferred method to document compliance is page three under the “Comment” section of the appraisal report.</p>
	√		√	<p>Existing Dwellings: Septic/Well/Termite/Thermal Inspections and Certifications</p> <p>An existing dwelling has been completed for more than 12 months or has been completed less than 12 months but has been previously occupied.</p>	<p><u>Private Septic System:</u> The septic system must be free of observable evidence of failure. An FHA roster appraiser, government health authority, licensed septic professional, or qualified home inspector may perform the septic system evaluation. An FHA roster appraiser or qualified home inspector may require an additional inspection due to their observations.</p> <p><u>Private Well/Water Supply:</u> The local health authority or state certified laboratory must perform a water quality analysis. The water quality must meet state and local standards. The Safe Water Drinking Act does not apply to private wells. Contact the EPA at (800) 426-4791 for referrals to certified labs and other inquiries.</p> <p><u>Termite:</u> If required by the lender, appraiser, inspector, or State law, a pest inspection must be obtained to confirm the property is free of active termite infestation.</p> <p>There are no thermal requirements for guaranteed loans on existing homes.</p>

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	√		√	<p>Existing Dwellings: Repairs and Escrow Accounts</p> <p>An existing dwelling has been completed for more than 12 months or has been completed less than 12 months but has been previously occupied.</p>	<p>Any repairs necessary for the dwelling to be structurally sound, functionally adequate and in good repair must be completed prior to request of the Loan Note Guarantee. Escrow accounts that meet the requirements of section 1980.315 are allowed for exterior weather delayed repairs. Loan note guarantees will be issued post closing for loans with eligible escrow accounts established per section 1980.360(2)(ii). Please refer to “Escrow Accounts – Exterior Repairs” in this section.</p> <p>Lenders are expected to use professional judgment when a property condition requires additional inspections or repairs. Additional repairs may be required by the lender in order to secure the safety of the occupants, correct conditions that may jeopardize the soundness or structure of the home, or affect the likelihood of a low to moderate income applicant from becoming a successful homeowner.</p>
	√		√	<p>New Construction: Evidence of Certified Plans and Specifications</p> <p>New dwellings have been built for less than 12 months and have never been occupied.</p>	<p>The lender must retain evidence that a new construction home was built in accordance with certified plans and specifications (e.g., International Residential Code, CABO, BOCA, etc.). One of the following combinations must be retained by the lender as evidence:</p> <ol style="list-style-type: none"> 1. Copy of an eligible building permit that has been issued by an approved local jurisdiction. The State Director is responsible for making the determination of an “eligible jurisdiction” per RD Instruction 1924-A, section 1924.5(f)(1)(iii)(c)(2). This determination must be published by the state as a supplement; or 2. Certificate of Occupancy or completion certificate issued by an approved local jurisdiction as determined by the State Director and published; or 3. Certification from a qualified individual or organization (e.g., licensed architect, engineer, national code certified plan reviewer, local building official, etc.) that has reviewed the plans and specifications, and determined they meet all applicable building codes and development standards. If the reviewer does not have their own certification form, Form RD 1924-25 “Plan Certification,” may be used.

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	√		√	<p>New Construction: Evidence of Construction Inspections/Warranty</p> <p>New dwellings have been built for less than 12 months and have never been occupied.</p>	<p>The lender must retain evidence that construction inspections were performed throughout the project in accordance with section 1980.341(b)(2). Acceptable evidence may include one of the following:</p> <ol style="list-style-type: none"> 1. Certificate of Occupancy issued by an eligible local jurisdiction as determined by the State Director and published, after a minimum of 3 construction inspections were performed and a 1-year builder warranty plan issued acceptable to RD; or 2. Copies of 3 construction inspections performed when: (1) footings and foundation are ready to be poured (2) shell is complete, but plumbing, electrical and mechanical work is still exposed and (3) final inspection of completed work prior to occupancy and a 1-year builder warranty plan issued acceptable to RD; or 3. Final inspection and a 10-year insured builder warranty plan acceptable to Rural Development per RD Instruction 1924-A Exhibit L.
	√		√	<p>New Construction: Thermal Requirements</p> <p>New dwellings have been built for less than 12 months and have never been occupied.</p>	<p>Thermal requirements for new construction must adhere to the building code to which the home was built. When the lender secures evidence that the home was built to an acceptable building code, this will ensure the thermal requirement of that code was met.</p>
				<p>New Construction: No required evidence available</p> <p>New dwellings have been built for less than 12 months and have never been occupied.</p>	<p>New construction homes that do not have acceptable evidence of construction inspections and warranty are limited to a 90% loan to value (LTV) plus the guarantee fee per section 1980.311(b)(3). The guarantee fee may be included above the 90% LTV in the loan amount.</p>
				<p>New Construction: Conditional Commitment for Loan Note Guarantee for proposed new construction</p> <p>New dwellings have been built for less than 12 months and have never been occupied.</p>	<p>Lenders may submit conditional commitment requests for proposed new construction dwellings. The term of Form RD 1980-18 is permitted to correspond with the projected date of construction completion (the Agency will determine the expiration date of Form RD 1980-18). The expiration date of Form RD 1980-18 should not exceed one year from the issuance of the commitment unless the State Director executes a written policy allowing a longer term based upon special circumstances.</p> <p>Loan documents that are over 180 days old at the time of loan closing such as the credit reports, income verifications, and underwriting documents, must be updated and submitted to Rural Development.</p>

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	√	√	√	Condominium Requirements	Condominiums are acceptable to Rural Development when the project has been approved by Fannie Mae (FNMA), Freddie Mac (FHLMC), HUD, or VA. Lenders may self-certify condominium projects are approved by one of these four entities when they retain a completed condominium questionnaire and the master hazard insurance policy. Lenders may document their self-certification on their underwriting analysis. Documentation supporting this certification must be retained in the lender's permanent mortgage loan file.
	√		√	Manufactured Homes: Built to HUD code	Manufactured units must be new, less than 12 months old, never occupied, and include the site. The date of the purchase agreement must be within one year of the manufactured date displayed on the plate attached to the unit. Units must be purchased and built by an approved dealer-contractor. Each state maintains a list of the approved dealer-contractors in their geographic area. Contact the local Rural Development office for more information. RD Instruction 1924-A Exhibit J provides additional guidance. Existing units are eligible for a guaranteed loan if currently financed with a Rural Development Section 502 direct or guaranteed loan. Refer to section 1980.313(i)(2)(i) for additional guidance.
√	√	√	√	FEMA Form 81-93, Standard Flood Hazard Determination	Lenders are required to complete FEMA Form 81-93, "Standard Flood Hazard Determination Form," pursuant to the National Flood Insurance Reform Act of 1994 and FDIC regulations (12 CFR 339.6).
	√		√	Escrow Accounts – Exterior Repairs	<p>When proposed exterior development work cannot be completed due to weather related issues and the work remaining does not affect the livability of the home, an escrow account for exterior development may be established by the approved lender if the following conditions are met per section 1980.315:</p> <ol style="list-style-type: none"> 1. A signed contract and bid schedule are in effect for the proposed exterior work. 2. The contract states the work will be completed within 120 days. 3. The lender agrees to obtain a final inspection report and advise RD when the work has been completed. 4. The escrow account must be funded in an amount sufficient to assure the completion of the remaining work. 150 percent of the cost to complete is suggested, but the lender may require a higher amount if they deem necessary. <p>Loan note guarantees will be issued post closing for loans with eligible escrow accounts established per section 1980.360(2)(ii).</p>

Rural Energy Plus Loans

Rural Energy Plus Loans are available to eligible applicants who purchase a home that is energy efficient.

GUS Accept – Submit to RD for Commitment	Documentation – Lender Case File <small>[GUS Accept]</small>	Manual UW - Submit to RD for Commitment <small>[Includes GUS Refer & Refer with Caution]</small>	Documentation – Lender Case File <small>[Manual, GUS Refer and GUS Refer with Caution]</small>	Topic	Documentation
	√	√	√	Property Eligibility	<p>Document new homes are built to meet the 2000 International Energy Conservation Code (IECC) standard or comparable code.</p> <p>Document existing homes meet or are retrofitted to meet the 2000 IECC or comparable code.</p> <p>The lender will certify the home meets the 2000 IECC or comparable code. This certification will be made as part of the underwriting analysis submitted to Rural Development when requesting the Conditional Commitment for Loan Note Guarantee.</p>
		√	√	Repayment Ratios	<p>The PITI and TD ratios may be exceeded up to two percentage points without a ratio waiver request submitted to Rural Development. If PITI ratio exceeds 31% and/or TD ratio exceeds 43% a debt ratio waiver is required. This does not apply to GUS “Accept” underwriting recommendations.</p>

Documentation Matrix - Post Closing



Use of the following information is for reference in documenting SFHGLP files. For complete information, refer to RD Instruction 1980-D, supplemented by applicable Administrative Notices (AN). <http://www.rurdev.usda.gov/regs>.

NON-PURCHASING SPOUSE: If required by State law in order to perfect a valid and enforceable first lien, the NPS may be required to sign either the security instrument or documentation indicating that the individual is relinquishing all rights to the property. When the security instrument is executed for this reason, the NPS is not considered an applicant or borrower, and not required to sign the loan application.

Post Closing

GUS Accept - Submit to RD for Commitment	Documentation - Lender Case File <small>[GUS Accept]</small>	Manual UW - Submit to RD for Commitment <small>[Includes GUS Refer & Refer with Caution]</small>	Documentation - Lender Case File <small>[Manual, GUS Refer and GUS Refer with Caution]</small>	Topic	Documentation
√	√	√	√	Lender Certification: Form RD 1980-18 "Conditional Commitment for Single Family Housing Loan Guarantee"	<p>Lenders must complete and return Form RD 1980-18 with the loan closing package. The lender's signature certifies to Rural Development the loan was closed in accordance with all applicable conditions listed and no adverse changes have occurred since the commitment was issued. Documentation to address each condition noted may be returned in the loan closing package. Original signatures are not required.</p> <p>Rural Development will not reissue Form RD 1980-18 under the following circumstances: 1) loan amounts or interest rates that decrease prior to or at closing from the amount approved on Form RD 1980-18; 2) loans that close for a higher amount than approved on Form RD 1980-18 (not to exceed \$500).</p>
√	√	√	√	Guarantee Fee	The correct guarantee fee must be remitted. Lenders who have an active agreement to electronically submit loan closing data may use pay.gov to submit fees.

GUS Accept – Submit to RD for Commitment	Documentation – Lender Case File <small>[GUS Accept]</small>	Manual UW - Submit to RD for Commitment <small>Includes GUS Refer & Refer with Caution]</small>	Documentation – Lender Case File <small>[Manual, GUS Refer and GUS Refer with Caution]</small>	Topic	Documentation
√	√	√	√	Promissory Note	A copy of an executed promissory note must be submitted.
√*	√*	√*	√*	Interest Rate, <i>as applicable</i> *	<p>Interest rates that increase at loan closing from the rate approved on Form RD 1980-18 may require further underwriting review by the approved lender. Section 1980.360(a) requires lenders to provide compensating factors for ratios that exceed 29 and 41 percent upon an increase in the floating interest rate approved on Form RD 1980-18. If the ratios are not exceeded as a result of the increased interest rate, no further explanation is necessary.</p> <p>Fixed interest rate increases must submit a revised Form RD 1980-21, underwriting analysis, and URLA.</p> <p>The lender must submit documentation to verify the interest rate is valid per section 1980.320 when the interest rate is floating. Loan Note Guarantees will not be issued for loans closed outside of the acceptable interest rate thresholds described at section 1980.320. Interest rate increases must be revised in GUS.</p>
√*	√*	√*	√*	Confirmation of Escrow Development Completion, <i>as applicable</i> *	The lender is required to advise Rural Development upon completion of exterior development work. A Loan Note Guarantee may be issued when exterior work remains pending at Loan Note Guarantee request when an eligible escrow account is established in accordance with section 1980.315. It is the responsibility of the lender to confirm with Rural Development when the repairs are completed by submission of a final inspection or email notice of completion of development.
	√		√	Deed of Trust or Mortgage	A copy of the mortgage or deed of trust must be in the permanent loan case file.
√	√	√	√	Final HUD-1 Settlement Statement	A copy of the final HUD-1 Settlement Statement is required. If the borrower(s) received any cash back at loan closing, the amount must not exceed the documented contributions made for eligible loan purposes (e.g., earnest money deposit, lender/home inspection fees paid out of pocket, etc.). Loan funds or seller paid concessions may not be distributed to the borrower.
	√		√	Title Policy	The title policy must cover the collateral property.
	√		√	Insurance Policy	Collateral must be adequately insured.