

USDA Product Profile: Wholesale

Matrices

Purchases and Standard Rate & Term (Non-Streamlined) Refinances			
Credit Score	LTV/CLTV	DTI	Mortgage History
680	100%	44%	0x30x24
LTV may exceed 100% only by the amount of the Guarantee Fee financed			

Streamlined Refinance			
Credit Score	LTV/CLTV	DTI	Mortgage History ^{1,2}
700	100%	44%	0x30x12
<ul style="list-style-type: none"> Value based of original loan balance. <p>¹ NewRez originated loans serviced by SMS, follow USDA guidelines ² 12-month mortgage history is required and based on the number of payments made at the time of loan application</p> <p>LTV may exceed 100% only by the amount of the Guarantee Fee financed</p>			

Streamlined Assist Refinance			
Credit Score	LTV/CLTV	DTI	Mortgage History ^{1,2}
700	100%	N/A	0x30x12
<ul style="list-style-type: none"> Value based of original loan balance. <p>¹ NewRez originated loans serviced by SMS, follow USDA guidelines ² 12-month mortgage history is required and based on the number of payments made at the time of loan application</p> <p>LTV may exceed 100% only by the amount of the Guarantee Fee financed</p>			

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Section 1: Program Summary

1.1 Program Summary

Program Summary	<p>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.</p> <p>All NewRez guidelines will now follow the USDA Handbooks (HB-1-355) with the exception of some NewRez Overlays.</p>
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1.2 Underwriting

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 not permitted. • Streamlined-Assist Refinances: Loans must be manually underwritten; this program is not supported by GUS
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1.3 Maximum Interest Rate

Maximum Interest Rate	The maximum interest rate may not exceed the Fannie Mae rate for 30-year fixed rate conventional loans.
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1.4 Ineligible Programs

Ineligible Programs	<ul style="list-style-type: none"> • GUS Refer or Manually Underwritten Loans • Construction to Permanent (CTP) Financing where the original note is modified • Energy Efficient Mortgages (EEM) • Funded Buydowns (Temporary buydowns) • Investment properties • Section 32 are not • Mortgage Credit Certificates (MCCs) • Non-Arm’s Length Transactions • Non-Credit Qualifying Streamlines • Previously modified loans (refinances) • Rural Energy Plus • Texas A6 loans • 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.
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Section 2: Transaction Details

2.1 Loan Limits

Loan Limits	<ul style="list-style-type: none"> • Maximum loan amount \$510,400 • 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. Refer to section 2.5 Refinances (General) for eligible refinance types and specific requirements
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2.2 Guarantee Fee

Guarantee Fee	<ul style="list-style-type: none"> • Up-front Guarantee Fee: 1.0% • Annual Fee: .35%
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2.3 Eligible Programs & Terms

Eligible Program and Terms	30 year fixed only
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2.4 Eligible Transactions	
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)
2.5 Refinances (General)	
Refinances (General)	<ul style="list-style-type: none"> • Full income documentation of all adult household members to verify applicable adjusted annual household county income limits is required for all refinance types • 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 Guaranteed-to-Guaranteed • See <u>USDA Refinance Options Summary Job Aid</u> • For primary residence Nonprime (HPML) loan refinances in CT with loan amounts <= \$417,000, if the loan being refinanced is a Special Mortgage, defined as a FHA, VA, USDA loan, or a bond loan provided by a Housing Finance Agency, homeownership counseling is required <p>Non-Streamline Refinance (Rate & Term Refi)</p> <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 • GUS must be utilized • Loan must meet requirements of USDA Handbook Chapter 10 and Chapter 11 • The borrower's new rate must be fixed and must not exceed the interest rate of the original loan being refinanced. • Must meet the NewRez Generic NTB test <p>Streamlined Refinanced</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. • May include current principal and interest balance of the existing loan, re-conveyance fee, and upfront guarantee fee. • Maximum loan amount cannot exceed original loan amount • One existing borrower must remain on the new loan • 12 months seasoning required from time of loan application, 0x30x6 • GUS must be utilized • Loan must meet credit qualification requirements of USDA 3555 Handbook, Chapter 10 and Chapter 11 • The borrower's new rate must be fixed and must not exceed the interest rate of the original loan being refinanced. • Must meet the NewRez Generic NTB test <p>Streamlined-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.

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- Maximum loan amount is limited to the current principal and interest balance of the existing loan, closing costs and funds to establish tax and insurance escrow and the upfront guarantee fee
- All existing borrowers must remain on the new loan
- 12 months seasoning required from time of loan application, 0x30x12
- Manual underwrite required (GUS must not be utilized)
- Household must continue to meet Annual Adjusted County Income limit required by USDA
- Loan does not need to meet credit or debt ratio requirements in USDA Handbook 3555, Chapters 10 & 11
- **West Virginia State Restriction requires full income and credit qualification for Streamlined-assist. Maximum DTI for WV credit-qualified Streamlined-assist is 44%.**
- Streamline Assist Refinances must reflect a Net Tangible Benefit of a \$50.00 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.

2.6 Cash-out Refinances

- Cash-out Refinances
- Not eligible

2.7 Texas 50(f)(2) Loans

Texas 50(f)(2) loans allow the refinance of a home equity loan into a non-home equity loan per the Texas Constitution. These loans are limited to an 80% LTV/CLTV and no additional funds may be rolled into the loan (except closing costs and pre-pays).

Note: The maximum LTV/CLTV is 80% with costs rolled in, including any financed upfront guarantee fee. The guarantee fee must be treated as a fee and must not be added on top of the base LTV/CLTV.

(f)(2) Determination:

New Loan Amount pays off existing lien and....	If existing lien is a non-50(a)(6); then the new lien is....	If existing lien is a 50(a)(6); then the new lien is....
Provides even \$1 cash to the borrower	Texas (a)(6)	Texas (a)(6)
Pays off/down an existing TX (a)(6) lien with no cash to borrower	Texas (a)(6)	Texas (f)(2) – if seasoning requirements are met*
Pays off/down an existing TX (a)(6) lien with cash to borrower	Texas (a)(6)	Texas (a)(6)
The new lien is < existing UPB (no new funds)	Non-Texas (a)(6)	Texas (f)(2) – if seasoning requirements are met*
Funds, prepaids and/or closing costs	Non-Texas (a)(6)	Texas (f)(2) – if seasoning requirements are met*
Pays off/down a purchase money 2nd	Non-Texas (a)(6)	Texas (f)(2) – if seasoning requirements are met*
Pays off/down an existing Secured Home Improvement Loan (mechanic’s lien)	Non-Texas (a)(6)	Texas (f)(2) – if seasoning requirements are met*
Provides funds to satisfy a court ordered Divorce Equity Buyout	Non-Texas (a)(6)	Texas (a)(6)

*Borrower may elect to have loan remain a Texas (a)(6). Refer to Texas A6 profile.

Special Considerations

Loan may not close until:

- Twelve days after the borrower submits the loan application or all borrowers sign the 12-day notice, whichever is later.
- One day after the borrowers receive a copy of the Settlement Statement and Closing Disclosure.
- After the one-year anniversary of the closing of an existing Texas (a)(6) loan.

New subordinate financing is not permitted on a first lien Texas 50(f)(2).

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	<p>Attorney Review All Texas 50 (f)(2) loans must be reviewed and certified by a NewRez approved TX Attorney prior to loan closing. NewRez’s approved firms include:</p> <ul style="list-style-type: none"> • Black, Mann and Graham • Peirson Patterson
2.7 Payoff Demands	
Payoff Demands	<p>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.</p> <p>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.</p> <p>A payoff is considered expired when:</p> <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; <ul style="list-style-type: none"> ○ 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.
2.8 Down payment Assistance	
Down payment Assistance	Down payment assistance is permitted by Government Agencies only.
2.9 Subordinate Financing	
Subordinate Financing	Subordinate (secondary) financing is not permitted unless it is approved by the RHS and is offered by city or county agencies.
Section 3: Borrower Eligibility	
3.1 Borrower Eligibility	
Borrower Eligibility	<p>Eligible Borrowers 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.</p> <p>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.</p> <p>There can be no more than 4 borrowers per loan.</p>
3.2 Occupancy	
Occupancy	Primary residences
3.3 Power of Attorney	
Power of Attorney	Not permitted
3.4 Living Trust (Inter Vivos Revocable Trust)	
Living Trust (Inter Vivos Revocable Trust)	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 NewRez legal prior to Loan Approval.

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	<p>To determine whether or not the Trust meets all the criteria required by State and investor standards, one of the following will be required:</p> <ul style="list-style-type: none"> • A copy of the trust document must be included in the file • Exception: California, where a current (less than 1 year old) trust certification completed by the borrower may provide in lieu of the full trust document. If this certification is incomplete or contrary to title results, the full trust documentation may still be required.
3.5 Ineligible Borrowers	
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 • Principals/Owners of NewRez Third Party Originators • Individuals on the LPD/GSA exclusionary lists
3.6 Multiple Mortgages to the Same Borrower	
Multiple Mortgages to the Same Borrower	<p>Borrowers typically may not own any additional real estate except as defined in Chapter 8.2 HB-1-3555; NewRez will not finance more than one loan to a borrower obtaining an USDA loan.</p>
3.7 Maximum # of Financed Properties	
Maximum # of Financed Properties	<p>Borrowers typically may not own any additional real estate except as defined in Chapter 8.2 of 7 CFR 3555</p>
Section 4: Collateral	
4.1 Eligible Properties	
Eligible Properties	<p>Property must be located in a rural area as defined by the local USDA office: http://eligibility.sc.egov.usda.gov and meet HUD minimum property standards as per Handbook 4000.1.</p> <ul style="list-style-type: none"> • Attached/Detached SFRs • Attached/Detached PUDs • 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 legal 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>

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	<p>New Dwellings The loan file must contain evidence of certified plans and specifications, Building Permit and Certificate of Occupancy.</p>
4.2 Condos	
Condos	For full details refer to Chapter 12.11 of the 3555. Typically, condominiums are eligible IF the approved lender can document their permanent case file and certify to Rural Development that the project is approved by Fannie Mae, Freddie Mac, HUD, or VA. The project only needs to be eligible or approved with one of those four entities in order to be eligible for a Guaranteed loan.
4.3 Swimming Pool/Spa Requirements	
Swimming Pool/Spa Requirements	Permitted as defined in Chapter 12 of the 3555.
4.4 Ineligible Properties	
Ineligible Properties	<ul style="list-style-type: none"> • Properties not located in an eligible rural area • Leasehold properties • Multi-unit Properties • Co-ops • Condotels • Non-Warrantable Condos • Manufactured/Mobile homes • Hobby Farms • Bed and Breakfast Properties • Live-Work Units • Mixed-Use Properties • Unique properties, including log homes, earth berm homes and underground properties • 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
4.5 Properties Previously Listed for Sale	
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 • Careful consideration should be given to the listing price and appraised value to be sure the value is supported
4.6 Appraisals	
Appraisals	<p>Appraisals are required on Purchases and Rate & Term (Non-Streamlined) Refinances. Appraisal must be ordered by an FHA roster appraiser.</p> <ul style="list-style-type: none"> • All appraisals must be ordered and processed in compliance with Appraiser Independence Requirements (AIR). • Appraisal must be completed by a Certified FHA appraiser from a NewRez approved AMC for Wholesale loans. 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.
4.7 Disaster Areas	
Disaster Areas	Refer to the list of affected counties published by FEMA at the following link: https://www.fema.gov/disasters

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	<p>NewRez 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</p> <ul style="list-style-type: none"> • The Disasters are referenced with both an incident start date and an incident ending date. The property is considered potentially impacted for 90 days from the incident END date; • 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. Any of the following options are acceptable to satisfy this requirement: <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; • The NewRez branches will request the appropriate appraisal or inspection through the normal channels; TPO clients will be required to furnish NewRez with the proper recertification prior to loan approval.
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4.8 Geographic Restrictions

<p>Geographic Restrictions</p>	<ul style="list-style-type: none"> • Ineligible States <ul style="list-style-type: none"> ○ Alaska ○ Hawaii. • Connecticut - Refinance of primary residences for Nonprime (HPML) loans in CT with loan amounts <= \$417,000. Refer to 2.5 Refinances (General) • West Virginia State Restriction requires full income and credit qualification for Streamlined Assist. NCQ is not permitted. Refer to Section 2.5 Refinances (General)
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Section 5: Income

5.1 Income

Income – Adult Household Members Not Currently Employed

<p>Income from Unemployed Adult Household Members</p>	<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>
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Income from Full-Time Students

<p>Income from Full-Time Students</p>	<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>
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Childcare and Dependent Care Deductions

<p>Childcare and Dependent Care Deductions</p>	<p>Follow Chapter 9 of the 3555:</p> <ul style="list-style-type: none"> • Child Care Deduction <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
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	<ul style="list-style-type: none"> • Dependent Deduction <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
5.2 Rental Income	
<p>Rental Income</p>	<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> <p>When rental income from other real estate owned is being used to qualify, the following is required:</p> <ul style="list-style-type: none"> • Evidence of the most recent two (2) months receipt of rental income for each rental property owned, and • Three (3) months' reserves required for each rental property owned in addition to standard reserves required per product. <p>See 6.7 Borrowers Retaining their Current Residence for rental income guidance.</p>
5.3 Verification of Employment	
<p>Verification of Employment</p>	<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>
Section 6: Credit	
6.1 Credit	
<p>Credit</p>	<ul style="list-style-type: none"> • A tri-merge credit report is required; Non-Traditional/Alt Credit is not permitted. Frozen credit must be available from all repositories. • 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 lending laws. • Refer to Chapter 10 of the 3555-1 Handbook for additional guidance on credit analysis. • Validating the Credit Score. <ul style="list-style-type: none"> ○ No credit score validation required for GUS Accept loans
6.2 Liabilities	
<p>Liabilities</p>	<p>INSTALLMENT DEBTS WITH LESS THAN 10 PAYMENTS</p> <p>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>

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	<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.</p> <p>COURT ORDERED DEBTS: CHILD SUPPORT, ALIMONY, GARNISHMENTS, ETC.</p> <ul style="list-style-type: none"> • 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. • 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 greater of the following: One half (.50) percent of the outstanding loan balance documented on the credit report or creditor verification, or the current documented payment under the approved repayment plan with the creditor. 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. • 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 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>
6.3 Mortgage History	
Mortgage History	<ul style="list-style-type: none"> • 0x30x24 on Mortgage or Rent payments is permitted on Purchases and Rate & Term Refinances. For details on Streamline Refinances, refer to the product matrix. • For more details on Rent History, refer to 3555, Chapter 10.13.
6.4 Derogatory Credit	

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<p>Derogatory Credit</p>	<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: <ul style="list-style-type: none"> 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 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 application. <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: <ul style="list-style-type: none"> 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
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	<p>sale and all installment debt payments for the same period were also made within the month due.</p> <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 • 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 application. <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 • 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: Non-Derogatory</p> <ul style="list-style-type: none"> • A GUS Accept recommendation may be retained if one of the following is met: <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.
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	<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. 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: <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. 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
<p>6.5 Qualifying Ratios</p>	
<p>Qualifying Ratios</p>	<ul style="list-style-type: none"> Refer to the Eligibility Matrix
<p>6.6 Payment Shock</p>	
<p>Payment Shock</p>	<p>Underwriters should document payment shock on Form 1008.</p> <p>When 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 (e.g., 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.
<p>6.7 Borrowers Retaining their Current Residence</p>	
<p>Borrowers Retaining their Current Residence</p>	<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> <p>When rental income is being used to qualify when converting a primary residence to a second home or investment property, the following is required:</p> <ul style="list-style-type: none"> Three (3) months’ reserves required for each rental property owned in addition to standard reserves required per product, and Evidence of proof of receipt of the security deposit and, if required by the lease, first month’s rent.
<p>Section 7: Assets</p>	
<p>7.1 Assets</p>	
<p>Assets</p>	<p>Assets must be verified as noted by the AUS. Written Verifications of Deposit (VOD) are not acceptable. Only system generated Verifications of Deposit from the financial institution are acceptable.</p>

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	<p>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 lessor of the two-month average balance or the actual balance on the most recent statements.</p>
7.2 Gifts	
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
7.3 Seller/Interested Party Contributions	
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>
7.4 Ineligible Assets	
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
Section 8: Program Details	
8.1 Age of Documentation	
Age of Documentation	<p>Income and asset documents can be no more than 60 days old as of the Note date. All other documents may follow USDA guidelines.</p>
8.2 Electronic Signatures	
Electronic Signatures	<p>NewRez will accept electronic signatures on third party documents in accordance with Electronic Signatures in Global and National Commerce Act (ESIGN) and the Uniform Electronic Transactions Act (UETA), as applicable.</p> <p>Third party documents are those that are originated and signed outside of the NewRez's direct control, such as sales contracts. The electronic signature and date must be clearly visible when viewed electronically and in a paper copy of the electronically signed document.</p> <p>In addition, with prior approval, TPO partners can submit initial disclosures signed by both the TPO and borrower. To become approved for e-signature, please send the following to your AE:</p> <ul style="list-style-type: none"> • Appropriate e-sign questionnaire • E-sign authorization to release supporting documentation, • Sample e-sign audit trail from document vendor • Copy of signed vendor agreement with "acceptable" vendor listed on questionnaire

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	<p>Once approved, e-signed initial disclosures can be submitted as long as the e-sign audit log for the specific transaction is supplied.</p> <p>NewRez employees may also use electronic signatures on NewRez Verbal Verifications of Employment.</p>
8.3 Escrows	
Escrows	Tax and Insurance escrows are required.
8.4 Excluded Parties- LDP/GSA Searches	
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.</p> <p>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
8.5 CAIVRS	
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 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.</p>
8.6 Insurance- Flood	
Insurance – Flood	<ul style="list-style-type: none"> • 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. • Unless a higher amount is required by state or federal law, the maximum deductible should not

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	<p>exceed the greater of \$1,000 or 1% of the face of the policy.</p> <ul style="list-style-type: none"> Flood insurance is required to be escrowed with no exceptions.
8.7 Insurance- Hazard	
Insurance- Hazard	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.
8.8 Interest Credit Hardships	
Interest Credit Hardships	Not permitted
8.9 Process to Add or Remove Borrowers	
Process to Add or Remove Borrowers	<p>General Guidance</p> <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. <p>Adding Borrowers</p> <ul style="list-style-type: none"> Adding a borrower to a loan at any time during the loan process, unless the loan has received an adverse credit decision, is acceptable. When this occurs a new RESPA package will be sent out and cool off period will be 7 days. File should be submitted back to UW for review of additional borrower's information. <p>Removing Borrowers</p> <ul style="list-style-type: none"> Removing a borrower from a loan is allowed only in the following scenarios <ul style="list-style-type: none"> No credit decision has been made on the loan and borrower expresses desire to withdraw their name from the application Loan has been approved with both borrowers as submitted and one borrower expresses desire to withdraw their name from the application. <ul style="list-style-type: none"> In both of the above scenarios - Request in writing from borrower should be placed in the loan file supporting their desire to withdraw their name from the application. Detailed notes should also be placed in the loan file to eliminate any possible confusion with the file. Removing a borrower from a loan is NOT allowed in the following scenarios <ul style="list-style-type: none"> Loan is declined by underwriting <ul style="list-style-type: none"> In this scenario the loan would need an adverse action taken and a new application would need to be taken with only the 1 borrower. <p>Exceptions</p> <p>Any exceptions to the above rules or scenarios not explained above should be submitted to compliance for review (Compliance@NewRez.com).</p>
8.10 Title Insurance	
Title Insurance	<p>All loans must close with an ALTA title insurance policy which will provide evidence of the borrower's lawful interest in the property to be mortgaged.</p> <p>The title policy must be in the lender's name and /or its assigns. Title must be vested in the borrower's name, in the name of an eligible inter vivos trust (if permitted per program guides), or in the case of a purchase money must be currently vested in the seller's name with a requirement for a deed to be recorded transferring title to our borrower's name at closing.</p> <p>The insured amount of the policy must be at least for the gross loan amount and the policy must be dated within 45 days of closing.</p>

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	<p>A survey will be required only if an exception appears on the title. ALTA 9 Endorsement, or its equivalent, may be substituted in the event a survey is not commonly required by the property area. A minimum of a 12-month title chain must be provided on each policy. The chain of title will be reviewed for flips as part of the underwriting process.</p>
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Section 9: References

9.1 References

References	<ul style="list-style-type: none"> USDA Handbook USDA Announcements USDA Training Resources (includes UW & Loan Closing Documentation Matrix) Limited Denial of Participation (LDP) List General Services Administration (GSA) Exclusionary List
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Section 10: Recent Product Profile Updates

2.5 Refinances (General)	Requirements for Refinances of primary residences for Nonprime (HPML) loans in CT with loan amounts <= \$417,000	January 24, 2020
4.8 Geographic Restrictions	Requirements for Refinances of primary residences for Nonprime (HPML) loans in CT with loan amounts <= \$417,000	January 24, 2020
Eligibility Matrices	Updates to Matrices	March 30,2020
8.1 Age of Documents	Added Credit documents can be no more than 60 days old as of the Note date.	March 30, 2020
6.5 Qualifying Ratios	Updated DTI requirement	March 30,2020
2.5 Refinances	Inserted USDA Link to Refinance Options Summary Job Aid	April 24, 2020
6.1 Credit	Added Frozen credit not eligible and advise that manual downgrade is not required for manually entered installment and revolving debt not reflected on credit report and updated requirements for credit score validation.	April 24, 2020
6.4 Derogatory Credit	Updated guidance for evaluating Derogatory Credit Eligibility and underwriting requirements to align with USDA updates to Chapter 10 of HB-1-3555	April 24, 2020
8.5 CAIVRS	Added CAIVRS response status must indicate "A" for borrower to be eligible	April 24, 2020
9.1 References	Updated the USDA online Resource Links	April 24, 2020
2.5 Refinances	Add requirement that borrower(s) cannot have had a mortgage in forbearance within 30 days from the application date	May 7. 2020
4.8 Disaster Area	Updated incident period end date to 90 days for an inspection	May 7, 2020
5.1 Income	Add requirement for Self-employed borrowers to provide YTD P&L balance sheet dated within 30 days from note date	May 7, 2020
5.2 Rental Income	Rental Income from Other Real Estate Owned will require evidence of the most recent two months' rent receipt and six months PITI reserves for each REO	May 7, 2020
6.7 Borrowers retaining their current residence	Rental Income from Other Real Estate Owned will require evidence of the most recent two months' rent receipt and six months PITI reserves for each REO	May 7, 2020
6.1 Credit	Remove requirement that borrower(s) cannot have had a mortgage in forbearance within 30 days from the application date	July 2, 2020
6.2 Liabilities	Updated calculations for determining borrower monthly liabilities and obligations	July 2, 2020
6.3 Mortgage History	Remove requirement that borrower(s) cannot have had a mortgage in forbearance within 30 days from the application date	July 2, 2020
Eligibility Matrix	Maximum DTI are increased to 44%	July 13, 2020

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5.2 Rental Income	Reserve requirement for rental property is revised to Three (3) months from Six (6) months	July 13, 2020
6.7 Borrowers retaining their current residence	Reserve requirement for rental property is revised to Three (3) months from Six (6) months	July13,2020
2.5 Refinances (General)	Added State requirement for West Virginia that Streamlined-Assist Refinances must be credit qualified	August 11, 2020
4.8 Geographic Restrictions	Added State restriction requirement for West Virginia that Streamlined-Assist Refinances must be income and credit qualified.	August 11, 2020

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