



USDA PURCHASE & REFINANCE

ELIGIBILITY MATRIX

PROPERTY TYPE	LOAN AMOUNT	CREDIT SCORE	LTV/CLTV	DTI
1 Unit	Purchase & Standard Rate & Term Refinance	580	100%	Per GUS
	Streamlined Refinance Only	580	100%	

- LTV MAY EXCEED 100% ONLY BY THE AMOUNT OF THE GUARANTEE FEE FINANCED
- ON REFINANCES: VALUE IS BASED OFF THE ORIGINAL LOAN BALANCE
- MINIMUM 640 CREDIT SCORE IS NEEDED FOR ACCEPT / GUS.
- ANY CREDIT SCORE BELOW 640 IS A MANUAL UNDERWRITE.
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REFERENCE	DESCRIPTION
SUMMARY	<ul style="list-style-type: none"> ▪ The Rural Housing Service (RHS) is a credit agency within the United States Department of Agriculture for rural housing and community development. The Agency's purpose is to increase the availability of affordable housing and community facilities for rural residents. ▪ Follow the USDA Handbooks (HB-1-355)
UNDERWRITING	<ul style="list-style-type: none"> ▪ Purchases, Rate & Term Refinances, and Streamline Refinances: Loans must be underwritten through USDA's Guaranteed Underwriting System (GUS) and receive an Accept decision. ▪ GUS Refer and Manual underwriting are permitted providing
OCCUPANCY	<ul style="list-style-type: none"> ▪ Primary Residence
GUARANTEE FEE	<ul style="list-style-type: none"> ▪ Up-front Guarantee Fee: 1.0% ▪ Annual Fee: 0.35%
LOAN LIMITS	<ul style="list-style-type: none"> ▪ Maximum loan amount is \$647,200 ▪ Purchases: may include principal and interest, closing costs, lender fees and the upfront guarantee fee. ▪ Refinances: may include principal and interest, closing costs and funds to establish tax and insurance escrow.
ELIGIBLE TRANSACTIONS	<ul style="list-style-type: none"> ▪ Purchase ▪ Rate & Term (Non-Streamlined) Refinance (Guaranteed-to-Guaranteed only) ▪ Streamlined Refinance (Guaranteed-to-Guaranteed only) ▪ Streamlined-Assist Refinance (Guaranteed-to-Guaranteed only)
ELIGIBLE BORROWERS	<ul style="list-style-type: none"> ▪ All borrowers must have valid and verifiable Social Security Numbers, as well as a valid driver's license, state-issued ID, or passport. Other forms of taxpayer identification are not allowed. ▪ Borrowers must be either U.S. Citizens or be lawful permanent or non-permanent residents of the United States. A non-U.S. citizen, who is lawfully residing in the U.S. as a permanent or a nonpermanent resident alien, is eligible for a mortgage on the same terms as a U.S. citizen. The following Visa types are eligible for documenting lawful residency status of non-permanent resident aliens: E-1, E-2, E-3, E-3D, G-1, G-2, G-3, G-4, G-5, H-1B, H-1B1, H-1B2, H-1B3, H-1C, H-4, L-1A, L-1B, L-2, O-1A, O-1B, TN ▪ The Guaranteed Underwriting System (GUS) will interface with the U.S. Citizenship and Immigration Service's Systematic Alien Verification status for Entitlements (SAVE) database to obtain online immigration or naturalization status information on the borrower(s). Qualified alien status must be validated by SAVE. ▪ There can be no more than 4 borrowers per loan.
INELIGIBLE BORROWERS	<ul style="list-style-type: none"> ▪ Co-Signers/Guarantors ▪ Non-Occupant Co-borrowers ▪ Limited Partnerships, Corporations and LLCs ▪ Non-Revocable Trusts or Guardianships ▪ Foreign Nationals ▪ Borrowers with Diplomatic Immunity ▪ Individuals on the LPD/GSA exclusionary lists

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REFINANCE (GENERAL)	<ul style="list-style-type: none"> ▪ Full income documentation of all adult household members is required for all refinance types to meet applicable adjusted annual household limits in compliance with USDA Program eligibility. ▪ Properties that were eligible at the time of origination that have since become ineligible are grandfathered in and still eligible for refinance ▪ Refinances must be USDA Guaranteed-to-USDA Guaranteed transaction ▪ Refinance of mortgages that are in a current forbearance status, including mortgages under a CARES Act forbearance plan are not eligible. ▪ A borrower who was granted a mortgage payment forbearance and continues to make payments as agreed under the terms of original note is not considered delinquent or late and will be treated as if not in forbearance status, provided that the forbearance plan is terminated prior to closing.
NON-STREAMLINE REFINANCE	<ul style="list-style-type: none"> ▪ Refinance of an existing USDA loan ▪ New appraisal is required ▪ May include current principal and interest balance of the existing loan, closing costs and funds to establish tax and insurance escrow ▪ Maximum loan amount cannot exceed the new appraised value with the exception of the upfront guarantee fee ▪ One existing borrower must remain on the new loan ▪ 12 months seasoning required from time of loan application, 0x30x12 ▪ A borrower who has deferred mortgage payments as result of a recent forbearance plan: <ul style="list-style-type: none"> • Must have resumed making payments for a period of at least three (3) months; and • have a 0x30x6, excluding the time the loan was in forbearance ▪ GUS must be utilized ▪ Loan must meet requirements of USDA Handbook Chapter 10 ▪ The borrower's new rate must be fixed and must not exceed the interest rate of the original loan being refinanced.
STREAMLINED REFINANCE	<ul style="list-style-type: none"> ▪ Refinance of an existing USDA Guaranteed loan ▪ Appraisal not required unless a borrower has received payment subsidy in order to determine the amount of subsidy recapture due. <ul style="list-style-type: none"> ○ Max loan amount can only include the following eligible costs: ○ Principal and Interest ○ Re-conveyance fee ○ Upfront Guarantee Fee ▪ Maximum loan amount cannot exceed original loan amount. ▪ One existing borrower must remain on the new loan (co-borrower can be removed) ▪ 12 months seasoning required from time of loan application ▪ A borrower who has deferred mortgage payments as result of a recent forbearance plan: <ul style="list-style-type: none"> ○ Must have resumed making payments for a period of at least three (3) months; and ○ have a 0x30x6, excluding the time the loan was in forbearance ▪ GUS must be utilized to underwrite and submit to USDA for Conditional Commitment (3555-18E) ▪ Loan must meet requirements of USDA Handbook Chapter 10 and Chapter 11

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	<ul style="list-style-type: none"> ▪ The borrower's new rate must be fixed and must not exceed the interest rate of the original loan being refinanced.
<p style="margin: 0;">STREAMLINE ASSIST REFINANCE</p>	<ul style="list-style-type: none"> ▪ Refinance of an existing USDA loan ▪ Appraisal not required unless a borrower has received payment subsidy in order to determine the amount of subsidy recapture due. ▪ Max loan amount can only include the following eligible costs: <ul style="list-style-type: none"> ○ Principal and Interest balance existing loan ○ Closing costs ○ Funds to establish tax and insurance escrows ○ Upfront Guarantee Fee ▪ All existing borrowers must remain on the new loan ▪ 12 months seasoning required from time of loan application ▪ A borrower who has deferred mortgage payments as result of recent forbearance plan: <ul style="list-style-type: none"> ○ must have resumed making payments for a period of at least six (6) months and not have any defaults in the previous 12-month period, excluding the time the loan was in forbearance. ▪ Credit Qualification (USDA Handbook Chapters 10 & 11 requirements) not required ▪ GUS may not be used to process and submit to USDA for Conditional Commitment (3555-18E) ▪ Streamline Assist Refinances must reflect a Net Tangible Benefit of a \$50 or greater reduction in the new PITI (including annual fee) as compared to the existing PITI. ▪ The borrower's new rate must be fixed and must not exceed the interest rate of the original loan being refinanced. ▪ Borrowers are not eligible to receive "cash out" from the refinance transaction. However, for Rate and Term (Non-Streamlined) and Streamlined-Assist Refinance loans, borrowers may receive reimbursement from loan proceeds at settlement for their personal funds advanced for eligible loan purposes that are part of the refinance transaction, such as an appraisal fee or credit report fee.
<p style="margin: 0;">CASH-OUT REFINANCES</p>	<ul style="list-style-type: none"> ▪ Not Permitted

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PAYOFF DEMANDS	<ul style="list-style-type: none"> ▪ Payoff demands are required to ensure the current lien is paid in full prior to closing. The expiration date of the payoff demand must be reviewed. A loan may not move to closing if the payoff will expire prior to funding. If the payoff demand contains an expiration date, the underwriter must verify the date is after the funding date. ▪ If the payoff demand does not contain an expiration date, the underwriter must verify a per diem amount is listed. The per diem should be applied to the payoff amount to cover proceeds through the funding date; it can be used for an unlimited number of days; unless otherwise specified in the payoff letter. ▪ A payoff is considered expired when: <ul style="list-style-type: none"> ○ The document instructs the associate to void after a specified date; or ○ The interest accrued amount on the statement signals the borrower will be past-due when the new loan funds; ○ The borrower must make a mortgage payment prior to closing to avoid a late payment on the credit; and ○ The borrower must provide evidence the payment has been made and the updated payoff demand must reflect that a payment has been made.
DOWN PAYMENT ASSISTANCE	<ul style="list-style-type: none"> ▪ Down payment assistance is permitted by Government Agencies only. ▪ Must be approved by Keystone Funding
SUBORDINATE FINANCING	<ul style="list-style-type: none"> ▪ Subordinate (secondary) financing is not permitted unless it is approved by the RHS and is offered by city or county agencies.
POWER OF ATTORNEY	<ul style="list-style-type: none"> ▪ Must be approved by Keystone Funding
INTER VIVOS RECOVABLE TRUST	<p>A living trust is an eligible mortgage borrower if it meets the following requirements as well as State requirements. All trusts must be approved by the Underwriting Manager.</p> <p>To determine whether the Trust meets all the criteria required by State and KFI standards, the following will be required:</p> <ul style="list-style-type: none"> • A copy of the trust document must be included in the file.
ELIGIBLE PROPERTIES	<p>Property must be located in a rural area as defined by the local USDA office: https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do and meet HUD minimum property standards as per Handbook 4000.1.</p> <ul style="list-style-type: none"> • Attached/Detached SFRs • Attached/Detached PUDs

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<div style="font-size: 24px; font-weight: bold; margin: 0;">1</div>	<ul style="list-style-type: none"> Low/Mid/High-Rise Condos and site Condos Modular Homes (these are not considered to be manufactured and are eligible under the guidelines for 1-unit properties) <p>Deed Restricted Properties: All deed restricted properties must be reviewed and approved by Underwriting Manager prior to loan approval.</p> <p>Shared Driveways Shared driveways must have a recorded easement. Private streets must have recorded easements or be maintained by an HOA.</p> <p>Outbuildings For a property to be deemed as eligible collateral, it cannot be used as a farm or may not be improved with farm service buildings. The agency considers a farm service building to be any structures used in farming operation, which may include buildings to house workers, livestock, machinery, or crops. Service buildings can include, but are not limited to, livestock barns and shelters, machinery and storage buildings, buildings and facilities for crop storage and special purpose buildings such as grain silos.</p> <p>If the property was previously or currently used as a farm, it is deemed ineligible. In addition, whether or not the appraiser has valued any of the above-mentioned service buildings, the property is deemed ineligible.</p> <p>New Dwellings The loan file must contain evidence of certified plans and specifications, Building Permit and Certificate of Occupancy.</p>
<div style="font-size: 24px; font-weight: bold; margin: 0;">2</div>	<p>For full details refer to Chapter 12.11 of the 3555.</p> <p>Condominiums are acceptable to RD when the project has been approved by Fannie Mae (FNMA), Freddie Mac (FHLMC), HUD, or VA.</p> <p>For purchase transactions, KFI must retain evidence in their permanent loan file of the project's approval by one of these four entities.</p> <p>For refinance transactions, it is not necessary to provide evidence of the project's approval.</p>
<div style="font-size: 24px; font-weight: bold; margin: 0;">3</div>	<ul style="list-style-type: none"> 2-4 units Properties not located in an eligible rural area Leasehold properties Multi-unit Properties Co-ops Condotels Non-Warrantable Condos Manufactured Housing (Existing) Hobby Farms Mixed-Use Properties

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	<ul style="list-style-type: none"> Properties that pose a health or safety hazard Properties with manufactured on site being used as storage Properties with shortened future economic life of the property making a long-term mortgage impractical Properties with excessive acreage (25 acres +); loans secured by properties with >10 acres will require a desk review in addition to the required full appraisal Properties where farm or agricultural income from the subject property is claimed on borrower's tax returns Properties encumbered with private transfer fee covenants Properties which are subject to a right of redemption Properties appraised with a property condition of C5 or worse
MAXIMUM FINANCED PROPERTIES	<ul style="list-style-type: none"> Borrowers typically may not own any additional real estate except as defined in Chapter 8.2 of 7 CFR 3555 Mobile Home not secured by land does not qualify as additional real estate.
INELIGIBLE PROGRAMS	<ul style="list-style-type: none"> Construction to Permanent (CTP) Financing where the original note is modified is not eligible. Manufactured Homes Pilot Program for existing subject property (Not New Construction) Energy Efficient Mortgages (EEM) High-cost mortgage Investment properties Previously modified loans (refinances) Rural Energy Plus Temporary buydowns The refinance of a USDA Direct loan Transactions where the loan originator is acting in another real estate related role with the following exceptions: <ul style="list-style-type: none"> Loan officers who are appropriately licensed in the state of CA or FL who are acting as the buyer's agent. A copy of the FL Disclosure of Conflict of Interest or CA Dual Capacity Disclosure is required to be provided by the broker.
PROPERTIES PREVIOUSLY LISTED FOR SALE	<ul style="list-style-type: none"> Rate and Term Refi – listing must have been cancelled or expired prior to the application date, and the borrower must confirm their intent to occupy the subject for Owner Occupied
APPRAISALS	<ul style="list-style-type: none"> Appraisals are required on Purchases and Rate & Term (Non-Streamlined) Refinances. Appraisal must be performed by an FHA roster appraiser. All appraisals must be ordered and processed in compliance with Appraiser Independence Requirements (AIR). <ul style="list-style-type: none"> Correspondent lenders may use their own AMC. A copy of the appraiser's license must be included in all funded loan files. Re-use of an appraisal from a previously closed transaction is not permitted. Refer to the list of affected counties published by FEMA at the following link: https://www.fema.gov/disaster
DISASTER AREAS	<ul style="list-style-type: none"> KFI will require recertification from the appraiser on all loans located in the affected Counties prior to closing. If the county is indicated as being in a declared disaster area, the policy must be adhered to The Disasters are referenced with both an incident start date and an incident ending date. The property is considered potentially impacted for 120 days from the incident END date.

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INCOME	<ul style="list-style-type: none"> If a full appraisal was obtained on the property prior to the declared disaster, the inspection must verify the property is sound and habitable and in the same condition as when it was appraised. <p>Any of the following options are acceptable to satisfy this requirement:</p> <ul style="list-style-type: none"> A 1004D Final Inspection or Appraisal Update signed by the original appraiser DAIR – Disaster Area Inspection Report Full appraisals obtained after the declaration need to indicate the property has not been impacted by the disaster. If the loan qualified for a non-standard appraisal (Property Valuation Update, Appraisal Waiver, 1075, 2055, 2075, 2095) and a Disaster has been declared prior to funding or purchase, a full appraisal with interior and exterior inspection dated after the incident period end date is required. The non-standard appraisal product is not permitted for 120 days after the disaster incident period end date; <p>Full income documentation of all adult household members is required; adjusted income must not exceed eligibility limits as determined by the USDA:</p> <p>This applies for all USDA loan types. http://eligibility.sc.egov.usda.gov Refer to Chapter 9 of the 3555 Guaranteed Handbook for complete details regarding Income Analysis requirements - Income Analysis</p> <p>Four income definitions are used:</p> <ul style="list-style-type: none"> Annual Income- The income of all adult household members Adjusted Annual Income- The household’s annual income minus certain qualified household deductions Qualifying Income- Adjusted annual income compared to established income limits to determine eligibility of the household for the SFHGLP Repayment Income- The stable and dependable income used to calculate debt ratios and determine whether the applicant(s) can afford the home <p>Income Documentation</p> <ul style="list-style-type: none"> Income must be documented in accordance with chapter 9 of the 3555 for all adult household members (borrower(s) and non-borrower(s)) income must be documented in accordance with chapter 9 of the 3555 for all adult household members (borrower(s) and non-borrower(s)) <p>4506-C & Tax Transcript Requirements</p> <ul style="list-style-type: none"> A fully complete 4506-C form must be signed and dated by each adult household member (borrower(s) and non-borrower(s)) for all loans and must include the number of years of income required The 4506-C form must be processed, and transcripts obtained for each adult household member on every loan, with the following exception: <ul style="list-style-type: none"> Full time students aged 18 and up that are not borrowers, a spouse of a

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	<p>borrower, or head of household.</p> <ul style="list-style-type: none"> ○ Marital Status and dependent information must be verified from the 4506-C
INCOME FROM UNEMPLOYED ADULT HOUSEHOLD MEMBERS	<p>If any adult member of the household is not presently employed but there is a recent history of such employment, that person's income must be considered in the calculation of annual household income. If the person involved is not presently employed and does not intend to resume employment in the foreseeable future, or if interest assistance is involved, during the term of the Interest Assistance Agreement, the applicant(s) and the person involved must sign a statement to such.</p>
INCOME FROM FULL-TIME STUDENTS	<p>Follow Chapter 9 of the 3555: Income from Full Time Students is included in the Household Income if the student lives or proposes to live in the dwelling at any time during the coming 12 months or the property listed is the student's permanent address; only the first \$480 of earnings should be counted in the HHM.</p>
CHILDCARE AND DEPENDENT CARE DEDUCTIONS	<p>Follow Chapter 9 of the 3555:</p> <p>Child Care Deduction</p> <ul style="list-style-type: none"> • Private/relative provided care must include evidence of payment • Anticipated care for non-attending children/ unborn child is ineligible • Child support and private tuition paid for kindergarten through minor children up to 12 years of age is ineligible • Preschool "tuition" (prior to Kindergarten) is Eligible <p>Dependent Deduction</p> <ul style="list-style-type: none"> • Full time college students (age 18 and up) may provide documentation from school to support address • Unborn children are not household members Custodial parents (per IRS Publication No. 502) are allowed to claim the child as a household member
RENTAL INCOME	<p>Rental Income received for a property owned and retained by the applicant may be acceptable in limited circumstances as defined in 3555 Chapter 8. Income must be documented according to the requirements of 3555 Chapter 9.</p>
VERIFICATION OF EMPLOYMENT	<p>With the exception of instances where the borrower is employed by a relative or participant to our loan transaction, follow agency guidelines. In instances where the borrower is employed by a relative or participant to our loan transaction the following documentation must be obtained (in addition to standard program guides):</p> <ul style="list-style-type: none"> • Borrower's signed and completed personal federal income tax returns for the most recent two-year period, and • YTD paystub documenting at least 30 days of income • W2s for the most recent two years <p>Current income reported on the pay stub may be used if it is consistent with W2 earnings report on the tax returns. If the tax returns do not include W2 earnings or income is substantially lower than the current pay stub, further investigation is needed to determine whether income is stable.</p>
CREDIT	<p>A tri-merge credit report is required; Non-Traditional/Alt Credit is not permitted. Frozen credit must be available from all repositories.</p> <ul style="list-style-type: none"> • All credit inquiries within 90 days of the credit report are required to be addressed by the borrower. For GUS Accept loans, new installment or revolving accounts that are not reflected on the credit report in GUS must be manually entered on the Asset and Liabilities section in GUS application page. No downgrade is required. • The liabilities for a non-purchasing spouse are required to be included per community property state

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	<p>lending laws.</p> <ul style="list-style-type: none"> Refer to Chapter 10 of the 3555-1 Handbook for additional guidance on credit analysis. Validating the Credit Score is not required for GUS Accept loans
<p>LIABILITIES</p>	<p>INSTALLMENT DEBTS WITH LESS THAN 10 PAYMENTS Accounts with less than 10 payments remaining may be excluded from the DTI if the monthly payment does not exceed 5% of the monthly repayment income. Installment debt may be paid down to 10 months or less of remaining debt.</p> <p>REVOLVING DEBT Revolving debts are not eligible for omission from the borrower’s ratios. Revolving Accounts reported on the credit report with no payment must be included in the DTI by using 5% of the balance; the verified current statement amount due may also be used. If there is no balance, no payment is required to be included in the DTI and are not required to be closed.</p> <p>COURT ORDERED DEBTS CHILD SUPPORT, ALIMONY, GARNISHMENTS, ETC. Court ordered debts must have the payment included in the total debt ratio unless the applicant has a release of liability from the court/creditor and acceptable evidence is documented. Selected pages from the applicable agreement/court order can be utilized to document the required monthly payment due and the duration of the debt. Court ordered debts with ten or less payments remaining may be excluded if the payment does not exceed 5% of the monthly repayment income.</p> <ul style="list-style-type: none"> For GUS transactions, manually enter the obligation(s) as a monthly liability. A manual entry of this monthly obligation does not require an underwriting recommendation of “Accept” to be downgraded to a “Refer.” Confirm repayment agreements are current. See Derogatory Credit section if court ordered debts are delinquent. <p>STUDENT LOANS Student loans must be included in ratios as follows: Fixed payment amounts may be used when the payment, interest rate, amortization term is verified as fixed, and the fixed payment will fully amortize/pay in full the debt at the end of the term. Non-Fixed payment amounts for deferred loans, Income Based Repayment (IBR), Income contingent (IC), Graduated, Adjustable, and other types of repayment agreements which are not fixed must use the following:</p> <ul style="list-style-type: none"> The current documented payment under the approved repayment plan when the payment is above zero; or One half (.50) percent of the outstanding loan balance documented on the credit report creditor verification. <p>Student loans in the applicant’s name alone but paid by another party remain the legal responsibility of the applicant. The applicable payment must be included in the monthly debts.</p> <p>Student loans in a “forgiveness” plan/program remain the legal responsibility of the applicant until they are released of liability from the creditor.</p> <p>ITEMS PAID OUTSIDE OF CLOSE (POC) WITH A BORROWER’S CREDIT CARD If the borrower(s) pay for the application fee/closing costs/appraisal with their credit card and the new charges are not reflected in the credit report balance, these debts must be included in the balance and the payment due</p>

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	<p>must be recalculated. The new payment must be used in calculating the DTI.</p> <p>CONTINGENT LIABILITIES Obligations that are the ex-spouses as evidenced by a divorce decree may not be excluded from the ratios based solely on a divorce decree. Twelve months proof the other party is paying is required.</p> <p>OMITTING LIABILITIES Omitting an adverse trade line and receiving a GUS Accept requires an explanation from the underwriter supporting the basis for omission.</p>
MORTGAGE HISTORY	<p>Housing Payment History</p> <ul style="list-style-type: none"> 12-month mortgage history required and based on the number of payments made at the time of loan application Housing Payment History: 0x30x12 Streamlined Refinance: 0x30x6 <p>For more details on Rent History, refer to HB-1-3555, Chapter 10</p>
DEROGATORY CREDIT	<p>Delinquent Child Support Obligation</p> <ul style="list-style-type: none"> An applicant that is delinquent on court ordered child support is ineligible for a USDA guaranteed loan unless the applicant has an approved repayment agreement in place with three timely payments made prior to loan closing, the arrearage is paid in full prior to loan closing, or a release of liability is documented. <p>Foreclosure</p> <ul style="list-style-type: none"> Foreclosures: None in the last three (3) years. This includes pre-foreclosure activity, such as a pre-foreclosure sale or short sale in the previous 3 years. The following exceptions apply to short sales: An applicant is ineligible for a mortgage loan if they pursued a short sale agreement on their principal residence to take advantage of declining market conditions and purchases at a reduced price a similar or superior property within a reasonable commuting distance. If an applicant was current at the time of short sale that occurred within the last three (3) years, they may be eligible for a new mortgage loan. The prior mortgage payment history must reflect all mortgage payments due were made on time for the 12-month period preceding the short sale and all installment debt payments for the same period were also made within the month due. <p>Bankruptcy</p> <ul style="list-style-type: none"> Chapter 7: None in the last three (3) years. Chapter 13 bankruptcy: Payment plan must be completed. Previously modified or restructured mortgages may not be refinanced <p>Charge-Offs and Collection Accounts</p> <ul style="list-style-type: none"> Charge-offs and Collection Accounts are considered in the credit score, however underwriter must still review for acceptable risk such as potential judgment or garnishment USDA does not require charge-offs and medical collection accounts to be paid o If the cumulative total of all non-medical collections exceeds \$2,000, the following options will apply: <ul style="list-style-type: none"> Require payment in full of these accounts prior to loan closing, Use an existing repayment agreement or require payment arrangements be made with documentation from the creditor and include the monthly payment; or Include 5 percent of the outstanding balance as the monthly liability amount, no further documentation required. All open collections must be listed on the Asset and Liabilities GUS application page and loan

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	<p style="text-align: center;">application.</p> <p>Non-Federal Judgments</p> <ul style="list-style-type: none"> Court ordered judgments must be paid in full or have evidence timely payments are made per an agreement with the creditor. Include the monthly payment (if applicable) in the debt ratio. A GUS Accept file is not required to be downgraded due to the manual entry of the payment o Confirm in the Declarations Section of GUS and/or the loan application accurately reflect the presence of a judgment. <p>Delinquent Federal Non-Tax Debt</p> <ul style="list-style-type: none"> An applicant with a delinquent Federal non-tax debt is ineligible until the debt is paid in full or a release of liability is documented. <p>Delinquent Federal Taxes</p> <ul style="list-style-type: none"> An applicant with delinquent Federal tax debt is ineligible unless they have a repayment plan approved by the IRS. A minimum of three timely payments must have been made. Timely is defined as payments that coincide with the approved IRS repayment agreement. The applicant may not prepay a lump sum at one time to equal three monthly payments to meet this requirement. Evidence of the repayment agreement and payment history must be documented. <p>Disputed Accounts:</p> <p>Non-Derogatory o A GUS Accept recommendation may be retained if one of the following is met:</p> <ul style="list-style-type: none"> The disputed tradeline has a zero balance; The disputed tradeline states “paid in full” or “resolved” on the credit report; The disputed tradelines are 24 months or greater; The disputed tradeline is current and paid as agreed; The payment stated on the credit report is included in the monthly debts; A documented payment from the creditor is included in the monthly debts; or 5% of the stated account balance on the credit report is included in the monthly debts. <p>Disputed Accounts: Derogatory</p> <ul style="list-style-type: none"> Disputed derogatory accounts that must be considered are non-medical collections and accounts with late payments in the last 24 months. For all loan types, the lender may exclude the following: <ul style="list-style-type: none"> Disputed medical accounts/collections; Charged off accounts, Disputed derogatory accounts that are the result of identity theft, credit card theft, or unauthorized use when evidence (police report, attorney correspondence, creditor statement) is provided to support the applicant’s explanation; or Accounts of a non-purchasing spouse in a community property state. <p>GUS Accept files with less than \$2,000 in disputed derogatory accounts will require the lender to determine if the disputed accounts may impact the applicant’s ability to repay the proposed mortgage obligation. Each account (excluding those listed above) must include a minimum monthly payment of:</p> <ul style="list-style-type: none"> The payment stated on the credit report, 5% of the balance of the account, or A lesser amount documented from the creditor.

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QUALIFYING RATIOS	<ul style="list-style-type: none"> A GUS Accept must be downgraded to a Refer when the applicant has \$2,000 or more collectively in disputed derogatory accounts in the last 24 months
PAYMENT SHOCK	<p>Underwriters should document payment shock on Form 1008. In cases where the payment shock is 100% or more as well as in cases where the applicant did not have prior housing expense, no additional risk layering (i.e., adverse credit waivers, debt ratios waivers, etc.) should be allowed without strong documented compensating factors. Acceptable compensating factors include, but are not limited to:</p> <ul style="list-style-type: none"> The borrower has an excellent credit history reflecting timely repayment of credit obligations. Each applicant has a score of 680 or greater. The applicant has demonstrated a conservative attitude towards the use of credit and an ability to accumulate savings. The applicant has a stable employment history over the past two years, demonstrating a dependable income stream. The applicant has demonstrated an ability to pay housing costs similar to the projected P&I payment, taxes, insurance, and maintenance. The applicant has potential for increased earnings, as indicated by job training or education in the applicant's profession.
BORROWERS RETAINING THEIR CURRENT RESIDENCE	<p>Borrowers typically may not own any additional real estate except as defined in Chapter 8.2 of 7 CFR 3555. The borrower(s) must sign the Occupancy Affidavit Form prior to closing.</p>
ASSETS	<p>Assets must be verified per GUS Written Verifications of Deposit (VOD) are not acceptable. Only system generated VOD from the financial institution are acceptable. Business Assets are allowed for down payment, closing costs, and reserves:</p> <ul style="list-style-type: none"> the borrower must be the majority owner of the business. the use of these funds must be documented as having no negative impact on the business' livelihood. <p>Assets utilized for reserves should be calculated as the lesser of the two-month average balance or the actual balance on the most recent statements.</p>
GIFTS	<ul style="list-style-type: none"> Gift funds should be identified separately, as a gift, even if the funds have already been deposited in a liquid asset account owned by the borrower such as a checking or savings account. Gift funds must be accompanied by a gift letter signed by the donor and borrower. <ul style="list-style-type: none"> Gift funds may not be contributed from any source that has an interest in the sale of the property (seller, builder, real estate agent, etc.) Gift funds cannot be used as reserves
SELLER / INTERESTED PARTY CONTRIBUTIONS	<p>Seller or other interested party contributions towards closing costs in excess of 6% are prohibited. Closing costs and/or prepaid items paid by the lender by premium pricing are not included in the seller contribution limitation. Fees towards the applicant's cost to close such as real estate commission or other typical fees paid by the seller or other interest party under local, state law, or local custom are not considered in the maximum contribution calculation.</p>

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INELIGIBLE ASSETS	<ul style="list-style-type: none"> Borrowing unsecured funds Cash on Hand/Mattress Money UTMA/Custodial Accounts for minors (cannot be used by account custodian) 1031 Exchanges Pooled Funds
AGE OF DOCUMENTATION	Income and asset documents can be no more than 120 days old as of the Note date. For other types of documentation, USDA guidelines for age may be followed.
ESCROWS	Tax and Insurance escrows are required.
EXCLUDED PARTIES LDP/GSA SEARCHES	<p>All loans require confirmation that companies or individuals involved in the origination or underwriting of a mortgage transaction are not on the Freddie Mac Exclusionary List, General Services Administration (GSA) excluded party list or the HUD Limited Denial Participation (LDP). Regardless of the reason for the party being excluded, any party to the transaction included on either list will result in the loan being ineligible for delivery. All name variations found throughout the loan file must be run when performing the searches. The search must be run on the following parties in the transaction:</p> <ul style="list-style-type: none"> Borrowers Seller Builder Listing Agent & Listing Company Selling Agent & Selling Company Title Agent Title Company Closing Attorney Appraiser and Appraisal Company
CAIVRS	<p>CAIVRS – HUD’s Credit Alert Interactive Voice Response System. If a borrower is presently delinquent on a federal debt or has a lien, including taxes, placed against his property for a debt owed to the US, the borrower is not eligible until the delinquent debt is brought current, satisfied, or a satisfactory repayment plan is made between the borrower and the federal agency owed and is verified in writing. The CAIVRS response status must indicate “A” for borrower to be eligible. If the tax lien remains unpaid, the lien must be subordinated to the USDA mortgage, a copy of the repayment plan must be obtained, as well as a satisfactory twelve month pay history. In addition, the monthly payments must be included in the DTI.</p> <p>The lender must document all applicants’ CAIVRs numbers near the signature line on the mortgage application form. If delinquent CAIVRs are discovered, the loan must be suspended, the applicant must be notified the processing has been suspended and will be asked to contact the applicable federal agency, at the number provided by the CAIVRs to attempt to resolve the item. When the applicant provides the lender with the documentation that the delinquency has been paid in full or otherwise resolved, processing of the application will be continued, and the file may then be submitted to underwriting.</p> <p>An outstanding judgment, which has been recorded, shall cause the applicant to be ineligible to receive a loan</p>

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	guarantee until the judgment is paid in full or otherwise satisfied. RHCDS proceeds may not be used to satisfy the judgment. If the judgment remains open, or the borrower is unable to resolve the delinquency, the lender must reject the application. Loan proceeds may not be used to clear CAIVRS.
FLOOD INSURANCE	<p>Existing properties in a flood zone are eligible with no restrictions other than being located in area with NFIP available and flood insurance will be required. New construction in a flood zone continues to be ineligible, unless a FEMA flood evaluation certificate confirms the lowest habitable floor (including the basement) is at or above the 100-year flood plain elevation.</p> <ul style="list-style-type: none"> Unless a higher amount is required by state or federal law, the maximum deductible should not exceed the greater of \$1,000 or 1% of the face of the policy. Flood insurance is required to be escrowed with no exceptions
HAZARD INSURANCE	<p>Unless a higher amount is required by state or federal law, the maximum deductible should not exceed the greater of \$1,000 or 1% of the face of the policy.</p>
PROCESS TO ADD OR REMOVE BORROWERS	<ul style="list-style-type: none"> Purchases and Rate & Term Refinances: New borrowers may be added; existing borrowers may be deleted. One original borrower must remain. Streamlined Refinances: New borrowers may be added; existing borrowers may be deleted. One original borrower must remain. Streamlined-Assist Refinances: Borrowers may be added to the new loan. Original borrowers may not be removed unless they are deceased.

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