

Section 2.92 - Rural Development Guaranteed Rural Housing Program

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Overview

General Information

The Rural Development (RD) Guaranteed Rural Housing (GRH) Program is an affordable housing loan program that is guaranteed (insured) by the U.S. Department of Agriculture. It is a fixed rate loan product. All RD loans will be sold servicing-released.

This product description provides SunTrust's guidelines for all RD loans, which are a combination of RD and Investor requirements. State specific information and contact information is available on the internet home page of the state.

This product description contains only a portion of RD's various lending Handbooks and Administrative Notices. It is the responsibility of the SunTrust Wholesale Branch Office to ensure that mortgages processed for guaranteed rural housing loans meet RD's guidelines.

Notes:

- The most current RD information for national and state levels can be found at <http://www.rurdev.usda.gov/>.
- To access state specific information, the web address is the same as the national Rural Development web page <http://www.rurdev.usda.gov/> but with an added forward slash and two letter abbreviation of the state. For example, the web address for the state of Tennessee is www.rurdev.usda.gov/tn.
- Additional information for lenders, realtors, builders and individuals may be found at www.rurdev.usda.gov/rhs under the "Guaranteed Home Loan Opportunities" link on the right side of the page.

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Overview, Continued

Features and Benefits

Features and benefits of the Rural Development Guaranteed Rural Housing Program include the following:

Features	Benefits
<ul style="list-style-type: none"> Down payment is not required. 	<ul style="list-style-type: none"> Borrowers without savings or who wish to retain their savings qualify.
<ul style="list-style-type: none"> 100% financing Cash reserves are not required. Expanded qualifying ratios of 29/41%. 	<ul style="list-style-type: none"> Enables more borrowers to become homeowners.
<ul style="list-style-type: none"> Seller contributions are allowed up to 6%. 	<ul style="list-style-type: none"> Out-of-pocket expenses for the borrower are reduced.
<ul style="list-style-type: none"> Streamlined processing with > 660 credit score. Minimum 600 credit score per SunTrust guidelines for GUS "Approve/Eligible" and traditionally underwritten loans if scoreable. 	<ul style="list-style-type: none"> No explanations on credit with credit score > 660.
<ul style="list-style-type: none"> One time 2% guarantee fee for purchases. One time .50% guarantee fee for refinances. This fee can be rolled into the loan. 	<ul style="list-style-type: none"> No monthly mortgage insurance means a lower monthly payment for the borrowers and additional cash each month. When rolled into the loan there is reduced money out of pocket for borrowers and minimal increase in payment.
<ul style="list-style-type: none"> Income limits based on 115% US median income and adjusted for family size. 	<ul style="list-style-type: none"> Income limits are higher compared to other loan programs with income limits
<ul style="list-style-type: none"> Borrowers can be previous homeowners. 	<ul style="list-style-type: none"> All homebuyers are eligible for benefits.
<ul style="list-style-type: none"> Affordable 30 year product 	<ul style="list-style-type: none"> No mortgage insurance
<ul style="list-style-type: none"> Eligible for rate/term refinance transactions of existing Rural Housing loans. 	<ul style="list-style-type: none"> Borrowers may take advantage of lower interest rates or payment reductions using the RD program guidelines.

Loan Terms

Assumable

- RD Loans are assumable.
 - Qualification determination is made by the servicer of the loan at the time the assumption is requested.
-

Loan Term

30 years only

Definition of “New” and “Existing”

- “New” is proposed construction, existing construction or a property that is less than 12 months old as evidenced by the certificate of occupancy or final inspection and has not been occupied.
 - “Existing” is a property 12 months or older and/or previously occupied.
-

Maximum Loan Amount

SunTrust’s maximum loan limit is \$417,000.

Purchase Transactions & Improvements to Existing Dwellings

The maximum loan amount, not including the one-time guarantee fee, may not exceed 100% of the appraised value of the property on a purchase transaction. The one time 2% guarantee fee may be rolled into the loan above the appraised value.

Rate/Term Refinance Transactions

The maximum loan amount may not exceed the balance of the loan being refinanced, plus the .50% guarantee fee, and reasonable and customary closing costs, including funds necessary to establish the new escrow for taxes and insurance.

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Loan Terms, Continued

Maximum Loan-to-Value

Purchase Transactions & Improvements to Existing Dwellings

- If the property is new construction, one of the following LTVs applies:
 - if inspection requirements have been met or the builder is offering an approved ten (10) year warranty plan:
 - the LTV cannot exceed the lesser of 102% of the appraised value or the cost of acquisition and any necessary development, if the borrower is financing the guarantee fee, or
 - the maximum LTV is 100% if the guarantee fee is NOT included in the loan amount,
 - if inspection requirements have not been met or the builder is not offering an approved ten (10) year warranty plan, the LTV cannot exceed 90% of the appraised value.
- For existing properties, the LTV cannot exceed 100% of the appraised value, plus the amount of the guarantee fee which is being financed into the loan amount. The maximum LTV is 100% if the guarantee fee is NOT included in the loan amount.
- The maximum loan amount is not limited to the lesser of the sales price or appraised value. The difference between the sales price and the appraised value may be applied toward closing costs, prepaids and allowable items listed under the "Loan Purpose" subtopic not to exceed the appraised value plus guarantee fee.

References:

- See "Loan Purpose" subsequently presented in this topic for additional information.
- See "Maximum Loan Amount" previously presented in this topic for additional information.

Rate/Term Refinance Transactions

- If the transaction is for a rate/term refinance, the maximum LTV is 100.5% if the guarantee fee is included in the loan. The maximum LTV is 100% if the guarantee fee is NOT included in the loan.

Minimum Loan Amount

The minimum loan amount is determined by the regional RD office.

Prepayment

There is no prepayment penalty.

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Loan Terms, Continued

Loan Purpose

General Information

- The purpose of the loan can be for one (1) of the following:
 - to purchase a new dwelling,
 - to purchase and/or improve an existing dwelling, or
 - a rate/term refinance of an Rural Housing Guaranteed Loan.
- See tables below for the use of loan proceeds.

Purchase Transactions or Improvements to Existing Dwellings

Items Included in Loan Purchase Transactions or Improvements to Existing Dwellings	Items Not Included in Loan Purchase Transactions & Improvements to Existing Dwellings
<p>The loan may also include funds for the following:</p> <ul style="list-style-type: none"> • purchase of a minimum adequate site on which improvements are or will be located, • purchase of necessary new appliances, • adequate and safe water and sewage, • site preparation, including grading, seeding or sodding of lawns, foundation planting, trees, walks, yard fences, and driveways, • special design features/equipment due to physical handicap or disability, • purchase and installation of approved energy saving measures and approved furnaces and space heaters, • establishment of escrow accounts for real estate taxes and hazard insurance, • discount points for low income borrowers whose income is 80% or less of the median income, • legal services, title clearance, title insurance and loan closing, 	<p>The loan funds CANNOT be used for the following purposes:</p> <ul style="list-style-type: none"> • payment of discount points for borrower's whose household income exceeds 80% of the HUD median income limit, • purchase of furniture and/or other movable personal property except for essential equipment such as refrigerators, ranges, washers or similar equipment and materials as allowed by RD, • payment of fees, charges, or commissions (i.e., finder's fees or placement fees), • purchase of a dwelling with an in-ground swimming pool, unless a waiver is approved by RD, • purchase or improvement on income-producing land, buildings to be used principally for income-producing purposes, or buildings not essential for Rural Housing purposes, and • purchase of buildings, which are largely or in part specifically designed to accommodate a business or income-producing enterprise.

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Loan Terms, Continued

Loan Purpose,
(continued)

General Information, (continued)

Purchase Transactions or Improvements to Existing Dwellings, (continued)

Items Included in Loan Purchase Transactions or Improvements to Existing Dwellings	Items Not Included in Loan Purchase Transactions & Improvements to Existing Dwellings
<p>The loan may also include funds for the following, (continued):</p> <ul style="list-style-type: none"> • storm cellars and similar protective structures, • expenses for fees related to tax monitoring service, architectural, appraisal, surveying, environmental and other technical services, • reasonable utility connection fees, • real estate taxes due at the time of closing, • rehabilitation of properties included or eligible for the National Register of Historic Places consistent with the standards for rehabilitating historic buildings, and • 2% guarantee fee. 	<p>See previous page for information</p>

Rate/Term Refinance Transactions

Items Included in Loan Rate/Term Refinance Transactions	Items Not Included in Loan Rate/Term Refinance Transactions
<p>The refinance loan can also include funds for the following:</p> <ul style="list-style-type: none"> • the balance of the loan being refinanced, • the guarantee fee, and • reasonable and customary closing costs (including prepaids). 	<p>The loan funds cannot be used for the following purposes:</p> <ul style="list-style-type: none"> • payoff or pay down of any subordinate lien or secondary financing, and • cash back at closing, except for out of pocket costs such as credit report and appraisal fees, application fee, and escrow deposit.

Eligible Transactions

Construction-to-Permanent-Loans Construction-to-permanent loans (one-time and two-time closings) are not eligible.

Refinances Reference: See the *Refinances* topic subsequently presented for additional information.

Refinances

Cash-Out Refinance

Cash-out refinance transactions are not permitted.

Rate/Term Refinance

- Rate/term refinances are eligible for the Rural Development loan program. The refinance transaction is limited to the refinancing of RHS Guaranteed Loans only.
 - The new loan interest rate must be at or below the current rate.
 - Total financing is limited to the balance of the loan being refinanced, plus the guarantee fee, and reasonable and customary closing costs, including funds necessary to establish the new escrow for taxes and insurance.
 - The borrower may receive a cash refund for credit reports, appraisal fees, application fee and escrow deposits that are paid upfront or outside of closing as long as documentation is provided evidencing receipt of payment of these fees.
-

Secondary Financing

**Purchase
Transactions &
Improvements
to Existing
Dwellings**

Secondary financing is not permitted.

**Rate/Term
Refinance**

- Secondary financing cannot be included in the balance of the loan being financed.
 - The maximum TLTV is 105%.
 - Any existing secondary financing must be subordinated to the new first lien.
-

Geographic Restrictions

Information

- RD loans are eligible to be originated by ALL SunTrust Wholesale branch offices for all states within the applicable Wholesale office's geographic lending territory, EXCEPT as outlined below:
 - properties located in Washington, D.C. are NOT eligible for originations.

Reference: See [Section 1.11: Geographic State Restrictions](#) of the *Broker Seller Guide* for SunTrust specific geographic restrictions that may apply.

- The property must be located in a RD-designated rural area, unless a rate/term refinance transaction. For rate/term refinances, the property may be located in an ineligible (non-rural) area because of the area delineation changes by RHS.
- To learn if the property is located in an eligible area, complete the steps listed below. The response will determine if the property is eligible.
 - To determine eligibility log onto: <http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>.
 - On the left side "Eligibility" menu, locate "Property Eligibility."
 - Click on "Single Family Housing."
 - Click "Accept" to move forward.
 - If you have a complete address including zip code, enter it under "Pin Point Address on US Map."
 - If you do not have an address but wish to view general eligibility, select the applicable state from the US Map on the right.
 - Select the applicable county and then use the icons on the left hand side to zoom in or out, as well as move the map in the direction you wish to view eligibility.

Reference: See the following website to obtain local office information and state specific information for your local RD office: http://www.rurdev.usda.gov/recd_map.html.

Occupancy/Property Types

General Eligibility

The following properties are eligible for financing under the RD loan program:

- 1 unit detached single family homes,
- town homes,
- PUDs and condominium units or any other single family type of residence that meets Fannie Mae and Freddie Mac guidelines and is common to the area.
- The property must provide decent, safe and sanitary housing. The property must be modest in size, design and cost, as determined by the discretion of the underwriter.
- A non-farm tract to be purchased or improved with the loan funds must be residential in purpose. The property cannot be closely associated with farm service buildings.

Condominiums

- Must be Fannie Mae or Freddie Mac warrantable.
- Only eligible if the homeowners' association has assumed full management responsibility from the developer.
- The *Condominium Warranty Checklist* ([BRO 0212](#)) must be completed and signed by a representative of the Homeowners' Association or by the builder/developer.
- The *Certification of Project Compliance: Condominium Lender Warranties – Agency and Non-Agency Loan Products* ([BRO 0212b](#)) must be completed for all warrantable condominium projects.

Reference: See [Section 1.13: Fannie Mae/Freddie Mac Condominium and PUD Approval Requirements](#) of the *Broker Seller Guide* for warranty guidelines.

PUDs

- A PUD warranty/certification is NOT required if the subject property is a detached property.
- If the subject property is an attached property, a PUD warranty/certification is NOT required; however, the following guidelines apply:
 - the PUD must meet the definition of a PUD (as outlined below),
 - the project must be covered by the required liability insurance (i.e., \$1 million in coverage), and
 - the loan must be closed with a PUD rider attached to the security instrument.
- The definition of a PUD is as follows:
 - A planned unit development (PUD) has all of the following characteristics:
 - the individual unit owners own or have a leasehold interest in a parcel of land improved with a dwelling (this ownership is not in common with other unit owners),
 - the development is administered by a homeowners association that owns or has a leasehold interest in and is obligated to maintain property and improvements within the development (e.g., greenbelts, recreation facilities, and parking areas) for the common use and benefit of the unit owners, and
 - the unit owners have an automatic, non-severable interest in the homeowners association and pay mandatory assessments.

Reference: See [Section 1.13: Fannie Mae/Freddie Mac Condominium and PUD Approval Requirements](#) of the *Broker Seller Guide* for additional information.

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Occupancy/Property Types, Continued

Environmental Requirements

- If any part of the property is in a wetland, swamp, or similar environmental concern, the loan will be rejected by RD with a note requiring an environmental certification.
- FEMA Form 81-93, *Standard Flood Elevation Determination*, is required on all loans.
- If dwellings and building improvements are located in special flood or mudslide hazard areas (as designed by FEMA), the following must apply:
 - the community must participate in the National Flood Insurance Program (NFIP),
 - the community, as a result of such designation by FEMA, must have an approved flood plain area management plan,
 - the dwelling location and construction plans and specifications for new buildings or improvements to existing buildings comply with approved flood plain area management plan, and
 - refer to your state office to obtain flood zone requirements.
- New construction is not permitted in flood zones A or V unless a FEMA LOMR or LOMA has been issued.
- Several states have an exception allowing purchase/repair of existing properties regardless of whether or not the first floor is above the Base Flood Elevation (BFE-100 year). Check with the local RD office.
- In states where a waiver is not available, complete the Attachment A of RD AN 4133 (1940-G), January 19, 2006.
- Flood insurance is not required if the portion of the property affected by the flood plain does not include any part of the dwelling or improvements such as a well, septic system, or garage.
- A flood certification is required by SunTrust Mortgage on all transactions and will require a life of loan tracking.
- A flood hazard notice must be given to the borrower(s) and be signed by the lender and borrower(s) 10 days prior to closing or as soon as the lender learns the property is in a SFHA.

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Occupancy/Property Types, Continued

Leasehold Properties

Leasehold properties are not eligible.

Manufactured Homes

Manufactured homes are not eligible.

New Construction Properties

- New construction properties must be built in accordance with building plans and specifications that contain approved building code certifications.
- Documentation may be in the form of a copy of the building permit or other RD-approved certification.

Note: The Certificate of Occupancy serves as adequate evidence of property acceptability in many states.

- If there is a *construction* contract, there are additional disclosures and documents required of the builder.

Note: The additional disclosures and documents are not required if a sales contract is used by the builder.

- Not eligible for construction-permanent financing.
 - The borrower cannot act as his/her own contractor. A licensed contractor must oversee the construction project.
 - The builder must be licensed as required by the individual state or locality.
 - A copy of the builder's license must be in the loan file.
 - The [RD Plan Certification](#) (RD Form 1924-25) must be completed by a licensed architect, professional engineer, HUD approved builder or authorized building official.
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Occupancy/Property Types, Continued

Inspection Requirements

Certified Plans and Specifications

- The lenders file must contain evidence that the plans and specifications comply with all applicable development standards for new construction.
- Acceptable evidence includes:
 - Copy of the certification from a qualified individual or organization that the reviewed documents comply with applicable development standards.
 - *Form RD 1924-25 "Plan Certification"* is an acceptable format, but may not be required by the local RD office for guaranteed Loans.
- Plan certifiers may be any of the following:
 - licensed architects,
 - professional engineers,
 - plan reviewers certified by a national model code organization,
 - local building officials authorized to review and approve building plans and specifications,
 - national code organizations,
 - certificate of occupancy issued by a local jurisdiction, or
 - Building Permit (or equivalent) issued by local jurisdiction.
- The lenders file must contain copies of the documents described in one of the following three (3) options as evidence of construction inspections:
 - certificate of occupancy issued by a local jurisdiction that performs at least three (3) construction phase inspections and a 1 year builder warranty plan,
 - three construction inspections performed when footings and foundation are ready to be poured and prior to back filling. Framing is complete, but plumbing, electrical, and mechanical work is exposed. Final inspection of completed work prior to occupancy and a 1 year builder warranty plan, or
 - final inspection and a 10 year insured builder warranty plan acceptable to Rural Development.
- If the ten (10) year warranty is not available, copies of all four inspections are required except in states where the certificate of occupancy is accepted in lieu of the inspections.
- Two original final inspections with original photos are required and will be retained by SunTrust.

Note: All inspections should be addressed in the sales or construction contract and must state which party will be responsible for payment of inspection fees and repairs, if any. SunTrust will not allow a completion escrow.

Reference: See the "Inspection Documentation and Requirements Existing Dwellings" subtopic in the "Documentation Requirements" topic for additional information regarding inspection requirements.

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Occupancy/Property Types, Continued

Inspection Requirements, (continued)

Warranties

- A one year's builder warranty or a 10 year warranty must be provided. It may be effective either the date of completion or the date of the acceptance of the work.
- If a builder completes the *RD Plan Certification (RD Form 1924-25)* but is not one of the authorized individuals, licensed architect, engineer, or authorized building official, he must offer a ten (10) year warranty.
- The following companies are acceptable to provide ten (10) year warranties:
 - Residential Warranty Corporation,
 - Quality Builders Warranty Corporation,
 - Home Buyers Warranty,
 - Manufactured Housing Warranty Corporation, and
 - Professional Warranty Corporation.

Final Certificate of Occupancy/Completion Escrows

- To issue a loan note guaranty, RD requires a final certificate of occupancy.
 - Completion escrows are not allowed.
-

Property Access Requirements

- The property must meet the following conditions pertaining to access to the property:
 - it must be contiguous to, or have direct access to a state, county or city maintained road,
 - face, an all-weather surface, and
 - if the property is located in a new subdivision, there must be a bond agreement between the developer/builder and the state, county or city whereby the state, county or city will take over road maintenance upon subdivision completion.
 - Road maintenance agreements are acceptable that meet the requirements of Fannie Mae and Freddie Mac, if the following conditions are met:
 - RD has approved the use of the agreement for the loan,
 - the homeowner's association is in the control of the homeowners and the project is approved by Fannie Mae or Freddie Mac,
 - the maintenance agreement has been recorded and states that all homeowners will participate in the cost of the road maintenance (a specific dollar amount of the cost of maintenance is not required to be part of the agreement),
 - a recorded easement runs perpetually with the subject property, and
 - the estimated cost to maintain the road (or the cost as identified on the maintenance agreement, if such is addressed) must be considered in the borrower's debt ratio calculation.
 - The appraiser must provide the following information on the appraisal report:
 - the condition of the road at the time of the appraisal,
 - verification that the type of road is typical for the area, and
 - the number of homes served by the road.
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Occupancy/Property Types, Continued

Properties With Existing Dwellings That Are 50 Years Old or Older

- The National RD Office does not have national requirements on documentation of existing properties that are more than 50 years old or older.
- Each individual state (and county) RD office is given the responsibility of making a determination as to whether or not documentation is required and, if so, what documentation must be provided.
- The RD offices will make their decisions based on the age of the property as provided by the appraiser on the appraisal and on their knowledge of their individual localities.
- The SunTrust underwriter, when underwriting a loan on one of these types of properties, will note as a condition on the loan that RD must address the issue of the age of the property in the approval of the loan. This means that when an RD office approves the loan, there will either be no mention of any additional documentation (hence, RD has sufficiently addressed this issue by approving the loan) or there will be a condition stating what documentation will be required.
- If the purpose of the loan is to improve or rehabilitate an existing dwelling, a letter from the State Housing Preservation Officer (SHPO) may be required by the underwriter. This letter may take up to 45 days to obtain. Contact information for SHPO can be found on the [national web site](#). If the purpose of the loan is for purchase only (no rehabilitation), regardless of the age of the property, a letter from the SHPO is not required.
- In all cases, without exception, the approved FHA appraiser must provide the age of the property and such documentation must be in the loan file prior to SunTrust underwriting.
- Contact your local RD office to obtain contact information for your area.

Site Value Requirements

- Generally, the value of the site should not exceed 30% of the total value of the property.
- Lenders may exceed the 30% when justified for reasons such as:
 - lot is not dividable, and
 - common to the area.

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Occupancy/Property Types, Continued

Water and Sewer System Requirements

- For new or proposed dwellings, water/sewer systems must be approved by a state or local government agency.
 - Individual water/sewer systems must comply with the following:
 - Water from individual wells serving only the financed dwelling must be tested to meet local or state code.
 - Individual septic systems must be operational and meet the HUD guidelines as determined by the inspector.
 - If the property is served by a centrally operated water/sewer system, the system must meet the design requirements of the State Department of Health or comparable reviewing and regulatory agency.
 - Written verification must be obtained from the regulatory agency that the private water/sewer system complies with the Safe Drinking Water Act and the Clean Water Act, respectively.
 - This includes the coliform bacteria test for individual wells and a “walk-over” inspection for the septic system.
 - A system owned and/or operated by a private party must have a legally binding agreement that allows interested third parties, such as SunTrust, to enforce the obligation of the operator to provide satisfactory service at reasonable rates.
 - An agreement is not required if the state has provisions to appoint a receiver to operate the system.
 - If county water and/or sewer is available, RD does not require the property to be hooked to county water/sewer if the private water and/or sewer functions properly and the local government body does not require hook-up upon property transfer.
 - However, the borrower should be made aware of the availability and the advantages to hooking up to county water/sewer at the time of purchase rather than waiting until some future date.
 - Shared wells, cisterns and springs are not acceptable under the RD program.
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Eligible Borrowers

Current Dwelling Requirements

- The borrower must be a person who does not own a suitable dwelling in the local community or owns one that is not structurally sound or functionally adequate.
- If the borrower owns a manufactured home that is not on a permanent foundation, then:
 - it is considered to be structurally unsound.
 - the borrower must sell the home and it must close prior to the closing of the new property, and
 - documentation must be provided that shows the debt has been paid in full and the borrower has been released from liability.

Note: A manufactured home that is taxed as personal property is not required to be sold prior to closing.

Homebuyer Education Requirements

- First time homebuyer education is required.
- An underwriter may condition for homebuyer education to strengthen a loan profile for non-first time homebuyers.
- A **certificate of completion** must be provided in the file from an acceptable Fannie Mae or MI company education program.

Reference: See [Section 1.16: Homebuyer Education Provider Information](#) for additional information.

Testing for RD Eligibility

- Test all applicants for RD eligibility.
 - Is the property in a rural designated area? Most counties are eligible. Check (and bookmark) the map at <http://eligibility.sc.egov.usda.gov>. Click on “Single Family” under the link “Property Eligibility.” Either type in an address for an instant answer or go to the map and scroll down to property location. You can slightly enlarge the map with the last button on the left of the map.
 - Do they have less than 20% down payment (plus cash to move)?
 - They may retain their liquid assets and still obtain 102% financing with no down payment. Those with over 20% should obtain conventional financing if fully eligible.
 - Is their household income within the agency limits? Go to <http://eligibility.sc.egov.usda.gov>. Click on “Single Family” under “Income Eligibility” and use the “easy/fast calculator” for an instant determination of eligibility.
-

Maximum Income Limits

- The income of all adults living in the property must be verified and considered in the calculation of household income.
 - The adjusted household income cannot exceed the published RD limits found on the [RD web site](#).
 - The household is determined as all adult family members in the home who have income, whether or not they are a party to the loan.
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Eligible Borrowers, Continued

Occupancy Requirements

The borrower must occupy the home as a primary residence.

Eligible Borrowers on a Refinance

Borrowers may be added or deleted for rate/term refinance transactions and they must occupy the property as their primary residence.

Permanent Resident Aliens/ Non-Citizen

- All borrowers must be natural persons who reside as citizens in the United States.
- Permanent resident aliens are eligible; however, they must hold an Alien Registration Card (“green card”) as evidence that they have been legally admitted to the U.S. for permanent residence or any of the documentation shown below.
- Evidence must be secured that refugees or others seeking political asylum who apply for a guaranteed loan are qualified aliens. Evidence confirming the qualified alien status may be obtained directly from the CIS or by securing copies of the documentation further described below.
- This documentation, when combined with satisfactory proof of identity, is adequate to establish that the applicant is a qualified alien under the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA).
- Any of the following documentation is acceptable evidence of eligible immigration status as evidence that a non-citizen is a qualified alien:
 - CIS Form I-551 (Alien Receipt Card for permanent resident aliens),
 - CIS Form 1-688B (Employment Authorization Card) which must be annotated “Provision of Law” followed by one of the provisions listed below:
 - 274a.12(c)(11), or 274a.12(a)(1), or 274a.12(a)(3), or
 - 274a.12(a)(4), or 274a.12(a)(5), or 274a.12(a)(10)
 - CIS Form I-765 (Employment Authorized Document) annotated as A3, A5, or A10.
 - CIS Form I-571 (Refugee Travel Document),
 - CIS Form I-94, Arrival-Departure Record, with one (1) of the following annotations:
 - “Admitted as Refugee Pursuant to Section 207,”
 - “Section 208” or “Asylum,”
 - “Section 243(h)” or “Deportation stayed by Attorney General,”
 - “Paroled Pursuant to Section 212(d)(5) of the INA,” or
 - “Admitted under section 203(a) (7) of the INA.
 - If Form I-94 (Arrival-Departure Record) is not annotated, it will still be acceptable evidence of eligible immigration status if it is accompanied by one (1) of the following documents:
 - a final court decision granting asylum (but only if no appeal is taken),

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Eligible Borrowers, Continued

Permanent Resident Aliens/ Non-Citizen, (continued)

- a letter from an CIS asylum officer granting asylum (if application is filed on or after October 1, 1990 or from an CIS district director granting asylum (if application was filed before October 1, 1990),
 - a court decision granting withholding of deportation,
 - a letter from an asylum officer granting withholding of deportation (if application filed on or after October 1, 1990),
 - a receipt issued by the CIS indicating that an application for issuance of a replacement document in one (1) of the above categories has been made and the applicant's entitlement to the document has been verified, or
 - other acceptable documents as determined by the CIS to constitute acceptable evidence of eligible immigration status, that will be announced by notice published in the Federal Register.
- If it appears that any documentation has been altered or counterfeit, or the borrower presents unfamiliar CIS documents, the CIS Form G-845S must be completed and sent to your nearest CIS District Office for review.

Note: A copy of CIS Form G-845S is available on the internet: [HTTP://uscis.gov/graphics/formsfee/forms/files/g-845s.pdf](http://uscis.gov/graphics/formsfee/forms/files/g-845s.pdf) , or contact the local Rural Development Office and ask for a CIS check. RD has an agreement with CIS whereby RD can use a web based system to quickly check the alien status. You will need to provide the "A" number from the applicant's documentation.

Ineligible Borrowers

The following borrowers are not eligible for RD financing:

- borrowers who are eligible for uninsured conventional financing,
 - non-permanent resident aliens,
 - non-occupant co-borrowers,
 - borrowers whose adjusted household income exceeds the Rural Development income limit for the applicable area,
 - full-time students unless the following conditions are met:
 - the borrower intends to make the home his/her permanent residence and there are reasonable prospects that employment will be available in the area after graduation.
-

Income

Income Definitions

Three income definitions are used:

- **Annual Income** is the amount of income that is used to determine an applicant's eligibility for assistance. Annual income is defined as all amounts, monetary or not, that are due to, or are received on behalf of, the applicant/borrower, co-applicant/borrower, (even if the household member is temporarily absent), or any other household member; all amounts anticipated to be received from a source outside the family during the 12-month period, all amounts that are not specifically excluded by regulations, and amounts derived (during the 12 month period) from assets to which any member of the family has access.
 - **Adjusted Annual Income** is used to determine whether a household is income eligible for payment assistance. It is based on annual income and provides for deductions to account for varying household circumstances and expenses.
 - **Repayment Income** is used to determine whether an applicant has the ability to make monthly loan payments. It is based only on the income attributable to parties to the note and includes some income sources excluded for the purpose of adjusted annual income.
-

General

- Income limits are based on 115% of the US median income and adjusted for family size.
- RD Loans may not exceed maximum income limits for the area.
- Generally, income of less than 24 months duration should not be included in qualifying income for the purpose of calculating debt ratios.
- However, if the borrower was a student within the last 24 months, he/she does not have to have a full 24 months of income if documentation can be provided that the borrower was a student and the VOE reflects that the probability of continued employment is good.
- Child support must be court-ordered, to be used as effective income when calculating qualifying ratios.

Note: If the borrower is receiving child support that has not been received for 12 months but documentation can be provided that there is receipt of the income (i.e., divorce decree), such income may be used to qualify the borrower. Contact your local RD office for additional direction and requirements.

- If the borrower anticipates a raise, it can be used as effective income providing the raise will occur within 60 days of loan application.
 - Farm or non-farm business loss must be considered in determining repayment ability. A loss may not be used to offset other income in order to qualify for RD assistance.
 - The following conditions apply to non-taxable income:
 - the amount of federal tax savings attributable to non-taxable income may be added to the total income used in the debt-to-income ratio calculation,
 - adjustments for other than the applicable tax rate are not allowed, and
 - verification must be provided that the income is not subject to federal income tax and that the income (and its non-taxable status) is likely to continue.
-

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Income, Continued

Employment Verification Documents (Full and Alternative Documentation)

- Non-self employed applicant's income must be verified in the following manner:
 - a full VOE, or
 - all of the following alternative documentation:
 - paycheck stubs or payroll earning statements covering the most recent 30 day period,
 - W-2 tax forms for the previous two (2) tax years, and
 - a telephone verification of the borrower's current employment.
 - Self-employed applicants will provide the most recent two (2) years of tax returns.
-

Items Counted as Income in Determining if Borrower Qualifies for RD under the Maximum Limit

Items counted as income in determining if the borrower qualifies for RD under the maximum limit include:

- the gross amount of wages/salaries, overtime, commissions, fees, tips, bonuses, and other compensation for personal services of ALL adult members of the household,
 - income from a spouse or other adult member of the household that is not presently employed but where there is a recent history of employment (unless a statement is provided that the spouse or other household member is not presently employed and does not intend to resume employment in the foreseeable future),
 - income from seasonal work of less than 12 months duration, commissions, overtime, bonuses, and unemployment compensation (will be computed over a 12 month period),
 - NET income from the operation of farm, business or profession:
 - expenditures for business or farm expansion and payments of principal on capital indebtedness cannot be used as deductions in determining income - only for interest paid in amortizing capital indebtedness,
 - farm and non-farm business losses are considered "0" in determining annual income,
 - deductions based on straight line depreciation are allowed and must be based on an itemized schedule showing the amount of depreciation actually claimed for federal income tax purposes,
 - any withdrawal of cash or assets will be included in income unless it is a reimbursement of cash or assets invested into the operation of the farm or business by a member of the household, and
 - deductions for verified business expenses that have not been reimbursed by the business should be considered in analyzing the income,
 - interest, dividends, and other net income including income distributed from a trust fund, any withdrawal of cash or assets from an investment unless it is a reimbursement to that invested by a member of the household, and, where assets exceed \$5000, the greater of actual income from assets or a percentage of value of such assets based on current passbook savings rate,
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Income, Continued

Items Counted as Income in Determining if Borrower Qualifies for RD under the Maximum Limit, (continued)

- full amount of payments from social security (including that received on behalf of minors or by minors intended for their own support), annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of payment in lieu of earnings such as unemployment and disability compensation, worker's compensation and severance pay,
 - public assistance, except for food stamps,
 - alimony and/or child support unless payments are not received and a reasonable effort has been made to collect through the courts,
 - recurring monetary gifts or contributions from someone who is not a member of the household,
 - any earned income tax credit that exceeds income tax liability,
 - educational grants or scholarships or VA benefits after deducting expenses for tuition, fees, books, and equipment,
 - all regular pay, special pay (except for hostile fire), and allowances of member of armed forces who is the borrower or spouse, whether or not that family member lives in the unit,
 - the amount of any federal tax credit for which the borrower is eligible (if the borrower is obligated to pay child care costs), and
 - income of borrower's spouse unless spouse has been living apart from borrower for at least three (3) months (for reasons other than work or military assignment) or court proceedings for divorce or legal separation have begun.
-

Items Excluded From Income in Determining if Borrower Qualifies for RD under the Maximum Limit

Items excluded from income in determining if the borrower qualifies for RD under the maximum limit include:

- income from employment of minors,
 - value of allotment under the Food Stamp Act,
 - payments received for care of foster children,
 - casual, sporadic or irregular cash gifts,
 - lump-sum additions to assets such as inheritances, capital gains, insurance payments (for health, accident, hazard or worker's comp), and settlements for personal or property losses,
 - amounts granted for, or in reimbursement of, cost of medical expenses,
 - amounts of education scholarships paid directly to student or institution. Any amount above specific educational expenses is to be included as income. Student loans are not considered income,
 - hazardous duty or imminent danger pay to service persons exposed to hostile fire,
 - payments to volunteers under the Domestic Volunteer Service Act of 1973,
 - relocation payments,
 - payments or allowances made under Department of Health and Human Services low-income home energy assistance program,
 - income of live-in aides who are not relatives of the borrower or members of the household,
 - payments to volunteers under the Domestic Volunteer Service Act of 1973,
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Income, Continued

Items Excluded From Income in Determining if Borrower Qualifies for RD under the Maximum Limit, (continued)

- payments received after January 1, 1989 from the agent orange settlement fund or other fund established pursuant to the settlement in the “in re agent orange” product liability litigations,
 - payments received under the “Alaska Native Claims Settlement Act” or the “Maine Indian claims settlement act,”
 - income derived from certain sub marginal land of the United States that is held in trust for certain American Indian tribes,
 - payments received from the Job Training Partnership Act,
 - income derived from the disposition of funds of the Grand-River Bank of Ottawa Indians,
 - the first \$2000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the Court of Claims, or from funds held in trust for an American Indian tribe by the Secretary of Interior,
 - payments received from programs funded under Title V of the older Americans Act of 1965, and
 - the value of the allotment provided to an eligible household under the Food Stamp Act of 1977.
-

Deductions From Income When Determining If Borrower Qualifies for RD Under the Maximum Limits

- Eliminate the need to remember deductions, by using the RD Income Calculator at: <http://eligibility.sc.egov.usda.gov/eligibility>.
 - Click on “single family” under “income eligibility”, the calculator eliminates the need to remember deductions or do a manual calculation.
 - The following items are DEDUCTED from the household income to determine the adjusted annual income:
 - \$480 for each member of the family residing in the household, other than the borrower, spouse, or co-borrower, who is:
 - under 18 years of age, or
 - 18 years of age or older and is disabled or handicapped (of physical or mental impairment that is expected to be of long duration, substantially impedes ability to live independently, and is of such nature that ability to live independently could be improved by more suitable living conditions - complete FMHA Form 1944-4 “Certification of Disability or Handicap”), or
 - full-time student age 18 or older,
 - \$400 if considered an elderly family (62 years or older),
 - cost of care of minors who are 12 years old or under, only to the extent necessary for a member of borrower’s family to be gainfully employed or further education (must be reasonable, cannot exceed income from employment if caused by employment and payments cannot be made to anyone claimed as a dependent by the borrower for income tax purposes),
-

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Income, Continued

**Deductions
From Income
When
Determining If
Borrower
Qualifies for RD
Under the
Maximum
Limits,
(continued)**

- the aggregate of the following expenses of the household that exceeds 3% of gross annual income:
 - medical expenses for any elderly family member over a 12 month period, including those that are not covered by insurance (i.e., dental, prescriptions, medical insurance premiums, eyeglasses, hearing aids, home nursing care, and cost of full-time nursing or institutional care that cannot be provided in borrower's home), and
 - reasonable attendant care and auxiliary apparatus expenses for each handicapped disabled member of any household to extent necessary to enable any member of the household to be employed.
-

Liabilities and Qualifying Ratios

Co-Signed Obligations

Debts that have been co-signed by the borrower for another party must be considered in the total debt ratio, unless the borrower can provide evidence (i.e., copies of canceled checks) that he/she has not been required to make payments over the past 12 months.

Installment Debt

Installment debt with less than six (6) remaining payments is not included in the calculation of the debt ratio.

Liability on Previous Mortgage

When the borrower has transferred a property without a release of liability, the debt must be considered in the total debt ratio, unless the borrower can provide evidence (i.e., copies of canceled checks) that the new owners have successfully made payments over the past 12 months.

Qualifying Rate

Borrower qualifies at the note rate.

Qualifying Ratios

- The PITI payment, plus any HOA or road maintenance fees, should not exceed 29% of gross monthly income.
 - The total housing expense plus installment debt, alimony or child support with 6 or more remaining payments plus open-end credit payments should not exceed 41% of gross monthly income.
-

Revolving Debt

- All revolving debt payments are counted in the debt ratio unless the account will be paid off prior to closing.
 - If the account will be paid off and closed out, documentation must be provided as to the source of funds and verification of the account status.
 - The revolving debt payment is determined by the monthly payment reflected on the credit report for that account. If it is an unusually high amount, a lower monthly payment may be calculated if the borrower can provide at least six (6) months of statements reflecting lower required monthly payments on a consistent basis.
 - Payments for revolving accounts such as American Express or gas company accounts are calculated in the total debt ratio, even if they are paid off on a monthly basis.
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Student Loans

- Deferred student loans should be included in debt ratios only if they are deferred for less than 12 months.
 - Student loans deferred 12 months or more must be properly documented.
-

Credit Requirements

General Information

- The borrower's credit history must indicate a reasonable ability and willingness to meet obligations as they become due.
- All explanations of credit situations must include verifications of claims made by the borrower. A letter from the borrower is not sufficient by itself.
- A minimum 600 credit score is required. This applies to traditionally underwritten and GUS processed loans.
- ALL borrowers are required to meet the minimum credit score requirement, if they are "scoreable."
- When three scores are obtained, use the middle score. If only two scores are obtained, use the lower of the two.
- If a borrower does not have traditional credit references with which to generate a credit score, the borrower is considered "unscorable" and must provide satisfactory non-traditional credit references (i.e., utilities, rental payments, etc) to build a credit history.
- Non traditional credit requires a minimum of three (3) tradelines open and active for the last 12 months

Reference: See "Non Traditional Credit" topic subsequently presented in this topic for additional information.

Credit Scores	Traditionally Underwriting Guidelines
660 and greater	<ul style="list-style-type: none"> • No explanations for derogatory credit or recent inquiries are required.
620 to 659	<ul style="list-style-type: none"> • Full assessment of the credit is required; however, more than one additional layer of risk is not permitted, and waivers to unacceptable credit are required.
600-619	<ul style="list-style-type: none"> • Must have compensating factors that were not considered in the credit scores or extenuating circumstances to offset the credit risk. The loan should only be approved if there is very little or no risk layering and strong compensating factors or extenuating circumstances.
Non-Traditional Credit	<ul style="list-style-type: none"> • The loan should be approved only if there is little or no risk-layering and no previous history of unacceptable credit.
<p>Note: These underwriting guideline overlays do NOT apply to GUS "Accept/Eligible loans.</p>	

Continued on next page

Credit Requirements, Continued

- Payment Shock**
- In cases where payment shock is 100% or greater, as well as in cases where the borrower did not have housing expenses prior to purchasing a home, no additional risk layering (i.e., adverse credit waivers, debt ratio waivers) should be allowed without strong compensating factors.
 - Acceptable compensating factors include, but are not limited to, the following examples:
 - an excellent credit history,
 - a credit score of 660 or greater,
 - a conservative attitude toward the use of credit and an ability to accumulate savings,
 - a stable employment history over the past two years, demonstrating a dependable income stream,
 - potential for increased earnings, (i.e., job training or education in the borrower's profession), and/or
 - cash reserves available after closing.
 - Payment shock = proposed housing payment divided by the current housing payment.
-

- Federal Debts**
- A CAIVRS code must be obtained on all borrowers to determine if there is any delinquency on federal debts.
 - A decision to deny credit cannot be based solely on the results of the CAIVRS inquiry.
 - If CAIVRS identifies a delinquent federal debt, the following steps apply:
 - processing of the application must be suspended immediately,
 - the borrower must be notified that processing has been suspended and provided with the name and telephone number of the federal agency to resolve the delinquency, and
 - processing of the application can only resume when the borrower provides evidence that the delinquency has been paid in full or otherwise resolved.
 - RD funds cannot be used to satisfy any delinquent federal debts.
 - The CAIVRS number, the date checked and access codes must be typed above the signature line of the final loan application and on the [Request for Single Family Housing Loan Guarantee](#) (RD Form 1980-21) prior to submission for underwriting.
-

Continued on next page

Credit Requirements, Continued

Non-Traditional Credit

RD recognizes that some borrowers may not use credit. In those cases, lenders may “build” alternative credit.

The following provides basic guidance in establishing that a borrower has sufficient credit references for evaluating bill paying habits, which include: three (3) credit references, including at least one from Group I, covering the most recent twelve (12) months activity from date of application.

Note: Group I references should be exhausted prior to considering Group II for eligibility purposes, as Group I is considered more indicative of a borrower’s future housing payment performance. Borrowers with no Group I trade references will be underwritten using the criteria set forth under “insufficient credit” noted below.

Group I	Group II
<ul style="list-style-type: none"> • Rental housing payments (subject to independent verification if the borrower is a renter), and <p>Note: If the borrower is renting from a family member, request independent documents to prove regularity of payments, such as cancelled checks.</p> <ul style="list-style-type: none"> • Utility company reference (if not included in the rental housing payment), including the following: <ul style="list-style-type: none"> • gas, • electricity, • water, • land-line home telephone service, and • cable TV. 	<ul style="list-style-type: none"> • Insurance coverage, i.e., medical, auto, life, renter’s insurance (not payroll deducted), • Payment to child care providers – made to a business providing such services, • School tuition, • Retail stores – department, furniture, appliance stores, specialty stores, • Rent to own – i.e., furniture, appliances, • Payment of that part of medical bills not covered by insurance, • Internet/cell phone services, • A documented twelve (12) month history of saving by regular deposits (at least quarterly/non-payroll deducted/no “insufficient funds” (NSF) checks reflected), resulting in an increasing balance to the account, or • Automobile leases, or a personal loan from an individual with repayment terms in writing and supported by cancelled checks to document the payments.

Continued on next page

Credit Requirements, Continued

Verifying Non-Traditional Credit

- All nontraditional credit references should be verified by a credit bureau and reported back in the form of a Non-Traditional Mortgage Credit Report (NTMCR). The NTMCR should NOT include subjective statements such as “satisfactory, acceptable, etc.” An NTMCR is designed to assess the credit history of the borrower without the benefit of institutional trade references and should format as traditional references including the following:
 - creditor’s name,
 - date of opening,
 - high credit,
 - current status of the account,
 - required payment,
 - unpaid balance, and
 - a payment history in the delinquency categories of 0x30, 0x60 etc.
- If a NTMCR is impractical or unavailable, the Branch may choose to obtain independent verification of trade references. This means the Branch must take the following steps for each reference and/or credit provider:
 - validate/confirm the existence of the credit provider via documentation (i.e., public record - city, county or state or a similar level of objective confirmation, AND
 - verify the credit information by using the published address and phone number, AND
 - all references should be supported with the most recent twelve (12) months of cancelled checks.

Note: Rental references from management companies with payment history for the most recent twelve (12) months may be used in lieu of twelve (12) months cancelled checks.

Evaluating Non-Traditional Credit

- When evaluating borrowers with nontraditional credit histories, a satisfactory twelve (12) month credit history must include:
- no history of delinquency on rental housing payments,
 - no more than one 30-day delinquency on payments due to other creditors, and
 - no collection accounts/court records reporting (other than medical) filed within the past twelve (12) months.
-

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Credit Requirements, Continued

Insufficient Credit

- The following offers guidance in evaluating borrowers with no traditional credit references, or otherwise having only Group II references. A satisfactory twelve (12) month credit history must include:
 - no more than one (1) thirty (30) day delinquency on payments due to any Group II reference, and
 - no collection accounts/court records reporting (other than medical) filed within the past twelve (12) months.
 - Additionally, in order to enhance the likelihood of borrowers with only Group II references increase their homeownership sustainability, the following underwriting guidance must be followed:
 - Qualifying ratios are to be computed only on those occupying the property and obligated on the loan, and may not exceed thirty-one percent (31%) for the housing-to-income ratio and forty-three percent (43%) for the total debt-to-income ratio. Compensating factors are not applicable for borrowers with insufficient credit references.
 - Borrowers should have two (2) months of cash reserves following mortgage loan settlement from their own funds (no cash gifts from any source should be counted in the cash reserves for borrowers in this category).
-

Unacceptable Credit

- The following is considered unacceptable credit unless the cause was beyond the borrower's control and documentation can be provided as verification:
 - debt with more than 1x30 day lates per account in the last 12 months,
 - foreclosure in the last 36 months,
 - bankruptcy discharged less than 36 months,
 - outstanding tax liens or delinquent government debts with no satisfactory arrangements for payments, regardless of age,
 - judgment caused by non-payment that is currently outstanding or was paid in the last 12 months,
 - rental payments that have at least 2x30 day lates in the last three (3) years,
 - any late mortgage payment within the past 36 months for rate/term refinance transactions,
 - accounts that have been converted to collections within the last 12 months,
 - collection accounts that are outstanding with no satisfactory arrangements for payment, regardless of age, and/or
 - non-RHCDS debts written off in the last 36 months.
-

Collection Accounts

- It is SunTrust's policy for all GUS processed loans, collection and charge off account(s) that total more than \$5,000 must be paid off prior to closing.
 - Funds sufficient to settle the account(s) must be verified and documented.
 - It is *not* acceptable to pay down the aggregate balance of these account(s) to \$5,000 and allow them to remain open.
 - Underwriter discretion will be used on accounts \$5,000 or less.
 - Account balances reduced to a judgment by a court must be paid in full or subject to a repayment plan with a history of timely payments.
-

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Credit Requirements, Continued

Collection Accounts, (continued)

- The following criteria apply to loans that do not receive an “Approve/Eligible” recommendation through the GUS:
 - collections will be reviewed on a case-by-case basis depending on the overall loan quality,
 - major indications of derogatory credit require sufficient written explanation from the borrower (i.e., collections judgments, and any other recent credit problems) – the explanation must make sense and be consistent with other credit information in the file,
 - the collections may be required to be paid off by closing based upon underwriter discretion after full review of the file, and
 - the underwriter must provide comments on the MCAW regarding his/her analysis of the collections and the borrower’s willingness to repay obligations.
-

Documentation Requirements

Credit Documents

- Income verification documents are valid for 120 days for existing properties and 180 days for proposed new construction.
- If the documentation exceeds 120 or 180 days, the affected documents must be updated and/or re-verified.

Credit Reports

- A three (3) bureau merged in-file credit report is acceptable to all RD offices in all states.
- The credit report is valid for 90 days.

Mortgage/Rental History for Non First Time Homebuyer

- A 24 month history of residence is required on all files.
- A 12 month verification of rent or mortgage with a payment rating is also required on all files, having a credit score of 660 or less.
- Rental verification may be obtained from one of the following sources:
 - verification of rent or mortgage form,
 - 12 months cancelled checks, or
 - information contained on the credit report.

Rental History for First Time Homebuyer

- A documented rental history will not be required for borrowers without verifiable housing or rental payments.
 - A rental verification must be obtained if the credit score is less than 660 and the borrower has a rental payment history.
 - Rental verification may be obtained from one of the following sources:
 - direct verification from the landlord,
 - credit bureau, or
 - 12 months cancelled checks covering the most recent period prior to loan application.
-

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Credit Requirements, Continued

Documentation Requirements, (continued)

Rental History for First Time Homebuyer, (continued)

- If the borrower's credit score is 660 and above, there is no need to verify the rental payment history.
- Payment shock must be calculated by SunTrust on the 1008 in each case. Information on the rent payment will be necessary; however, the information can be gained from the credit report or application (stated).

Streamlined Documentation

- Borrowers (other than first time homebuyers) with credit scores of 660 and greater may take advantage of the streamlined documentation requirements.

Note: This streamlined documentation process will not apply if there are any co-borrowers with credit scores less than 620.

- The streamlined documentation requirements are listed below.
 - Documentation of the applicant's rent payment history is not required.
 - No action is necessary for any derogatory items, including a recently discharged bankruptcy, except those involving a delinquent federal debt or previous Agency loan.
-

Cash Requirements

Cash Reserves Cash reserves are not required.

Down Payment Requirements No down payment is required.

- Gifts**
- Funds from gifts may be used to provide funds for closing.
 - Gifts may come from any source, such as, a relative, friend, charitable organization, municipality or non-profit organization.
 - The following conditions apply for verification of gift funds:
 - a gift letter must be completed and signed by the donor and must meet standard Fannie Mae/Freddie Mac requirements,
 - verification must be provided that sufficient funds to cover the gift from the donor were previously in the donor's account and have been transferred to the borrower's account,
 - documentation must be provided to show the transfer of the gift funds from the donor's account (i.e., copy of the donor's withdrawal slip or canceled check and the borrower's deposit slip, etc.),
 - if the funds are not transferred prior to closing, the donor can give the closing agent a certified check (a copy of that check or HUD-1 showing receipt of that check must be provided and must list the donor as the remitter), and/or
 - if the funds are provided by a charitable organization, municipality, or non-profit organization, the borrower must provide either a copy of the letter awarding the gift or grant or a copy of the legal agreement that specifies the terms and conditions of the gift or grant, including language indicating that no repayment of the gift or grant is expected and an indication of how the funds will be transferred.
 - There is no seasoning requirement for gift funds.
-

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Cash Requirements, Continued

Funds for Closing

- Funds from unsecured loans may be used to finance the guarantee fee and other closing costs and prepaids necessary for closing if the following conditions apply:
 - the borrower has a minimum credit score of 660,
 - eligible unsecured loan sources include a loan from a family member or friend, a personal installment loan from a bank or credit union, or a credit card cash advance,
 - the monthly payment from any unsecured financing is included in the total debt ratio, and
 - the “Source of Down Payment, Settlement Charges and/or Subordinate financing” section of the loan application (Fannie Mae 1003) is completed to reflect the borrower’s intention to use unsecured funds for closing.
 - Cash-on-hand is acceptable if the following can be documented:
 - analysis of discretionary income through a household budget supports the ability to accumulate the funds, and
 - cash is a way of life for the borrower and can be documented with receipts that reflect where the cash is used consistently to make household payments (i.e., rent/mortgage, utilities, etc.).
 - Proceeds from the sale of personal property may be used to provide funds for closing.
-

Documentation

Verification of deposit is not necessary unless contributions from the borrower are more than the lesser of \$1,000 or 2% of the purchase price.

Notes:

- For verification of deposit accounts, two (2) months of bank statements are acceptable.
 - If the most recent statement is more than 45 days earlier than the date of the borrower’s application, the borrower must provide a supplemental statement that meets Fannie Mae documentation standards.
-

Contributions by Interested Parties

Lender Credit Lender credit is not eligible.

Seller Contributions

- Seller contributions may not exceed 6% of the sales price.
- The seller may pay all closing costs, including prepaid items.

Temporary Buydowns Temporary buydowns are not eligible.

Mortgage Insurance/Guarantee Fee

- Guarantee Fee**
- No private mortgage insurance is required; however, there is a non-refundable RD guarantee fee.
 - For purchase transactions and improvements for existing dwellings, the RD guarantee fee is equal to the loan amount.
 - For rate/term refinance transactions, the RD guarantee fee is .50%.
 - The RD guarantee fee may be financed in with the loan amount.
 - For purchase transactions and improvements for existing dwellings, the maximum LTV may exceed the appraised value of the property to include the amount of the guarantee fee up to 102%.
 - For rate/term refinance transactions, the RD guarantee fee may be financed in with the loan amount, with a maximum LTV of 100.5%.

Reference: See the "Maximum Loan to Value" topic previously presented for additional information.

- The following describes how to correctly calculate the RD guarantee fee on a purchase transaction or improvements for an existing dwelling:
 - If the RD guarantee fee will be included in the loan, divide the proposed loan amount before the fee by .98 (1 less the .02 fee) and round to the nearest cent.

Example: For a \$91,500 loan without the fee - $\$91,500 / .98 = \$93,367.34694$, rounded to \$93,367.00. The loan amount with the RD guarantee fee is \$93,367.00. The RD guarantee fee is 2% of the final loan amount or \$1,867.00.

**SunTrust
Internal
Process**

The RD guarantee fee must be input on MLCS Screen Z42 (in process flow 05/14) on the "Reservation Fee line. This is a finance charge and should be netted from the loan proceeds check.

Appraisal Requirements

Appraisal Documentation

Purchase Transactions & Improvement to Existing Dwellings

- All files must contain one (1) original appraisal with one (1) original set of pictures.
- The following appraisal form may be used for RD loans:
 - Uniform Residential Appraisal Report (URAR) by an FHA approved appraiser, with statement that property meets HUD minimum property standards.
- Regardless of the appraisal form used, the loan file must contain clear and sufficient support for the underwriter's decision regarding the security property and loan approval.
- The appraiser must provide color photographs or quality digitized color photos (resolution 640 X 480 or better).
- Electronic appraisals are acceptable.
- The appraisal must be dated within six (6) months of the date the request for a conditional commitment is submitted to RD; otherwise, a re-certification is required.
- Master appraisals are not permitted.

Rate/Term Refinance Transactions

- An appraisal is not required when refinancing only the unpaid principal balance.
 - A full appraisal is required when interest, closing costs, or the guarantee fee is included in the loan amount.
-

Documentation Requirements

General

The following information pertains to documentation requirements not addressed under the "Income," "Credit Requirements," "Cash Requirements" or "Appraisal Requirements" topics.

Disability Verification

The [RD Certification of Disability or Handicap](#) form is used to verify disability or handicap where records are not available to verify such. Receipt of disability check does not automatically establish disability.

Inspection Documentation and Requirements Existing Dwellings

- Existing properties (previously occupied or 12 months old or older) must meet the minimum FHA requirements.
- Appraisals performed by a FHA approved Appraiser satisfy the inspection requirement.

Notes:

- Appraiser must state the following in the comments section of the appraisal or in the addendum: "The dwelling meet's HUD's minimum property standards for existing dwellings as outlined in the HUD Handbooks 4150.2 and 4905.1."
 - Property inspections are not required for rate/term refinance transactions.
 - Any deficiencies that are significant items that negatively impact the safety or livability of the dwelling must be corrected prior to closing.
 - A final inspection may be necessary if such deficiencies are corrected after the appraisal has been completed.
 - Contact your local RD office for state specific guidelines.
 - In addition to the appraisal, inspections must be obtained on an existing dwelling indicating the following:
 - If the property is served by an individual water supply system, the local health authority or state certified laboratory must perform a water quality analysis.
 - The water quality must meet state and local standards.
 - If the property is served by an individual septic system, the septic system must be free of observable evidence of system failure.
 - A FHA roster appraiser, a government health authority, a licensed septic system professional, or a qualified home inspector may perform the septic system evaluation.
 - The separation distances between a well and septic tank, the drain field, and the property line should comply with HUD guidelines or state well codes.
 - For any property in which the lender or FHA roster appraiser is in doubt about the operation of septic systems for the dwelling or in the neighborhood (i.e., if the property is vacant), the local health authority or a septic system professional has determined the viability of the system.
-

Continued on next page

Documentation Requirements, Continued

**Inspection
Documentation
and
Requirements
Existing
Dwellings,
(continued)**

- If required by appraiser, purchase agreement, or state law, a pest inspection has been obtained showing that the property is free of active termite infestation.
- The underwriter will condition for any significant repair items to be corrected prior to closing.
- Completion escrows will not be allowed.

Sales Contract

The sales contract must state what inspections will be done on the property and who will pay for the inspection fees and repairs, if required.

Guaranteed Underwriting System (GUS) Issues

General Information

- GUS is the preferred underwriting method for RD loans.
 - GUS is a web-based automated underwriting system (AUS) maintained by USDA-Rural Development which determines borrower income eligibility, geographic eligibility of subject properties and issues an underwriting recommendation on submitted Rural Development Guaranteed Rural Housing loans.
 - GUS is comprised of a rules based engine which incorporates eligibility criteria and guidelines found in USDA-Rural Development Regulations and Administrative Notices. GUS also incorporates the HUD TOTAL scorecard. Select parameters of the TOTAL Scorecard have been modified to meet USDA-Rural Development requirements.
 - GUS provides “Eligible” or “Ineligible” findings for property eligibility, income eligibility and loan applicant eligibility. GUS provides “Accept,” “Refer” and “Refer with Caution” underwriting recommendations. GUS also provides Lender Feedback Messages.
-

MLCS Loan Setup and Processing

- Vendor Code: G- Rural Development AUS – GUS
 - Credit Values:
 - A- for Approve/Eligible or Approve/Ineligible
 - R- for Refer/Eligible or Refer/Ineligible
 - C- for Refer with Caution/Eligible or Refer with Caution/Ineligible
-

GUS Access

- Mortgage brokers may not access or input loan application data into GUS. Only approved and authorized USDA-Rural Development Rural Housing lenders may access GUS and use the system to determine eligibility, obtain an underwriting recommendation and submit the loan application to USDA-Rural Development.
 - Prior to using GUS, individual SunTrust Mortgage employees must have an eAuthentication User ID, Password and User Role established. The Wholesale FAST Form must be used to set-up new users.
-

Data Input Instructions and Validation

- GUS is web-based and may be accessed by authorized SunTrust Mortgage Employees at: https://usdalinc.sc.egov.usda.gov/EDIRHS_home.asp.
 - Under the section “Single Family Guaranteed Rural Housing” click on the link “Guaranteed Rural Housing System (GUS)” to input a new application.
 - Information input into GUS must be factual, verifiable and documented in SunTrust’s loan file. Information in the loan file which does not match data entered into GUS will expose SunTrust to loss of the USDA-Rural Development Guarantee and loan repurchase.
-

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Guaranteed Underwriting System (GUS) Issues, Continued

GUS Submission and Resubmission Requirements

- The lender is responsible for the integrity of the data used to obtain the property, income and loan applicant eligibility and the underwriting recommendation and for resubmitting the loan when material changes are discovered or otherwise occur during loan processing.
- The lender is required to resubmit the loan through GUS for an updated evaluation under any of the conditions listed below.
 - Borrowers were either added to or deleted from the loan application. Those borrowers shown on the most recent submission to GUS must be the same borrowers who sign the mortgage note/deed of trust.
 - Borrower's income and/or cash assets/reserves decrease by an amount greater than the allowable tolerances.

Note: For HMDA and regulatory compliance purposes, the income used in making the underwriting decision must be consistent throughout the file.

- There were changes to the sales price or terms and conditions of the mortgage.
 - An increase in loan amount or interest rate on the mortgage loan request.
 - Any changes are discovered that would negatively affect the borrower's ability to repay the mortgage.
 - Information about the property valuation changes (i.e., the appraised value is determined to be less than the acquisition cost).
-

GUS Tolerance Levels

- Under the following conditions, lenders must resubmit the loan through GUS for an updated evaluation:
 - Borrowers were either added or deleted from the loan application.
 - A decrease in the borrower's income and/or cash assets/reserves.
 - An increase in loan amount or interest rate on the mortgage loan request.
 - Any changes that would negatively affect the borrower's ability to repay the mortgage.
 - Information regarding the property changes – such as a change in sales price or appraised value.
 - In such cases, the lender must request the loan to be released from Rural Development to the lender.
 - The lender should modify the data and resubmit the loan through GUS for an updated final evaluation underwriting recommendation.
 - Some data changes do not affect the outcome of an underwriting recommendation.
 - Once a mortgage loan has been sent to the Agency as a "Final Submit," the following data changes do not require that the GUS loan application be updated:
 - loan interest rate decreases,
 - loan amount decreases,
 - decrease of mortgage or personal liabilities, and
 - increase of assets.
-

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Guaranteed Underwriting System (GUS) Issues, Continued

Submission to GUS The following table provides screen input instructions for direct submission to GUS on the internet.

Eligibility Screens	Required Data Field Entry for Preliminary and Final Submission
Property Information	<ul style="list-style-type: none"> • Enter the appropriate property information to determine if the subject property is in an area which is eligible for Guaranteed Rural Housing financing. • If the eligibility result is "Unable to Determine," contact the USDA-Rural Development field office to manually determine eligibility.
Household Member Information	<ul style="list-style-type: none"> • Enter the total number of people which will live in the subject property. • Enter information for the remaining fields, if known.
Monthly Gross Income For All Household Members	<ul style="list-style-type: none"> • GRH loans require two income calculations: Adjusted Annual Income and Repayment Income. Adjusted Annual Income (also referred to as Eligible or Qualifying Income) is used to determine that applicants do not exceed the Rural Development income limit and are therefore eligible for GRH financing. Adequate and Dependent Income (also referred to as Repayment Income) is used to determine that applicants meet qualifying ratios. <p>Reference: See "Income Definitions" in the "Income" topic for additional information.</p> <ul style="list-style-type: none"> • The data entered into the Monthly Gross Income for All Household Members is used to determine Adjusted Annual Income. • In the Base Employment Income field enter the applicants' current monthly verified income from all full-time and part-time jobs. • If the applicants have a 24 month history of earning the following types of income, enter the estimated monthly amount they will receive over the next 12 months. Estimates can be based on earnings averaged over the most recent 12 months or the prior tax year. <ul style="list-style-type: none"> • Overtime, • Bonuses, • Commissions, • Dividends/Interest, • Other, and • Net Rental. • In the field "Other Monthly Income Received by Adult Members of the Household" enter the total income earned by all non-applicant adult members of the household. • See "Items Excluded from Income in Determining if a Borrower Qualifies for RD under the Maximum Limit" subtopic in the "Income" topic for items which can be excluded from calculations of Adjusted Annual Income. • When all fields are completed, click "Check Eligibility." A message will appear in a new window stating eligibility status.

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Guaranteed Underwriting System (GUS) Issues, Continued

Submission to GUS, (continued)

Type of Mortgage and Loan Terms	Required Data Field Entry for Preliminary and Final Submission
Type of Mortgage and Terms of Loan	<ul style="list-style-type: none"> • Check box if a non-spousal co-borrower is a loan applicant. Non-occupant co-borrowers are not eligible. • Check box if there is a non-purchasing spouse. • Select "RHS" from the drop down menu. • Enter the total loan amount: purchase price, pre-pays and closing costs eligible for financing plus the amount of the Guarantee Fee to be financed. • If the loan is locked, enter the interest rate the loan is locked at. If the loan is floating, enter the interest rate on the 1003. • Enter 360 for number of months and select "Fixed" Amortization Type.
Lender Information	<ul style="list-style-type: none"> • Enter the SunTrust Mortgage loan number.
Property Information and Purpose of Loan	<ul style="list-style-type: none"> • Enter the subject property address. Select State, County and MSA from the drop down lists. • Select "Purchase" or "Refinance" from drop down list. • Select "Fee-Simple" only for "Estate Held In" field. Leasehold properties are not allowed under SunTrust Rural Housing guidelines.
Borrower Information, Present and Previous Address	<ul style="list-style-type: none"> • Enter all required borrower information. • Enter the number of dependents that will be living in the subject property, as of the day of loan application. Enter the age of all dependents, as of the day of loan application. • Enter co-borrower information. • Enter a full two (2)-year residency history for each borrower, using the Previous Address Information fields, if necessary.
Employment Screens	Required Data Field Entry for Preliminary and Final Submission
Employment	<ul style="list-style-type: none"> • Enter current employment information. • Current employment information must be entered for at least one applicant. • In the "To Date" field enter the current date in "MM/DD/YYYY" format.
Secondary/ Previous Employment	<ul style="list-style-type: none"> • Enter Secondary or Previous Employment information, if known.

Continued on next page

Guaranteed Underwriting System (GUS) Issues, Continued

Submission to GUS, (continued)

Income and Expense Screens	Required Data Field Entry for Preliminary and Final Submission
Gross Monthly Income	<ul style="list-style-type: none"> The data entered into the Monthly Gross Income for All Household Members is used to determine Adequate and Dependable (Repayment) Income, which is used to determine if applicants demonstrate the ability to repay the GRH mortgage and service their total debt ratio. Values in the Gross Monthly Income fields are populated from Monthly Gross Income Eligibility screens.
Other Income	<ul style="list-style-type: none"> Enter other income information, if necessary.
Combined Housing Expense	<ul style="list-style-type: none"> Enter current and proposed housing expense. Then click "Calculate Expense Totals."
Assets	<ul style="list-style-type: none"> All assets input into GUS must be documented.
Liabilities and Additional Expenses	<ul style="list-style-type: none"> Liabilities may be manually input or auto-populated from the credit report. All monthly obligations with a term of more than 6 months must be included.
REO Properties	<ul style="list-style-type: none"> Enter REO Property information.
Transaction Declarations Screens	Required Data Field Entry for Preliminary and Final Submission
Details of Transaction	<ul style="list-style-type: none"> Line g. "Funding Fee, Guarantee Fee" is equal to 2% of the gross loan amount for purchase and improvement of existing dwelling and .50% for rate term refinance transactions. Line m. "Loan Amount (excluding Funding Fee, Guarantee Fee Financed)" can be equal to 100% of the appraised loan to value. Line p., cash to borrower cannot exceed documented amount that borrower has previously paid, using their own funds, towards appraisal or credit report fees, closing costs, insurance or earnest money deposit. If Guarantee Fee is being financed, input amount on Line n.
Declarations	<ul style="list-style-type: none"> Enter borrower declarations as per 1003
Government Monitoring	<ul style="list-style-type: none"> Enter per Government Monitoring Section as per 1003.
Additional Data Screens	Required Data Field Entry for Preliminary and Final Submission
Additional Data	<ul style="list-style-type: none"> In order to submit a loan for preliminary underwriting recommendation, an appraised value and site value must be entered. If an appraisal has not yet been received, input an estimated appraised value and site value.
Buydown	<ul style="list-style-type: none"> Buydowns are not allowed.
Requirements Check	<ul style="list-style-type: none"> Obtain a CAVIRS number on all borrowers. If CAVIRS indicates a federal delinquency, default claim, payment or lien, the borrower is not eligible for GRH financing. Complete the Immigration/Naturalization Check for when applicant has declared they are a permanent resident alien.

Continued on next page

Guaranteed Underwriting System (GUS) Issues, Continued

Submission to GUS, (continued)

Additional Data Screens, (continued)	Required Data Field Entry for Preliminary and Final Submission
Immigration / Naturalization Check	<ul style="list-style-type: none"> This section must be completed if the borrower is noted as other than a US citizen in the declarations. Click "Insert Immigration Info" button. Chose the type or types of documents the borrower can supply to prove they are a qualified alien.
Credit Screens	Required Data Field Entry for Preliminary and Final Submission
Submit Application	<ul style="list-style-type: none"> Prior to validation, applicant loan files may be submitted to GUS by checking "Underwriting Only." "Underwriting Only" will determine applicant and property eligibility and provide a GUS Underwriting Recommendation and Lender Feedback Messages, "Final Submission" locks a loan file to further changes by a lender. Loans selected for Final Submission must have borrower and property eligibility confirmed, appraisal review, validated and final SunTrust underwriting approval.

GUS Underwriting Recommendations

The following table provides descriptions to GUS recommendations. In all cases, GUS will deliver lender feedback messages concerning required documentation and suggestions on the applicable risk factors manual underwriting should focus on.

GUS Recommendation	Description
Accept	<ul style="list-style-type: none"> The application meets Rural Development minimum standards provided input loan data is accurate. Lender feedback messages will indicate the documentation which should be submitted to Rural Development for issuance of a Conditional Commitment. Other documentation required by Rural Development regulation must be maintained in the original loan file and available to RD upon request.
Accept/Ineligible	<ul style="list-style-type: none"> The application meets Rural Development minimum standards provided input loan data is accurate; however, the loan does not meet one of the following eligibility guidelines: <ul style="list-style-type: none"> property not located in a rural area, the applicant's annual income exceeds Rural Development guidelines, non-owner occupied transaction, and not a qualified alien. Loans that receive a recommendation of "Accept/Ineligible" may still be eligible for a Rural Development loan guarantee. To achieve eligibility, the lender's underwriter should analyze the findings report and determine the basis for the ineligibility and determine if the reason for ineligibility can be resolved in order to comply with Rural Development guidelines. Issues that caused the loan to be ineligible may be resubmitted to obtain a correct underwriting recommendation.

Continued on next page

Guaranteed Underwriting System (GUS) Issues, Continued

GUS Underwriting Recommendations, (continued)

GUS Recommendation	Description
Refer	<ul style="list-style-type: none">• The application fails to meet minimum RD standards and needs to be manually underwritten, according to SunTrust Mortgage Guaranteed Rural Housing guidelines.• Loan applications which receive a “Refer” may be submitted to RD after a SunTrust Underwriter has determined the application meets RD standards or will meet standards if RD concurs with SunTrust’s request for a waiver to RD guidelines.
Refer with Caution	<ul style="list-style-type: none">• The application fails to meet minimum RD standards, exhibits multiple risk layers and needs to be manually underwritten, with special care, according to SunTrust Mortgage Guaranteed Rural Housing guidelines.• Loan applications which receive a “Refer with Caution” may be submitted to RD after a SunTrust Underwriter has determined the application meets RD standards or will meet standards if RD concurs with SunTrust’s request wavier to RD guidelines.

State-Specific Information and Requirements

Information

- It is the originating Broker's responsibility to originate loans in accordance with all applicable federal, state and local laws, rules and regulations.
 - Although National guidelines exist for this program, there are typically several state-specific regulations that Loan Officers must follow in order to obtain Loan Note Guaranty.
 - It is the responsibility of the SunTrust Wholesale branch office to contact their local RD office and obtain training on these local guideline variances.
-

Rate, Points and Lock-ins

Interest Rate and Discount Points

Purchase Transactions & Improvements to Existing Dwellings

- The interest rate cannot exceed the following:
- the current Fannie Mae 90 day actual-actual yield requirements plus 60 basis points rounded up to the nearest **1/4** point (rate as of date of loan application if borrower locks at that point, or as of lock-in, if borrower locks at another time).

Rate/Term Refinance Transactions

- The new loan interest rate must be at or below the current rate.

Reference: See SunTrust's Rate Sheet for current interest rates.

Reservations

- Loan funds will be reserved and obligated by RD once a complete loan package is received and approved by RD. A complete loan package is a fully underwritten loan file and includes RD Form RD1980-21.
- Once RD approves the loan package, a Conditional Commitment will be issued.
- Reservations are valid for 60 days. The request for loan guarantee (i.e., commitment) should be submitted on or before the expiration date of the reservation. One 30 day extension may be requested.

Note: This does not mean that the loan must be closed within the 60 days. Instead, RD should receive the application package within the 60 days.

- Reservations may be granted only when adequate funding is available and will not exceed 90% of the total funds available during the corresponding quarter.
- The RD State Director will monitor availability and reservation of funds.
- Substitution of borrowers or dwelling is not permitted on RD reservations.
- Reservations **may** be **sent or** faxed to your local Rural Development Office.

Reference: See the RD website http://www.rurdev.usda.gov/recd_map.html to link to a state's web site for additional information.

Application Disclosures and Issues

Loan Application

The CAIVRS Code must be obtained for all borrowers and typed above the borrower's signature line on the loan application.

Disclosures

- All consumer disclosures or notices required by all federal, state and local laws and regulations must be complied with. This includes, but is not limited to, the Real Estate Settlement Procedures Act, the Equal Credit Opportunity Act, the Flood Disaster Protection Act, the Truth-in-Lending Act, and the Fair Credit Reporting Act, all as amended and all applicable usury limitations.
 - Further, it is the originating Broker's responsibility to provide all consumer disclosures relating to the mortgage loan on a timely basis in compliance with applicable laws, rules and regulations.
-

MLCS Loan Setup and Processing

MLCS Loan Setup

- Set up the loan using the Standard Residential Loan Entry/Update screen series, Process Code 05, Sub process Code 04.
 - The following information applies to MLCS input on RD loans in the processing flow of 05/14:
 - for screen MOB, the following applies:
 - the “Program Code” is RUDEV3,
 - the “INV Code” is 390,
 - to ensure the correct reporting of the LTV as 100% (102% if the guarantee fee is financed into the loan amount on a purchase and 100.50% if the guarantee fee is financed on refinance), input the GREATER OF the sales price or appraised value (if appraised value is more than sales price, leave the sales price field blank),
 - the “Loan Type” is “C”, and
 - for screen Z42, the guarantee fee must be input as a “Reservation Fee” (this is a finance charge and should be netted from the loan proceeds check).
-

Program and Investor Codes

- The following are MLCS program and investor codes:
 - Program Code: **RUDEV3**
 - Investor Code: **390**
 - The program and investor codes are the same for purchase and rate/term refinance transactions.
-

Rural Development Forms

General

- This topic addresses the specific Rural Development forms required for the Rural Development program for originating, processing, closing, and loan delivery.
 - With each new loan, the RD forms should be printed from the RD web site to insure the most up-to-date form is being used.
 - The forms are available from several resources on the web including www.rurdev.usda.gov/regs and <http://forms.sc.egov.usda.gov/eforms/forms/formsearchervlet>. They can also be obtained from any RD office.
 - These forms are required for both purchase and improvements to existing dwellings as well as rate/term refinance transactions.
-

Originating/ Processing Forms

- The following RD forms must be completed at the time of loan origination and are found on the RD web site:
 - *Request for Single Family Housing Loan Guarantee RD Form 1980-21,*
 - *Equal Opportunity Agreement RD Form 400-1(If there was a construction contract between builder and borrower),*
 - *Certification of Disability or Handicap RD Form 1944-4 (if applicable),*
 - *RD Plan Certification RD Form 1924-25 or building permit and certificate of occupancy (All new construction),*
 - *Compliance Statement RD Form 400-6 (New Construction Only), and*
 - *Notice to Contractors and Applicants RD Form 400-3 (If there was a construction contract between builder and borrower).*

Note: The *Reservation of Funds RD Form 1980-86* is only required if requested by the local Rural Development office.

- All standard conventional disclosures provided at origination for compliance are required.
-

Closing Forms

All standard forms used for conventional loan closing compliance are required.

Reference: See the “Closing and Loan Settlement Documentation” topic for a listing of all closing legal documents (i.e., note, security instrument, riders, and addendums).

Loan Delivery to Investor

The following RD forms must be completed at the time of loan delivery to the investor:

- *GRH Processing Checklist (BRO 0510),*
 - [Guaranteed Rural Housing Lender Record Change](#) RD Form 1980-11 this form is completed by SunTrust,
 - [Conditional Commitment for Single Family Housing Loan Guarantee](#) RD Form 1980-18 this form is issued by RD,
 - *Loan Note Guarantee RD Form 1980-17, and*
 - [Guaranteed Loan Closing Report](#) RD Form 1980-19.
-

Workflow

Information

Each loan must be underwritten by a SunTrust Wholesale Underwriter.

General Submission Procedures

Two (2) loan files must be prepared - one for SunTrust and one for RD - with one (1) original for SunTrust and one copy for RD along with Transmittal Summaries (Fannie Mae 1008). Use the RD checklist and submit only the items requested. Contact RD for the location of the RD receiving office.

Submission Package Checklist

SunTrust Loan File Document Order

- SunTrust underwriting submission file should be placed in the same order as conventional loans with copies of RD documents included at the back of the file.

RD Loan File Document Order

- *GRH Processing Checklist (BRO 0510)*,
- Copies are acceptable for the RD package,
- *Lenders' Transmission of Request for Single Family Housing Loan Guarantee (RD form 1980-21)*. The Lender ID number is SunTrust's Tax ID Number: 54-025-9290.
- *Fannie Mae Transmittal (Form 1008)*,
- Loan Application,
- Truth-in-Lending Disclosure,
- Copy of Sales or Construction Contract,
- Appraisal (with copy of appraisal pictures)
- *FEMA Form 81-93, "Standard Flood Hazard Determination,"*
- Residential Mortgage Credit Report or tri-bureau merged credit report,
- Verification of Income (VOE and supporting documentation),
- Verification of Child Support/Alimony Received,
- Survey (to be obtained at later date),
- Verification of Child Care Expenses, and
- [RD Reservation of Funds](#).

New Construction Less Than 12 Months Old and Never Occupied

Outlined below is a listing of the additional items required for new construction properties less than 12 months old and never occupied.

Note: These items are required to be retained by SunTrust

- Plan Certification for New Construction or Building Permit and Occupancy Permit,
 - Footing/Foundation Inspection,
 - Inspection of Shell Enclosed (plumbing, electrical, mechanical exposed),
 - Final Inspection,
 - Termite Certificate (NPCA-99a and 99b),
 - Bacteriological Water Test (if applicable),
 - Sewage Disposal System and/or Water Completion Statement (if applicable),
 - Satisfactory Completion Certificate and picture from appraiser, and
-

Continued on next page

Workflow, Continued

Submission Package Checklist, (continued)

New Construction Less Than 12 Months Old and Never Occupied, (continued)

- Additional items required if using a construction contract rather than a sales contract:
 - *RD Form 0400-03 (Notice to Contractors and Applicants - signed by RD),*
 - *RD Form 0400-06 (Compliance Statement - signed by builder),*
 - Equal Opportunity Clause (signed by builder and purchaser), and
 - Plans and Specifications.

Existing Dwellings

- Additional items required if existing dwelling if required in the appraisal report:
 - Structural Inspection
 - Plumbing Inspection,
 - Heating/Cooling Inspection,
 - Electrical Inspection,
 - Termite report (NPCA-1 or state form which is valid for 90 days from the date of the inspection for RD purposes),
 - Bacteriological Water Test (if applicable - within 60 days of closing),
 - These items must be originals. Other items may be copies.
-

Commitments

- RD Conditional Commitments are good for 90 days; however, RD, at its option, can renew for an additional 90 days.
 - The original and a copy of the commitment will be sent to SunTrust (FMHA Form 1980-18):
 - if SunTrust accepts the conditions, the underwriter will complete and sign the acceptance of conditions and returns a copy to RD with the closed loan file,
 - if the conditions cannot be met, SunTrust and the borrower may propose alternate conditions to RD, or
 - if SunTrust cancels the commitment, RD must be notified.
-

Denials

- RD will give the Lender 30 days from loan denial to correct or amend any problems.
 - If the loan cannot be corrected and the denial remains in force, there is an appeals process that goes through RD to the Washington D.C. office. The following would apply:
 - the borrower and SunTrust must jointly execute a written appeal request, and
 - SunTrust may only appeal cases where RD has denied or reduced the amount of a loss payment to SunTrust.
-

Incomplete Applications

Incomplete applications will be sent back to SunTrust if the package will not or cannot be made complete within three (3) business days. Individual RD offices may have different time frames and must be contacted to verify the timeframe.

Continued on next page

Workflow, Continued

Notification of Decision

RD will notify SunTrust of the underwriting decision within 48 hours of receipt of a complete file. Individual RD offices may have different time frames and must be contacted to verify commitment to underwriting time. A Conditional Commitment will be sent from RD.

Closing and Loan Settlement Documentation

General

Unless specified below, all closing forms and documentation should follow standard SunTrust Guidelines.

Reference: See [Section 1.05: Closing Information](#) in the *Broker Seller Guide* for SunTrust-specific requirements.

Closing Legal Documents

The table below shows closing legal documents.

Legal Documents	Investor Form
Fixed Rate Note	Fannie Mae/Freddie Mac Form 3200 or state-specific version
Security Instrument	Fannie Mae/Freddie Mac state specific version
Condominium Rider, if applicable	Fannie Mae/Freddie Mac Multistate Form 3140
PUD Rider, if applicable	Fannie Mae/Freddie Mac Multistate Form 3150

Escrow Waivers

Waiver of tax and/or insurance escrow is not permitted.

Fees and Charges

- Fees and charges may be used as long as they are the same as those charged to other borrowers for similar types of loans.
 - The maximum late payment fee is equal to the late fee SunTrust Wholesale charges for conventional conforming loans in the same state.
 - The following fees apply to all RD loans and are required by the investor:
 - Administrative Fee: \$165
 - Tax Service Fee: \$84 for purchase transactions and \$42 for rate/term refinance transactions.
 - Life of Loan Flood Certification (NOT required if the initial life of loan certification is ordered from FDSI): \$5
-

Power of Attorney

Powers of attorney for the borrowers are not acceptable, except as outlined below.

- The only exception to this is if the borrower is an active duty military personnel and provides an "Alive and Well" letter.
-

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Closing and Loan Settlement Documentation, Continued

Property Insurance

- All hazard and flood policies must be reviewed for accuracy before submission of the loan package.
- The borrower's name, address, city, state and zip code must correspond to the information on the Note and Mortgage.
- Proof of payment is required. "POC" is not acceptable proof.
- The mortgagee clause for all policies must read as follows: SunTrust Mortgage, Inc., its successors and/or assigns.

Reference: See [Section 1.07: Property Insurance](#) of the *Broker Seller Guide* for additional information.

Right of Rescission

The right of rescission cannot be waived at any time.

Title Insurance

In addition to standard SunTrust guidelines, the following requirements apply.

- The title commitment and/or binder must be marked-up and acknowledged with the signature of the closing agent.
- The mark-up must reflect the title exceptions that will be removed or insured.
- The closing instructions must recite all modifications required to the title commitment together with a listing of required title endorsements.
- An encroachment on the mortgaged premises by improvements on an adjoining property are acceptable provided the encroachments meet the following conditions:
 - extends one (1) foot or less over the property line of the mortgaged premises,
 - has a total area of 50 square feet or less,
 - does not touch any buildings, and
 - does not interfere with the use of any improvements on the mortgaged premises or the use of the mortgaged premises not occupied by the improvements.

Reference: See [Section 1.10: Title Insurance](#) of the *Broker Seller Guide* for additional information.

Work Completion Escrow Holdbacks

Work completion escrow holdbacks are not eligible.

Loan Delivery

Delivery of Closed Loan Files to the SunTrust Mortgage Centralized Team

- After closing, the completed loan file including the settlement agent package, branch and credit file with all required Rural Development (RD) documents is sent to the SunTrust Mortgage Centralized Team.
- The completed closed loan file must be delivered to the SunTrust Mortgage Centralized Team at the following address:

Interoffice Address:

Centralized Team
RVW-4444-BH

Mailing Address:

SunTrust Mortgage, Inc.
Mail Code RVW-4444-BH
1001 Semmes Ave.
4th Floor
Richmond, VA 23224

(Package should be clearly identified as Broker Rural Development)

- The table below outlines the workflow process for the branch and the SunTrust Mortgage Centralized Team.

Step	Action: Branch
1	After closing, the completed loan file including the settlement agent package, branch and credit file with all required Rural Development (RD) documents is sent to the SunTrust Mortgage Centralized Team.
2	Enters the ship date on MLCS flow 05 14 screen M92 "File Sent to HQ".
	Action: Centralized Team
3	The centralized team performs a Quality Control review of the settlement package documents. If errors are noted, the team member contacts the Settlement Agent and resolves the issues.
4	The centralized team forwards the complete file, including the settlement agent package, credit file and branch file, to imaging.
5	Once imaged, the file is returned to the centralized team shippers.
6a	The centralized team shipper requests a check for the RD funding fee.
6b	The centralized team shipper creates a file according to the RD Conditional Commitment to create the Loan Note Guarantee request file. The check for funding fee will be added to the package and sent to the RD office noted on the Conditional Commitment. (This step is to acquire the Loan Note Guaranty-usually returned within 1 week)
7	The centralized team will review and stack the original file according to investor guidelines.
8	The centralized team will conduct the Note review and will endorse the Note if applicable.
9	The centralized team will update MLCS flow 04/21 to include the ship date, the investor sold code and the servicing flag.
10	The centralized team will ship the file to the investor.

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Loan Delivery, Continued

Delivery of Closed Loan Files to the SunTrust Mortgage Centralized Team, (continued)

Step	Action: Centralized Team, (continued)
11	The investor will review the fully executed documents and fees.
12	The centralized team will clear any RD slips.
13	Loan Note Guarantee will be received from RD. Original is sent to the investor. Copy is sent to imaging.
14	Whole Loans will complete the investor funding.
15	The Final Docs Department will be responsible for obtaining all final docs and shipping to investors.
16	The centralized team will prepare monthly reporting.

Delivery of Loan Files to the Final Investor

The SunTrust Mortgage Centralized Team will package and deliver the loan files to the final investor.

Document Exception

- Individual exception notices (“Pended Loan Notification”) will be generated and sent via fax to the current exception contact at each broker office.
 - Missing/corrected documentation should be returned to the sender of the Pended Loan Notification.
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Servicing Issues

SunTrust Mortgage, Inc. should be named as the servicer for this product. Upon the sale of the loan to the final investor, SunTrust Mortgage, Inc. will execute a Goodbye Letter.

Purchase Schedule

Daily purchases will continue to be faxed to each mortgage office by 11:00 a.m. Timing of wire transfers for purchases will not change.
