

# USDA RURAL DEVELOPMENT

The USDA Rural Development (RD) program provides very-low-, low- and moderate-income rural residents with better access to affordable housing finance options with little or no down payment or out-of-pocket costs.

Borrowers may obtain a loan to purchase a new or existing home that is located in a designated rural area. A rural community generally has a population of 10,000 or less; however, a community with a population of 20,000 or less can be considered "rural" if it is located outside a metropolitan statistical area (MSA).

To be eligible for RD assistance, borrowers must lack sufficient resources (for example, borrower is unable to secure the necessary down payment which is generally 20%, to obtain conventional financing without RHS guarantee assistance). Guidelines for the program follow.

**MMI will only approve loans that receive "Accept/Eligible" recommendations through Rural Development's GUS (Guaranteed Underwriting System). Upon MMI approval (and possibly clearing of conditions) the file will be submitted to RD for Conditional Approval. All borrowers must have a mid credit score of 620 with GUS approval at this time. An "Accept/Eligible" through the GUS system does not guarantee an approval from Michigan Mutual. Because MMI will utilize RD's GUS Fannie Mae's Desktop Originator or Freddie Mac's Loan Prospector AUS Findings will not be used for this program.**

## Product Specifications

### Multiple Ownership in Property

Not permitted. The borrower must not own any other adequate housing at the time of closing. All manufactured housing not on a permanent foundation (such as in a mobile home park or not on land owned by the applicant) is deemed inadequate by RHS.

### Loan Purpose

- Purchase
- Rate and term refinance (**cash-out refinances not permitted**)

### Occupancy

Owner-occupied primary residences only

### Eligible Borrowers

U.S. Citizens, Permanent Resident Alien (with evidence of lawful permanent residency)

### Ineligible Borrowers

- Non-occupant co-borrowers
- Non Permanent Resident Alien
- On HUD debarred list (see below Excluded Parties List System)
- Claim on HUD's CAIVRS (Credit Alert Interactive Voice Response System)
- Inter Vivo Trusts, Corporations, L.L.C.'s, etc.

12/10/08

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## **Guaranteed Rural Housing Loan Program, continued Product Specifications, continued**

### **Minimum/Maximum LTV Purchase**

- Minimum - 80.01
- Maximum – 100% of the appraised value for Purchase transactions. 102% if the guarantee fee is included in the loan amount.

### **Minimum/Maximum LTV Refinance**

Minimum – No minimum LTV required on no cash out refinance transactions (**cash out transactions are not permitted**).

Maximum - 100% of the appraised value for refinance transactions. 100.50% if the guarantee fee is included in the loan amount.

### **Max Loan Amount**

\$417,000

### **Term**

30 years

### **Prepayment Penalty**

Not allowed

### **Secondary Financing**

Soft/Silent Seconds are eligible only if provided by Government Agency as a soft/silent second. Any repayment must be considered in housing ratio.

### **Interested Parties' Contributions**

Seller contributions are allowed to a Maximum of 6%

### **Eligible Properties**

Single Family (1 Unit), Condominiums & PUD's (site condo's treated as single family)

**Existing Construction only (properties older than 1 year)**

### **Ineligible Properties**

- No Manufactured Homes
- Properties in Urban Areas ineligible
- Working Farm (Income providing Tract)
- Site Value must generally must not exceed 30% of the total value of the property
- In-ground swimming pools are not permitted without waiver from RD (will be obtained by MMI)
- Properties with in-law quarters/suites

### **Repair Escrow Holdbacks**

**Not Permitted**

## **Guaranteed Rural Housing Loan Program, continued Product Specifications, continued**

### **Assumability**

Assumable subject to credit and property criteria for RHS 1980-D Loan program.

### **Escrow Waivers For Property Taxes/Hazard Insurance**

Not permitted

### **Minimum Credit Score**

620

### **Homebuyer Education**

**Home Ownership Counseling for all first-time homeowners is required by RHS only in certain states: FL, IN, SC.** See Rural Housing website for state specific requirements and complete details (additional states are adding this requirement as a mandatory item for all first time homebuyers, please confirm with RD in your State). [www.rurdev.usda.gov](http://www.rurdev.usda.gov)

### **Registration of Funds**

**Must be registered with MMI as RD and Registration of funds with RD will be completed by MMI Secondary Marketing Department**

### **Underwriting Method**

Manual Underwrite with AUS Approval from GUS System of "Accept"

### **Purchase Transactions**

- In order for a property to be eligible for a Rural Development guaranteed loan, the property must be located in a rural designated area as defined in Rural Development Instruction. You may view eligible areas on USDA Rural Development's web-site at: <http://eligibility.sc.egov.usda.gov>.
- The appraisal determines the maximum loan amount. The borrower may finance up to 100% of the appraised value for purchase transactions (102% if the guarantee fee is included in the loan amount). Closing costs (those normal and customary only) may be financed when there is equity above the contract price as supported by the appraisal. (Discount points however, are only eligible for financing for low income households as defined by Rural Development.)
- **Any condition noted on the appraisal that is related to the safety or livability of the subject property must be addressed and rectified prior to loan closing. Expenses related to property inspections and property repairs may not be financed into the new GRH refinance loan, or escrowed for prior to closing.**
- **State of Florida see your local Rural Housing website for state specific requirements and complete details regarding the Purchase Agreement/Sales Contract Form.**

## Guaranteed Rural Housing Loan Program, continued

### Refinance Transactions

- The applicant may borrow up to 100% of the appraised value (100.50 if the guarantee fee is included in the loan amount). Closing costs (those normal and customary only) may be financed when there is equity above the contract price as supported by the appraisal. (Discount points, however, are only eligible for financing for low income households as defined by Rural Development).  
**The loan must be secured by the same property as the original loan. The original loan must be Guaranteed Rural Housing (GRH) or USDA Section 502 Direct only. The Program may not be used to refinance FHA, VA, or other government or conventional mortgages. Refinance loans are permitted for properties in areas that have been determined to be non-rural since the existing loan was made.**
- Applicants 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. **At loan closing, a nominal amount of "cash out" to the applicants (beyond reimbursement of these "prepaid" items) may occasionally result due to final escrow and interest calculations. This amount, if any, must be applied to a principal reduction of the new loan.**
- Subordinate financing such as home equity seconds and down payment assistance "silent" seconds cannot be included in the new loan amount. Any existing secondary financing must be subordinate to the new first lien.
- Maximum loan amount cannot exceed the balance of the loan being refinanced, plus the guarantee fee, and reasonable and customary closing costs, including funds necessary to establish a new escrow account. **Unpaid fees, such as late fees due the current servicer, are not eligible to be included in the new loan amount.**
- As part of the refinancing transaction, additional borrowers may be added to the new GRH loan or existing borrowers may be deleted from the current loan. All applicants that will be a party to the promissory note for the new loan must meet all eligibility requirements.
- A complete Uniform Residential Appraisal Report (URAR) is required unless the refinance loan amount includes only the unpaid principal balance with or without the .50% guarantee fee.
- **Any condition noted on the appraisal that is related to the safety or livability of the subject property must be addressed and rectified prior to loan closing. Expenses related to property inspections and property repairs may not be financed into the new GRH refinance loan, or escrowed for prior to closing.**

## **Guaranteed Rural Housing Loan Program, continued Refinance Transactions, continued**

- For Guaranteed Rural Housing refinance transactions, **the interest rate of the new loan must be less than the interest rate of the existing loan.**

### **Borrower Eligibility**

#### **Credit Qualifying Criteria**

- The total debt ratio must include revolving debt regardless of when the debt will be retired. Installment loans will only be considered if the debt will be retired in more than six months. However, if the monthly payment on the debt is substantial (borrower's income, assets, amount of overall credit and current spending habits will be taken into consideration when determining if payment is "substantial"), the payment will also be included in long term debt.
- A 24-month history of residence is required on all files.
- Borrowers must have a valid Social Security Number (tax identification numbers are not permitted).
- 3 bureau in-file merged report or RMCR must be provided.
- Borrowers with credit scores  $\geq 620$  are not required to explain recent credit inquiries or to document adverse credit history except those involving delinquent Federal debt or previous agency loan. Additionally, existing collection accounts (not federal debt related) may remain outstanding and rental verifications are not required. (Note: MMI minimum credit score of 620).
- If the borrower has co-signed a loan for another party, an acceptable 12-month history and 12 months cancelled checks validating that the borrower is not making the payment must be provided in order to exclude the payment from the total debt. In addition, the credit report must reflect the account as a co-signed/joint account or a copy of the installment note must be provided.
- 12 months same as cash debts also must be included in the anticipated monthly obligation in the underwriting analysis.
- For student loans where the payment is not reflected on the credit report and cannot be obtained 1% of the balance may be used for the monthly payment.
- All borrowers must be screened using HUD's CAIVRS (Credit Alert Interactive Voice Response System) to determine if an applicant is delinquent on any federal loan.
- All borrowers must be screened against the Excluded Parties List System and print the results for the loan file. The following is the link to the website: <https://www.epls.gov/>

## **Guaranteed Rural Housing Loan Program, continued Borrower Eligibility, continued**

### **Credit Qualifying Criteria, continued**

- Delinquent federal debt must be satisfied prior to loan closing and show mitigating cause (extenuating circumstances).
- Outstanding tax liens must be satisfied prior to closing and show mitigating cause (extenuating circumstances).
- Delinquent student loans must be satisfied prior to loan closing or if reflecting past due must be brought current.
- Bankruptcies/Foreclosures are eligible if the median credit risk score of the primary wage earner is  $\geq 620$  and the loan receives an "Accept" through the RD Gus System. If a deficiency balance is reflected owing on any federal debt (such as a result of foreclosure) the debt must be paid off before the borrower is eligible for an RD loan. (Note: Federal Debt cannot be discharged in a Chapter 7 Bankruptcy.)

### **Income Requirements**

In order to be eligible for a Rural Development guaranteed loan, the Borrowers' adjustable household income cannot exceed the maximum allowable income limit set forth in Rural Development Instruction. Borrowers must meet the income eligibility utilizing the Income Eligibility Worksheet from USDA Rural Development website (print and retain with income docs for investor and RD file). Copy and past below link to your browser. <http://eligibility.sc.egov.usda.gov/eligibility/incomeEligibilityAction.do?pageAction=state&NavKey=income@11>

For a list of Single Family Housing Income Limits by county copy and paste the below link to your browser.

<http://www.rurdev.usda.gov/rhs/sfh/sfh%20guaranteed%20loan%20income%20limits.htm>

- **All household income will be considered for GRH eligibility to determine borrow(s) eligibility for GRH program. All eligible income may not be acceptable as qualifying income.**
- Generally qualifying income will be calculated by considering the applicant's two-year history. If the applicant has had a recent substantial increase in earning, concurrence of acceptance from both the underwriting and the state or local county Rural Development Office is required.
- Non-taxable income can be grossed-up 125%.
- A non-working borrower or co-borrower must provide an affidavit that they are not currently working or seeking work.

## **Guaranteed Rural Housing Loan Program, continued Borrower Eligibility, continued**

### **Income, continued**

- Annual income may be reduced by \$480 for each member of the family residing in the household, other than the applicant, spouse or co-applicant who is: Under 18 years of age, A full time student aged 18 or older or disabled or handicapped 18 years of age or older (A Certification of Disability of Handicapped must be completed).
- A one-time deduction of \$400 may be taken for any elderly family member (a person of 62 or older).
- Additional adjustments in the amount of the annual expenses may be deducted for child care expenses for children up to the age of 12 if **both parents** are employed full time. A child care letter from the provider that states the cost of the care is required.
- A deduction is permitted for reasonable attendant care and auxiliary apparatus expenses for each handicapped or disabled member of any household to the extent necessary to enable any member of such household (including handicapped/disabled member) to be employed. This deduction is limited to the amount by which the aggregate of such expenses exceeds 3% of the gross annual household income.
- Child support, alimony and separate maintenance will be considered as part of the household income if received regularly. The length of time this income has been received is not considered when determining household income for eligibility purposes.
- Salaried borrowers: Frequent change of job within same line of work (upward mobility) acceptable as long as there are no gaps greater than 30 days. Borrowers with gaps of employment in excess of 30 days must provide a satisfactory written explanation and documentation.
- Self-Employed: Signed 4506T at application is required.

### **Income Verification Requirements**

- All sources of income must be verified using FNMA Form 1005 - "Verification of Employment" as well as the most recent pay check stub. Rural Development, as outlined in Rural Development Instruction, will typically review the past 24 months to determine Income Eligibility. MMI requires verified primary sources of income for a 24-month period to confirm loan approval. Alternate documentation is permitted in place of FNMA Form 1005. Alternate documentation must include: two years W-2's, 30 days paystubs with year-to-date information, and a Processor's Certification of Employment. If computer generated W-2's and paystubs cannot be provided a standard Verification of Employment Form must be thoroughly completed and obtained.
- Employment gaps over 30 days must be explained in writing by the borrower.
- **Income documentation is required for all income earning members of the household even if the household member is not a borrower on the mortgage transaction and/or regardless if the income is not used for qualification.**

## **Guaranteed Rural Housing Loan Program, continued Borrower Eligibility, continued**

### **Income Verification Requirements, continued**

- Two (2) years of tax returns will be required for:
  1. Self-employed borrowers.
  2. Commissioned borrowers.
  3. Borrowers employed by a relative or closely-held family business.
  4. Borrowers who are not commissioned, but need to validate their expenses (such as truck drivers or borrowers paid "piece work", etc.).
  5. Borrowers using dividend and interest income to qualify.
  6. Borrowers receiving bonus income  $\geq 25\%$  of their base pay.
- Overtime and bonus income can be used to qualify the applicant if the employer verifies that the applicant has received it during the last 12 months and indicates that the overtime or bonus income will in all probability continue. The lender must develop an average of the last 12 months overtime and bonus income to determine the amount of income that can be considered in evaluating the borrower's qualifications.
- Part-time or second job income with duration of 12 months may be used.
- Self-Employed Income - Two (2) previous years 1040's are required. They must be signed and certified by the applicant. Additionally, a year-to-date Profit & Loss Statement with Balance Sheet, prepared and signed, must be submitted. If the applicant has 25 percent or more ownership interest in any business entity, the applicant must also provide the most recent two (2) years' business tax returns (Corporate, Sub-S Corporate, or Partnership) along with a current Profit and Loss Statement with a Balance Sheet. It is underwriter discretion if the Profit and Loss Statement will be required to be prepared and signed by an accountant.
- Alimony, Child Support, and Separate Maintenance. MMI requires documentation that child support, alimony, or separate maintenance will continue for three (3) years after the date of the mortgage application or it will not be considered as income. The borrower must also provide evidence that the funds have been received for the last 12 months. Acceptable evidence includes deposit slips, canceled checks, court records, or tax returns.
- Retirement income, i.e., pensions, annuities, 401K distribution, etc., may be verified by letters from the organizations providing the income, copies of the retirement award letters (with photocopies of canceled checks attached), tax returns, or IRS W-2 forms. This evidence must confirm a continuation of this income for a minimum of three (3) years.
- Social Security Income - Acceptable verification includes a photocopy of the Social Security Administration's award letter or copies of the borrower's last 2 bank statements to confirm the regular deposit of the payments. Benefits that have defined expiration dates must have a remaining term of at least three (3) years to be considered as income.
- Disability income will be considered acceptable income provided it can be documented by furnishing a recent copy of respective letter of benefits or allotment setting forth the terms of the income. The benefits must be on-going for a minimum of three (3) years.



## **Guaranteed Rural Housing Loan Program, continued Borrower Eligibility, continued**

### **Income Verification Requirements, continued**

- Unemployment and Public Assistance benefits will be considered as income if they are properly documented by letters or exhibits by the paying agency. The amount, frequency and duration of payments must be stated in the verifying documents. If an individual receives unemployment benefits as a regular part of his/her income, MMI requires copies of tax returns for the past two (2) years to establish a history of receipt. This income must be documented as on-going for a minimum of three (3) years.
- Dividends and interest may be used as income provided the assets that are generating the dividend/interest income will not be used for the down payment or closing costs on the proposed loan. The applicant must provide tax returns for the previous two (2) years along with verification of current assets via bank statements, verification of deposits, etc. This income will be averaged over two (2) years or calculated at current market interest rates, whichever is less.

### **Assets Requirements**

Borrower's liquid assets as well as equity in current home cannot exceed 20% of the purchase price, excluding income producing assets and retirement funds. The borrower must not have sufficient assets to obtain other traditional conventional financing. The borrower may, however, qualify for an FHA or VA loan. In other words, applicants may have liquid assets and be eligible to participate in the GRH Program. Those assets, however, should not be sufficient to meet the down payment and closing cost requirements associated with a conventional uninsured mortgage product (LTV  $\leq$  80%). This means applicants do have a choice of USDA-Guaranteed Rural Housing, FHA, VA, or a conventional mortgage product with private mortgage insurance.

- Earnest money deposits are not required to be verified with copies of canceled checks if the amount does not exceed the greater of \$1000 or 2% of the loan amount.
- Reserves not required.
- Evidence of payment of credit report and appraisal fees not required.
- Verification of assets must evidence sufficient funds to close as stated in the Details of Purchase section of the application. If the borrower's cash to close is less than the 2% of the purchase price, documentation of the source of funds will not be required.
- Assets may be verified by either a Verification of Deposit (VOD) or 2 months bank statements.
- 100% of the borrower's cash to close may come from a gift.

## **Guaranteed Rural Housing Loan Program, continued Borrower Eligibility, continued**

### **Verification of Funds**

- Verification of Deposit (FNMA Form 1006). Current balance must cover funds to close requirements. In addition the average balance must be consistent with current balance. Any significant increase must be accompanied by written explanation and evidence of source of funds for large deposits.
- Bank Statements may be provided as alternative documentation to the VOD. The borrower's bank statement(s) for the most recent two (2) months to verify funds that the borrower has in a deposit institution may be provided. The borrower's bank statements must identify clearly the depository institution, the account holder(s), the account number, the time period covered by the statement, all deposit and withdrawal transactions, and the ending account balance. If the date of the borrower's most recent bank statement is more than 45 days earlier than the date of the borrower's application, the borrower must supply a supplemental statement - the borrower may provide any bank generated forms (such as deposit or withdrawal slips) that show a machine printed account number, balance, and date. Any significant increase must be accompanied by written explanation and evidence of source of funds for large deposits.
- Cash on hand is typically not an acceptable source of funds for closing. However, it may be acceptable if the following can be documented:
  1. Analysis of discretionary income through a household budget supports the ability to accumulate the funds.
  2. Cash is a way of life for the borrower and can be documented with receipts where cash is used consistently to make household payments, such as rent/mortgage, utilities, etc.

In certain circumstances, borrowers who have saved cash at home and are able to adequately demonstrate the ability to do so are permitted to have this money included as an acceptable source of funds to close the mortgage. The money must be verified, whether deposited in a financial institution or held by the escrow/title company and the borrower must provide evidence of the ability to accumulate such savings (as shown above in numbers 1 & 2). The borrower must explain in writing how such funds were accumulated and the amount of time taken to do so. MMI must be able to determine the reasonableness of the accumulation of the funds based on the borrower's income stream, the time period the funds were saved, spending habits, documented expenses and history of using financial institutions. If these conditions cannot be met the cash on hand is not an acceptable source of funds for closing.

## **Guaranteed Rural Housing Loan Program, continued Borrower Eligibility, continued**

### **Verification of Funds, continued**

- Gifts or Grants are an acceptable source of funds to close. A borrower can use funds obtained as a gift (or grant) to satisfy part of the cash requirement for closing only if the donor is a relative or friend, or charitable organization, municipality, or nonprofit organization. A gift must be evidenced by a letter that is signed and dated by the donor. The letter must:
  1. Specify the dollar amount of the gift and the date the funds were transferred;
  2. Indicate the donor's name, address, telephone number, and relationship to the borrower; and
  3. Include the donor's statement that no repayment is expected.

#### **Required Gift Documentation:**

1. Fully executed gift letter by the borrower and the donor
2. The transfer of the funds from the donor to the borrower must be verified. Provide a copy of the donor's cancelled check and evidence of deposit into the borrower's account or a copy of the cashier's check (with the donor as remitter and payable to the borrower) with evidence of withdrawal from the donor's account and deposit into the borrower's account (same as policy for FHA loans).

Gifts from charitable organization or grants from a municipality or non-profit organization are permitted, provided they are unrelated to the transaction. A gift (or grant) from a charitable organization, municipality, or nonprofit organization must be evidenced by either a copy of the letter awarding the gift or grant to the borrower or a copy of the legal agreement that specifies the terms and conditions of the gift or grant. This supporting document must include language indicating that no repayment of the gift or grant is expected and an indication of how the funds will be transferred (to the borrower, the lender, or the closing agent). The lender must include in the individual mortgage file evidence of the transfer of the funds - such as a copy of the donor's canceled check or a settlement statement showing receipt of the check. **Note:** All supporting gift documentation (other than the gift letter) is no longer required if the entire gift is going toward closing costs/prepays (any amount) or being used to pay-off debt of \$1000 or less.

- Disposition of Personal Assets - Proceeds from the sale of personal property may be used towards closing costs. Documentation for funds obtained include a bill of sale, bank statement verifying deposit of funds, and when applicable, a transfer of title.
- Borrowing of Funds on an Unsecured Basis - Borrowers that qualify may borrow funds on an unsecured basis to pay for their closing costs and prepaids. For example, a borrower could obtain an unsecured loan from a family member, bank or credit union, or even a credit card cash advance.

**Note: In order to qualify for this option, a borrower's median credit score must be 660 or above.**

When utilizing this option, Lenders must remember to include the unsecured debt in the total debt calculations, and should indicate on the "Source of Down payment, Settlement Changes, and/or Subordinate Financing" Section of the FNMA 1003 (Uniform Residential Loan Application) the amount of the unsecured funds.

## **Guaranteed Rural Housing Loan Program, continued Borrower Eligibility, continued**

### **Verification of Funds, continued**

- Subordinate Financing is acceptable as long as provided by a Government Agency as a soft/silent second. Any repayment must be considered in housing ratio.
- Updating Documents - When updating expired verification of funds documents, alternate documentation can be used. For example, when updating an expired Verification of Deposit, bank statements or print-outs may be used. Although one month current bank statement and bank printout may be used to update funds, these cannot be used to initially verify funds.

### **HOMEOWNERSHIP COUNSELING**

Applicants utilizing the Guaranteed Rural Housing Program represent a wide spectrum of credit profiles. Most applicants have never owned a home and many applicants have never rented. Nonetheless, despite these varied profiles, they all may be excellent candidates to achieve successful homeownership through this affordable housing program.

As we work to support this objective, as well as to comply with the current Rural Development Instruction Counseling, the underwriter may request evidence of your borrower's successful completion of homeownership counseling. This is not a requirement on every Rural Development loan file. It will be used selectively on files which have no previous housing expense and/or to demonstrate an ability to handle the proposed housing payment on a timely basis.

If this condition is part of our underwriting decision on your Rural Development loan file, the condition may be cleared by utilizing Fannie Mae's "Guide to Homeownership", or a comparable program offered by local non-profit organizations, or by standard mortgage insurance classes given in the mortgage industry. This condition may be cleared by providing a signed certificate of completion and the household budget worksheet information.

Please note, while homeownership counseling is not required on all files by MMI, many Rural Development State Offices require all first-time home buyers to complete home buyer education.

#### **Rural Development State Offices that require homeownership counseling are:**

- **Florida**
- **Indiana**
- **South Carolina**

If you are originating Guaranteed Rural Housing product in a state not referenced above, please **confirm with Rural Development your State's requirements regarding homeownership counseling**, as additional states are considering this requirement as a mandatory item for all first-time home buyers.

## **Guaranteed Rural Housing Loan Program, continued**

### **Property Eligibility**

- Property must be a nonfarm, non-income providing tract.
- According to Rural Development Instruction "Generally, the value of the site must not exceed 30 percent of the total value of the property. When the value of the site is typical for the area, as evidenced by the appraisal, and the site cannot be subdivided into two or more sites, the 30 percent limitation may be exceeded."
- The property must be contiguous to and have access to a paved or all-weather surface street, road or driveway.
- For properties that are located in a 100 year flood zone (Zone A) National Flood Insurance must be available and flood insurance is required. Flood Zones are ineligible in some states contact the local RD office for details.
- In-ground swimming pools are not permitted without waiver from RD (will be obtained by MMI). Appraiser must give value to pool. Pool value to be deducted from value before determining mortgage amount.
- Outbuildings are allowed. The appraiser must give a value to the outbuildings. The outbuilding value will be deducted from value before determining mortgage amount.
- Single Family, Primary Residence Only (Multi Units not eligible. In law suites are not eligible). Site Condo's will be treated as Single Family.
- Condominiums (See Rural Housing Website for state specific requirements and complete details. Non warrantable condo's are not eligible. Condominium checklist is attached):
  1. Amenities to be 100% complete.
  2. Homeowners must be in control of the Homeowners Association.
  3. Standard insurance requirements apply
  4. Project must be acceptable to FHA, VA FNMA or FHLMC.
- Planned Unit Developments (PUD's) (See Rural Housing Website for state specific requirements and complete details). Project must be acceptable to FHA, VA FNMA or FHLMC.
- For private roads: a recorded Private Road Maintenance Agreement or recorded Easement Agreement is required.

### **Property Inspections**

- Obtain a Conventional appraisal on standard Fannie Mae Form approved form. 2055's and 1073/465 (Condos) are acceptable. Appraisal is good for one year. A recertification of value is required after 120 days. For Existing Properties (new construction not eligible) – defined as properties older than one year (evidence of certificate of occupancy may at times be required) must meet the current requirements of HUD Handbooks 4150.2 and 4905.1, typically verified through an RHS Adequacy Certification (Existing Dwelling Inspection Report of which a sample is attached), or by the appraiser certifying in the comments section of the appraisal that the property meets HUD Handbooks 4150.2 and 4905.1. Additionally, a Thermal Certification is required. (A sample of a Thermal Certification form is also attached.)

## Guaranteed Rural Housing Loan Program, continued

### Property Inspections, continued

**Repairs, if any, must be completed prior to final loan approval (repair escrows are not allowed). Any condition noted on the appraisal that is related to the safety or livability of the subject property must be addressed and rectified prior to loan closing. Expenses related to property inspections and property repairs may not be financed into the new GRH refinance loan, or escrowed for prior to closing.**

- Individual Wells:
  1. Must be checked to ascertain the distance from the septic system, ease of maintenance and repair of the well, as well as adequacy of the water pressure.
  2. Water supply must meet the local health or state drinking water standards based on the results of the following
    - a. Bacteriological analysis of the water supply.
    - b. Chemical analysis of the water supply source where there is a history of ground water contamination in the area.
    - c. The well construction must meet the requirements of the health authority.
    - d. Water samples to be collected by a third party source.
- **Confirm with Rural Development your State's requirements regarding Lot Sewage Disposal Systems (septic inspection).** The inspector must be state licensed for sewage disposal systems or a member of a qualified inspection service. The inspection must address the following:
  1. That the system is operating satisfactorily.
  2. That the system is adequate to dispose of all domestic wastes in a manner that does not endanger the public health.
- Cesspools will be ineligible unless the **Sewage Enforcement Officer** can address the following:
  1. That the cesspools are common to the area (appraiser also must provide comparables of properties with cesspools).
  2. That the system is functioning properly.
  3. That there are not records/citations indicating that the system has malfunctioned in the past.
  4. The site must be sufficient to install a replacement system. A soil Evaluation and Percolation Test for required alternate site is required.