

USDA Product Profile: Correspondent and Wholesale

Matrices

Purchases and Standard Rate & Term (Non-Streamlined) Refinances

FICO	Maximum LTV/CLTV*
640+	100%

* LTV may exceed 100% only by the amount of the Guarantee Fee financed.

Streamlined Refinance**

FICO	LTV/CLTV	DTI	Mortgage History***	Note
≥ 700	unlimited	29%/41%	0x30x12	Value to be based off of original loan balance. If the loan we are refinancing was originated before 1/1/2009 and is in AZ, CA, FL, NV, or MI, a 2055E or 1004 will be required; these loans will be limited to a maximum LTV / CLTV of 125%.
≥ 700	125%	29%/41% ¹	0x30x12	
≥ 660	100%	29%/41% ¹	0x30x12	
620-659	95%	29%/41%	0x30x24	

1. Standard USDA ratios of 29%/41% may be exceeded in these buckets in instances where an RD Waiver is documented

** For New Penn Financial originated loans serviced by SMS, Standard USDA requirements may be followed.

Streamline-Assist Refinance**

FICO	LTV/CLTV	DTI	Mortgage History***	Note
≥ 700	unlimited	43%	0x30x12	Value to be based off of original loan balance. If the loan we are refinancing was originated before 1/1/2009 and is in AZ, CA, FL, NV, or MI, a 2055E or 1004 will be required; these loans will be limited to a maximum LTV / CLTV of 125%.
≥ 700	125%	60%	0x30x12	
≥ 660	100%	50%	0x30x12	
620-659	95%	50%	0x30x24	

** For New Penn Financial originated loans serviced by SMS, Standard USDA requirements may be followed.

*** 12-month mortgage history is required by USDA and based on the number of payments made at the time of loan application not age of the loan. For loans requiring 0X30X24 history, the first 12 months must be from their current loan. The remaining 12 months may come from their prior mortgage or prior rental history.



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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 NPF guidelines will now follow the USDA Handbooks (Part 1908-General) with the exception of some NPF Overlays. USDA Announcements that are applicable to Residential loans are labeled 1980-D.</p>
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1.2 Underwriting

Underwriting	<p>The approved Underwriting Method for USDA loans varies by loan program:</p> <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 • 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 for the Rural Development Guaranteed Rural Housing Program may not exceed the Fannie Mae rate for 30-year fixed rate conventional loans.
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1.4 Marksman Notes

Marksman Notes	<ul style="list-style-type: none"> • Streamlined Refinances: Select the "USDA Rural Housing" loan program and "Streamline w/ Credit, w/o Appraisal" as the loan purpose • Streamlined-Assist Refinances: Select the "USDA RD Pilot Program" loan program and "Streamline w/ Credit, w/o Appraisal" as the loan purpose
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1.5 Ineligible Programs

Ineligible Programs	<ul style="list-style-type: none"> • The refinance of a USDA Direct loan • Rural Energy Plus • Energy Efficient Mortgages (EEM) • Non-Credit Qualifying Streamlines • Investment properties • Texas A6 loans • Loans with HPML or Section 32 are not eligible (Streamline Refinances classified as HPML will be eligible with FULL income documentation) • Mortgage Credit Certificates (MCC's) are not permitted • Funded Buy-downs (Temporary Buy-downs) • Construction to Permanent (CTP) Financing where the original not is modified is not eligible • Non-Arm's Length Transactions • Dual roles on a Transaction are not permitted (An NPF originator cannot have another real estate related position for any loan) • Previously Modified loans (refinances)
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Section 2: Transaction Details

2.1 Loan Limits

Loan Limits	<ul style="list-style-type: none"> • Maximum loan amount is \$453,100 • Purchases: may include principal and interest, closing costs, lender fees and the upfront guarantee fee.
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	<ul style="list-style-type: none"> 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
2.2 Guarantee Fee	
Guarantee Fee	For Commitments issued on or after October 1, 2016 Up-front Guarantee Fee: 1.0% Annual Fee: .35%
2.3 Eligible Programs & Terms	
Eligible Program and Terms	30 year fixed only
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"> 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; the refinance of a Direct loan is not eligible The refinance of a modified mortgage is not permitted <u>Types of Refinances:</u> <p>Non-Streamline</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 1 existing borrower must remain on the new loan 12 months seasoning required from time of loan application, 0X30X6 Maximum ratios 29/41 GUS may 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. Must meet the NPF Generic NTB test <p>Streamline-</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, reconveyance fee, and upfront guarantee fee. Maximum loan amount cannot exceed original loan amount 1 existing borrower must remain on the new loan 12 months seasoning required from time of loan application, 0X30X6 Maximum ratios 29/41 GUS may be utilized Loan must meet requirements of USDA Handbook Chapter 10

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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. Must meet the NPF Generic NTB test <p>Streamline Assist-</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. 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 Maximum ratios: Refer to eligibility matrix (SMS to SMS streamline assist: No DTI Limit) Manual underwrite: GUS may not be utilized Loan does not need to meet requirements of USDA Handbook Chapter 10 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. Minimum FICO score does not apply for SMS to SMS streamline assist transactions Borrowers are not eligible to receive "cash out" from the refinance transaction. However, for Rate/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.
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2.6 Cash-out Refinances

Cash-out Refinances	<ul style="list-style-type: none"> Not permitted; the Closing Disclosure (CD) cannot reflect cash back to the borrower(s) except for items prepaid by the borrower, from their personal funds, outside of closing. Any incidental cash back on the Closing Disclosure (CD) must be applied as a principal reduction.
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2.7 Texas 50(f)(2) Loans

Texas 50(f)(2) Loans	<p>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).</p> <p>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.</p> <p>(f)(2) Determination:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #92d050;"> <th style="text-align: left;">New Loan Amount pays off existing lien and....</th> <th style="text-align: left;">If existing lien is a non-50(a)(6); then the new lien is....</th> <th style="text-align: left;">If existing lien is a 50(a)(6); then the new lien is....</th> </tr> </thead> <tbody> <tr> <td>Provides even \$1 cash to the borrower</td> <td>Texas (a)(6)</td> <td>Texas (a)(6)</td> </tr> <tr> <td>Pays off/down an existing TX (a)(6) lien with no cash to borrower</td> <td>Texas (a)(6)</td> <td>Texas (f)(2) – if seasoning requirements are met*</td> </tr> <tr> <td>Pays off/down an existing TX (a)(6) lien with cash to borrower</td> <td>Texas (a)(6)</td> <td>Texas (a)(6)</td> </tr> </tbody> </table>	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)
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)											

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	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).

Attorney Review:
 All Texas 50 (f)(2) loans must be reviewed and certified by an NPF approved TX Attorney prior to loan closing. NPF’s approved firms include:

- 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.
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2.8 Down payment Assistance

Down payment Assistance	Down payment assistance is permitted by Government Agencies only.
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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.
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Section 3: Borrower Eligibility

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3.1 Borrower Eligibility	
Borrower Eligibility	<p>Eligible Applicants: 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 (1-4 unit properties)
3.3 Power of Attorney	
Power of Attorney	Not permitted
3.4 Living Trust (Inter Vivos Revocable Trust)	
Living Trust (Inter Vivos Revocable 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 NPF legal prior to Loan Approval.</p> <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 be provide din 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 • Employees/Principals/Owners NPF Third Party Originators; related parties (family members) are eligible so long as they are not employed, in any capacity, by the submitting broker/correspondent • Individuals on the LPD/GSA exclusionary lists
3.6 Multiple Mortgages to the Same Borrower	
Multiple Mortgages to the Same Borrower	Borrowers typically may not own any additional real estate except as defined in Chapter 8.2 of 7 CFR 3555; New Penn Financial will not finance more than one loan to a borrower obtaining an USDA loan.
3.7 Maximum # of Financed Properties	
Maximum # of Financed Properties	Borrowers typically may not own any additional real estate except as defined in Chapter 8.2 of 7 CFR 3555
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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> <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	<p>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.</p>
4.3 Swimming Pool/Spa Requirements	
Swimming Pool/Spa Requirements	<p>Permitted as defined in Chapter 12 of the 3555.</p>
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

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	<ul style="list-style-type: none"> • Hobby Farms • Bed and Breakfast Properties • Live/Work Units or 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
<p>4.5 Properties Previously Listed for Sale</p>	
<p>Properties Previously Listed for Sale</p>	<ul style="list-style-type: none"> • Rate/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 <p>In all instances, careful consideration should be given to the listing price and appraised value to be sure the value is supported</p>
<p>4.6 Appraisals</p>	
<p>Appraisals</p>	<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 an NPF approved 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.
<p>4.7 Disaster Areas</p>	
<p>Disaster Areas</p>	<p>Refer to the list of affected counties published by FEMA at the following link: https://www.fema.gov/disasters</p> <p>New Penn 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 120 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;

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	<ul style="list-style-type: none"> 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 NPF branches will request the appropriate appraisal or inspection through the normal channels; TPO clients will be required to furnish New Penn with the proper recertification prior to loan approval.
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4.8 Geographic Restrictions

Geographic Restrictions	At this time, New Penn Financial cannot finance or purchase loans secured by properties located in, Alaska or Hawaii.
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Section 5: Income

5.1 Income

Income	<p>Full income documentation of all adult household members is required; adjusted income must not exceed eligibility limits as determined by the USDA: This applies for all USDA loan types. http://eligibility.sc.egov.usda.gov</p> <p>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>4506T & Tax Transcript Requirements</p> <ul style="list-style-type: none"> A fully complete 4506T 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 4506T 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 age 18 and up that are not borrowers, a spouse of a borrower, or head of household. Marital Status and dependent information must be verified from the 4506-T <ul style="list-style-type: none"> For self-employed borrowers, as an alternative to two years tax returns, the tax return transcripts (personal or business) may be used in place of the actual tax return documents as long as the transcripts include the information from all applicable schedules
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Income – Adult Household Members not Presently Employed	
Income from Unemployed Adult Household Members	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.
Income from Full-Time Students	
Income from Full-Time Students	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.
Childcare and Dependent Care Deductions	
Childcare and Dependent Care Deductions	<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 • 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	
Rental Income	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.
5.3 Verification of Employment	
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>
Section 6: Credit	

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6.1 Credit	
Credit	<ul style="list-style-type: none"> • A tri-merge credit report is required; Non-Traditional/Alt Credit is not permitted • All credit inquiries within 120 days of the credit report are required to be addressed by the customer • A minimum of two credit scores are required for each borrower <ul style="list-style-type: none"> ○ At least one applicant whose income or assets are used for qualification must have at least three historical trade line payment references that have existed for at least 12 months to establish a credit reputation and validate the credit score. • Gus is unable to accept supplemental credit reports. Credit reports pulled outside of GUS should not be uploaded into GUS. • The liabilities for a non-purchasing spouse are required to be included per community property state lending laws. Loans receiving a GUS Accept are not required to be manually downgraded when manually inputting the debts of a NPS> • Refer to Chapter 10 of the 3555-1 for additional guidance - Credit Analysis • Validating the Credit Score. <ul style="list-style-type: none"> ○ Two or more eligible trade-lines are necessary to validate an applicant’s credit report score. Eligible trade-lines consist of credit accounts (revolving, installment etc.) with at least 12 months of repayment history reported on the credit report. At least one applicant whose income or assets are used for qualification must have a valid credit report score. The trade-line may be open, closed and/or paid in full by the applicant. • Loans underwritten with the assistance of the Agency’s automated underwriting system that receive an “Accept” recommendation are also subject to the credit score validation. GUS applications receiving an “Accept” underwriting recommendation, that fail to meet the credit score validation test using a traditional credit report, must be downgraded to a “Refer” by the lender. In these instances, the use of a non-traditional credit history will be required.
6.2 Liabilities	
Liabilities	<p><u>INSTALLMENT DEBTS WITH LESS THAN 10 PAYMENTS</u> Accounts with less than 10 payments remaining may be excluded from the DTI at the underwriter’s discretion, however if the monthly payment exceeds \$100/m, the payment must be included in the ratios. You cannot pay down a debt to fewer than 10 payments to exclude from the DTI.</p> <p><u>REVOLVING DEBT</u> 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 the greater of 5% of the balance or \$10; 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. Revolving debt cannot be paid down to qualify but may be paid off (with proof of funds) and closed prior to CTC.</p> <p><u>DEFERRED STUDENT LOANS</u> Even if student loans are shown as deferred, they must be included in the ratios. The greater of 1% of the outstanding loan balance or the verified, fixed payment reflected on the credit report should be used as the payment in the DTI calculation.</p>

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	<p><u>ITEMS PAID OUTSIDE OF CLOSE (POC) WITH A BORROWER'S CREDIT CARD</u> 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><u>CONTINGENT LIABILITIES</u> 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><u>OMITTING LIABILITIES</u> 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	<p>0x30x24 on Mortgage or Rent payments is permitted on Purchases and Rate & Term Refinances. For details on Streamline Refinances, refer to the product matrix.</p> <p>For more details on Rent History, Refer to 3555, Chapter 10.13.</p>
6.4 Derogatory Credit	
Derogatory Credit	<p>The following requirements apply to derogatory credit:</p> <p><u>Foreclosure:</u></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><u>Bankruptcy:</u></p> <ul style="list-style-type: none"> • Chapter 7: None in the last three (3) years. • Chapter 13 bankruptcy: Payment plan must be completed for 12 Previously modified or restructured mortgages may not be refinanced • 1x30x12 on non-mortgage debt is permitted; the borrower's housing history is defined in 6.2 • No Collections or Charge-offs in the last 12 months. • No outstanding collection accounts <ul style="list-style-type: none"> ○ With a GUS Accept, the UW must document the reasons for approving a loan with unpaid collection accounts and complete the Capacity Analysis as defined in 3555 Chapter 10.9. Balances greater than \$2,000 must either be paid in full, have a verified payment arrangement that is included in the DTI, or 5% of the loan balance must be included in the debt ratios. • No outstanding tax liens or delinquent federal debt allowed (as reported through CAIVRS)

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	<ul style="list-style-type: none"> • An applicant with an outstanding judgment obtained by the United States in a Federal court, other than the United States Tax Court, is not eligible for a guarantee unless otherwise stated in this Chapter. <ul style="list-style-type: none"> ○ Federal judgments must be paid; no exceptions. Non-federal judgments may remain open if there is evidence of repayment for 3 months prior to loan application. Prepayment of required 3 months is not allowed. • No debts written off in the past three years • Adverse credit on Purchases, Rate & Term Refinances, and Streamlined Refinances requires a documented credit waiver • Loans with disputed accounts with outstanding balances must have a letter of explanation and documentation supporting the basis of the dispute. Excluding a debt from the qualifying ratio requires underwriter analysis and evidence supporting a justifiable dispute. Loans with disputed accounts underwritten through GUS that receive a recommendation of Accept must meet the following: <ul style="list-style-type: none"> ○ The disputed trade line has a zero-dollar balance ○ The disputed trade line is marked “paid in full” or “resolved.” ○ The disputed trade line has a balance owed of less than \$500 and is more than 24 months old <p>If the applicant(s) has had a previous Agency loan that resulted in a loss to the Government, has been settled, or is subject to settlement, additional documentation may be required of the applicant(s) to determine if the loss incurred was beyond the control of the applicant and if any identifiable reasons for the loss still exist.</p> <p>Loans scoring refer or manually downgraded must have a satisfactory credit explanation with supporting documentation for the derogatory credit when the credit score is 639 or below. Refer to section 10.8 of the USDA Handbook for additional information. USDA Handbook Chapter 10</p>
6.5 Qualifying Ratios	
Qualifying Ratios	<ul style="list-style-type: none"> • Purchases and Rate & Term Refinances: As approved by the GUS Findings; DTI not to exceed 45% • Streamlined Refinances: Limited to manual underwriting restrictions of 29/41; see program matrix for exceptions • Streamlined-Assist Refinances: Refer to the LTV/FICO/DTI Matrix
6.6 Payment Shock	
Payment Shock	<p>Underwriters should document payment shock on Form 1008.</p> <p>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;

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	<ul style="list-style-type: none"> 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.
6.7 Borrowers Retaining their Current Residence	
Borrowers Retaining their Current Residence	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.
Section 7: Assets	
7.1 Assets	
Assets	<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> <p>Business Assets are allowed for down payment, closing costs, and reserves; however, 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 businesses livelihood.</p> <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	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.
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	Follow USDA guidelines; the validity period for loan documentation is typically 120 days.

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8.2 Electronic Signatures	
Electronic Signatures	<p>New Penn Financial 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 NPF’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 (Wholesale or Correspondent/Mini Correspondent) • 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 <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>NPF employees may also use electronic signatures on NPF 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	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

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	<p>made between the borrower and the federal agency owed and is verified in writing. 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 exceed the greater of \$1,000 or 1% of the face of the policy. 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>

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	<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 Any exceptions to the above rules or scenarios not explained above should be submitted to compliance for review (Compliance@NewPennFinancial.com).</p>
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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> <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.</p> <p>A minimum of a twelve 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 Refinance Fact Sheet • 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

5.1 Income	Updated requirements pertaining to tax transcripts	March 28, 2018
5.3 Verification of Employment	Removed reference to VVOE requirement when employed by family as that is a standard guideline.	August 20, 2018
2.7 Texas 50(f)(2) Loans	Added Texas 50(f)(2) guidelines.	September 26, 2018

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5.1 Income	Update to require processed tax transcripts for each adult household member on every loan, with the following exception: Full time students age 18 and up that are not borrowers, a spouse of a borrower, or head of household.	November 7, 2018
7.2 Gifts	Updated to clarify gifts may not be contributed from any source that has an interest in the sale of the property (seller, builder, real estate agent, etc.)	November 7, 2018

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