



USDA Matrix (Wholesale)

September 14, 2015

30 year Fixed Rate Program Code: 1003

| | Purchase | | Rate/Term Refinance | | Cash-out Refinance | |
|---------------|-------------------------|------------|-------------------------|------------|--------------------|------------|
| | Maximum LTV | Min Credit | Maximum LTV | Min Credit | Maximum LTV | Min Credit |
| 1 Unit | 100%¹ | 620 | 100%¹ | 620 | N/A | |

¹ More than 100% LTV is allowed when the Guarantee fees are financed. All recurring and non-recurring closing costs may be included.

Texas: Cash out refinance transactions are not eligible in Texas.

West Virginia: Max LTV/CLTV is 100%. An appraisal (exterior/interior) is required.

*Note-The Guarantee upfront fee for a **Purchase** or **Refinance** is **2.0%**. **(This is financed)** The monthly fee is **0.5%** and calculates off the outstanding balance (This is included in the PITI).* (These are the new annual & guarantee fees for 2014-2015 per USDA and RD AN 4757) **For loans with Commitments on or before September 30th, 2015**

For all USDA loans with Conditional Commitment issued on or after October 1, 2015, increased UPFRONT Guarantee Fee for a Purchase or Refinance at 2.75%. The monthly (Annual) fee will remain the same at .5%

September 14, 2015

USDA General Guidelines (Wholesale)

| | |
|--------------------------------|---|
| Loan Terms | <ul style="list-style-type: none"> 30 Year Fixed only |
| Loan Purpose | <ul style="list-style-type: none"> Purchase, Rate/Term Refinance (existing loan must be Rural Development loan) Ineligible: Cash-out Refinance |
| Property Types | <ul style="list-style-type: none"> SFR, PUD ,Condos *Note- All condo projects must be currently approved by Fannie Mae, Freddie Mac, VA or HUD (FHA)* and Modular Homes (subject to 2nd signature) |
| Property Flips | <ul style="list-style-type: none"> Anti-Flipping policy applies, except: The seller of the property purchased the property and made considerable renovations to support any increase in value a property may be considered that was originally transferred within the past 90-days. (see attached full guidelines for additional requirements) |
| Eligible borrowers | <ul style="list-style-type: none"> Standard Rural Development policy applies for borrower eligibility |
| Loan Amount | <ul style="list-style-type: none"> Maximum Loan Amount is limited to the appraised value of the property. However, loan amount may exceed the appraised value of the property (i.e.> 100% LTV) to include the amount of the financed guarantee fee. This applies only to loans for which all or a portion of the guarantee fee is being financed into the loan. Closing costs can be provided by the seller, paid with over-par pricing, or financed, providing the appraised value is high enough to support inclusion of the costs. |
| Ineligible Transactions | <ul style="list-style-type: none"> Cash-out Refinance, 2-4 units, manufactured homes, working farms, income producing properties, Co-ops, Log Homes, Leasehold Estates, Construction to Perm, Non-FHA Approved Condos, Properties with individual water purification systems used for safe water, Occupancy restricted Condo or PUD's. |
| Underwriting Method | <ul style="list-style-type: none"> GUS (Guaranteed Underwriting System) and Manual Underwriting (see attached full guidelines for additional requirements) |
| Max DTI Ratio | <ul style="list-style-type: none"> 29%/41% (Manual underwrites) Higher ratios may be allowed in accordance with Rural Development requirement (GUS accept). (see attached full guidelines for additional requirements) |
| Credit | <ul style="list-style-type: none"> Credit Score: Minimum 620 USDA credit requirements in relation to tradelines, derog credit, BK, Foreclosure, Short Sale, inquiries etc. will follow FHA Standard guidelines All loans require a Credit Report with a minimum 2 FICO scores. * Credit Reports must be run from a Finance of America Mortgage-approved vendor. * Each Borrower must have at least 2 FICO scores provided. * Finance of America Mortgage runs a Tri-Merge credit report from a Finance of America Mortgage-approved credit vendor. |
| Income | <ul style="list-style-type: none"> USDA requires three (3) income calculations to determine eligibility: <ol style="list-style-type: none"> Annual Household Income - Income from all household members, whether or not they will be borrowers obligated to repay the loan. <ul style="list-style-type: none"> To determine annual household income eligibility, go to the Rural Development Website at http://eligibility.sc.egov.usda.gov Non-borrowing household members income documentation: <ul style="list-style-type: none"> Salaried: Current YTD paystub(s) covering most recent 30 day period. Self-employed: Last year's income tax return and current year YTD P&L (use the higher of two for qualifying) Adjusted Household Income - Annual Household Income minus USDA allowed deductions. <ul style="list-style-type: none"> Follow the online calculations, which include deductions for: <ul style="list-style-type: none"> Number of household members Child care expenses, if the child care allows a borrower to attend school or to work but which care cannot be provided by another household member. Medical expenses under certain circumstances *** A Household member is defined as anyone who will occupy the home for all or part of the first 12 months after closing. Repayment Income (Qualifying Income) - Income from borrowers obligated to repay the loan. <ul style="list-style-type: none"> Borrower's income documentation: <ul style="list-style-type: none"> Salaried: Income must be verified using FNMA Form 1005 (Verification of Employment). Alternate documentation can be provided in lieu of the FNMA Form 1005. Alternate documentation must include: 2 years W-2's, and YTD paystubs covering 30 day period. Self-employed: Two (2) years most recent signed Tax Return are required. (If the most recent signed return cannot be provided and validated due to a filing of an extension. Will need a copy of the extension, proof of payment and tax transcript indicating "No Record Filed" and: <ul style="list-style-type: none"> YTD Profit & Loss statement with Balance Sheet are required whenever the closing date is more than 90 days 4506-T and Tax Transcripts: <ul style="list-style-type: none"> A signed 4506-T is required from the borrower. An additional 4506-T must also be signed at closing. A 4506-T must be executed prior to closing and 1040 Tax transcript validations are required. W-2 validations are not accepted. Underwriter discretion to request additional Income Documents. |
| Asset & Reserves | <ul style="list-style-type: none"> Any cash to close greater than \$500 must be sourced and verified. |



USDA General Guidelines (Wholesale)

| | |
|--------------------------------------|--|
| Interested Party Contribution | <ul style="list-style-type: none"> · Interested party contribution may not exceed 6%. · All funds, including prepaids, paid by the seller are included in the maximum contribution limit. |
| Appraisal Requirements | <ul style="list-style-type: none"> · All appraisals must be ordered through one of Finance of America Mortgage approved Appraisal Management Companies. · Transferred appraisals are accepted on a purchase transaction where the appraisal was ordered by another lender for the applicant. The initial lender must agree to transfer report with a letter from the original lender to be retained in the Finance of America Mortgage file. The appraisal must be no older than 120 days at loan closing to be valid. · Second Appraisal required for Property flips (see attached full guidelines for additional requirements) |
| Power Of Attorney | <ul style="list-style-type: none"> · A power of attorney is acceptable provided it is "specific" and meets the following: <ul style="list-style-type: none"> * Reference the subject property address (in addition to a legal description) * Authorize the attorney-in-fact to enter into a real estate transaction and indicates that the mortgagor specifically appoints that specific person * Match the legal name(s) on POA to the typed name(s) & signature(s) for the borrower. If legal signature is different from typed, a notarized name affidavit required * Borrowers must sign and date the POA and it must be notarized * Must be recorded prior to, or concurrent with, the date of the security instrument * Must not contain any blank fields and is approved by the title company · * Military Personnel- Lender needs to obtain the absent borrowers signature on the application by mail or fax · * Incapacitated Borrowers: The lender must provide evidence the signer has authority to encumber the property and to obligate the borrower. * The incapacitated borrower must occupy the property. (Evidence Example= A durable power of attorney specifically designed to survive incapacity and avoid the need for court proceedings) |
| Escrow/Impounds | <ul style="list-style-type: none"> · Loans are not permitted to waive an impound (escrow) account under any circumstances. · * Escrow Hold Backs are in-eligible in all states * |
| Age of Credit Documents | <p>Credit Reports cannot be older than 30 days at time of underwriting and no later than 90 days from the closing/ disbursement date. If credit will be older than 90 days on closing/ disbursement date, a refreshed credit report is required. If the DTI variance is greater than 2% GUS must be rerun with the new debt and the file resubmitted to USDA for approval at increased ratios.</p> <p>Income and Assets: No later than 45 days from application date at time of underwriting and no later than 90 days from the closing/ disbursement date.</p> <p>Prelim is good for 90 days. (Wet State: Final Title Commitment must be within 60 days of the Note Date.)</p> <p>Appraisals are good for 180 days (Note: A recert of value with (1) new comp will be required for all appraisals over 120 up to 180 days, except for New Construction).</p> |
| Funding into the Month | <ul style="list-style-type: none"> · Allowed through the 5th calendar day of the following month. |
| Manual Underwriting | <p>Manual underwriting permitted only if GUS Refer and with the underwriter verifying that the borrower(s) meet the following minimum requirements:</p> <ul style="list-style-type: none"> · Rental History must be verified and is 0X30 in the most current past 12 months. · Acceptable credit letter (LOX) addressing all derogatories. · All open collections must be satisfied prior to or at closing. · If prior to, acceptable evidence of payment is required to be approved by the Underwriter. · Collections/debt repayment cannot be paid from Interested Party Contributions or loan proceeds. · Manager approval may be required. · * For Streamline Refinances and DTI restrictions, see attached full guidelines for additional requirements. |
| Approved States | <p>AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, IA, IL, IN, KS, KY, LA, MA, ME, MD, MI², MN, MO, NC, NH, NJ, NM, OH, OK, OR, PA, RI, SC, TN, TX¹, UT, VA, VT, WA, WI, WV³</p> <p>¹Texas: Cash out refinance transactions are <u>not</u> eligible in Texas. (No TX 50 (a) 6)</p> <p>²Michigan: The Minimum loan amount allowed is \$10,000</p> <p>³West Virginia: Max LTV/CLTV is 100%. An appraisal (exterior/interior) is required.</p> |



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403 - USDA Product

Product Description and Product Codes

Product Description

Fixed Rate (FRM) loans guaranteed by the US Department of Agriculture (USDA).

To be eligible, the property must be designated "rural" by USDA.

Presentation in this Chapter

Products available under the Finance of America Mortgage USDA offering are presented with applicable Product Codes.

All guidelines represented as "Finance of America Mortgage /USDA" mean the **more restrictive** of the published guidelines apply.

Specific products with their loan parameters and guidelines are presented in "subsections."

General Underwriting Guidelines and Finance of America Mortgage Overlays are presented after specific products in alphabetical order to facilitate easy reference.

Finance of America Mortgage will generally only provide Finance of America Mortgage Policy overlays.

Continued on next page



Product Description and Product Codes, Continued

Product Codes The following Product Code Matrix outlines the available fully amortized Fixed Rate Mortgage products and product codes:

| Product Name | Product Code | Term in Years | Product Features |
|---|---------------|---------------|---|
| Fixed Rate Mortgage (FRM) | | | |
| USDA Rural Development Purchase and Non-Streamline Transactions | 1003 | 30 | Borrowers must meet certain USDA income eligibility limits. The property must be designated "rural" by USDA. Loans are assumable. |
| Streamline Refinance | 1003 | 30 | There are no prepayment penalties. |
| Pilot Streamline | Not Available | N/A | |



USDA Product Details

Product Description

Finance of America Mortgage’s Rural Development product is a U.S. Department of Agriculture (USDA) Guaranteed Rural Housing (GRH) fixed rate mortgage. The loans are directly insured/guaranteed by the government.

It is offered to low-to-moderate income Borrowers (as defined by USDA) with property located in a USDA-designated rural area and is guaranteed by the USDA.

The loans must meet the more restrictive of USDA Guidelines and Finance of America Mortgage specific product overlays.

Loan Parameters

See the following matrices for loan parameter details.

| | |
|-------------------------------------|---|
| Geographic Area/Restrictions | AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, IA, IL, IN, KS, KY, LA, MA, ME, MD, MI, MN, MO, NC, NH, NM, NJ, OH, OK, OR, PA, RI, SC, TN, TX, UT, VT, VA, WA, WI, WV. |
| Occupancy | Primary Residence Only, including Streamline Refinance Borrower may never have more than 1 loan financed with the USDA. |
| Minimum Loan Amount | No minimum loan amount |
| Minimum FICO | See the applicable Product Parameters Matrix |
| Maximum DTI | <p>GUS</p> <ul style="list-style-type: none"> • 34%/46% with GUS Accept (USDA reserves the right to reduce the ratios to 32%/44% if there are additional credit concerns when reviewing the loan file) • 29.00%/41.00% with GUS Refer <ul style="list-style-type: none"> ○ GUS Refer ratio waiver allowing a total debt ratio (TD) of 31.99%/43.99% can be granted for applicants who meet all of the following conditions: <ul style="list-style-type: none"> ▪ FICO score of 680 or higher for any applicants. ▪ At least one of the following compensating factors: <ul style="list-style-type: none"> • Proposed PITI is equal to or less than the applicant current housing expenses for the past 12 months. • All employed applicants have been continuously employed with their current primary employer for a minimum of 2 years, ineligible for self-employed borrowers. • Post-closing cash reserves equal to 3 or more months PITI. <p>Manual Underwriting – see Manual Underwriting 29%/41% for homes built prior to 01/2006 31%/43% for homes built after 01/2006</p> |
| Maximum Loan Limits | Subject to current USDA income eligibility guidelines & Fannie Mae Loan Limits = \$417,000. |



| | |
|--|--|
| | <p>For Purchase Transactions The maximum guaranteed loan cannot exceed the appraised value, plus the Guarantee Fee if financed, or the amount the applicant can repay based on their ratios, whichever is less.</p> <p>For Refinance Transactions For a Traditional Rate/Term refinance, the maximum loan cannot exceed the balance of the loan being refinanced, plus the Guarantee fee, and reasonable and customary closing costs, including funds necessary to establish the new escrow for taxes and insurance. For a Streamline Refinance the maximum loan amount is the unpaid principal balance plus the Guarantee Fee. See Refinance Transactions for exact details.</p> <p>Notes:</p> <ul style="list-style-type: none">✓ All loan amounts are subject to current USDA income eligibility guidelines. Discount points may never be included in the final loan amount. |
|--|--|

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USDA Product Details, Continued

Loan Parameters

| Units | Owner Occupied | | | Second Home | | | Investment | | | Maximum DTI |
|--|----------------|---------|-----------------|---------------|------|-----------------|------------|------|-----------------|----------------|
| | Maximum (1) | | Minimum FICO | Maximum | | Minimum FICO | Maximum | | Minimum FICO | |
| | LTV | CLTV | | LTV | CLTV | | LTV | CLTV | | |
| Purchase | | | | | | | | | | |
| 1 | 100.00% | 102.05% | 620 | Not Permitted | | Not Permitted | | | | (2) |
| Rate/Term Refinance – Permitted only if original (current) loans is Rural Development (3) | | | | | | | | | | |
| 1 | 100.00% | 102.05% | 620 | Not Permitted | | Not Permitted | | | | (2) |
| Cash-Out (C/O) Transactions | | | | | | | | | | |
| Not Permitted | | | | | | | | | | |
| Notes: | | | | | | | | | | |
| (1) Maximum LTV/CLTV is based on 100% of the appraised value | | | | | | | | | | |
| ✓ The LTV can be increased to a maximum of 102.05% of the appraised value when the Guarantee fees are financed | | | | | | | | | | |
| ✓ USDA Guarantee Fee required: Purchase and Refinance Transaction | | | | | | | | | | |
| <ul style="list-style-type: none"> ▪ Up-Front, 2.00% of loan amount; Commitments on or After October 1st, 2015, Up- Front Guarantee Fee is increased to 2.75%. If loan is in process and the Commitment is not issued by September 30th, 2015, the Increased Fee of 2.75% is required. | | | | | | | | | | |
| (2) Annual 0.50%. Subject to USDA change at any time. See Maximum DTI for details. | | | | | | | | | | |
| (3) Texas Refinance: The loan being refinanced cannot have ever been a cash out refinance loan. | | | | | | | | | | |

**Escrow/
Impound
Waiver**

USDA loans are not permitted to waive an impound (escrow) account under any circumstances.

Guarantee Fee

USDA loans are subject to the most current USDA published Guarantee Fees, regardless whether published by FINANCE OF AMERICA MORTGAGE or not.

Up-Front Fee = 2.0% (Commitments on or After October 1st, 2015, require 2.75%)

Annual Fee = 0.50%

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USDA Product Details, Continued

High Cost and Responsible Lending Restrictions

Finance of America Mortgage High Cost Policy will conform to all Federal, State, County, City, and Agency requirements, including consumer laws. No loan delivered/funded may violate high cost regulations as set forth by the above mentioned entities.

Finance of America Mortgage tests all loans prior to close, if the loan is determined to violate any of the above mentioned, the loan will not be permitted to close.



Purchase Transactions

| | |
|--------------------------------|---|
| Overview | Finance of America Mortgage will accept USDA FRM on purchase transactions. The property and Borrowers must meet current USDA guidelines. |
| Down Payment | None <u>required</u> . Borrowers are permitted to pay a Down Payment. If included, the Down Payment must be from the Borrower's own saved assets, a gift (see Gift Funds) |
| Down Payment Assistance | Borrowers that pay a Down Payment are permitted to use a government or municipality Down Payment Assistance Program (DPA), subject to Finance of America Mortgage requirements: <ul style="list-style-type: none">➤ Borrowers must provide full details of the DPA with the underwriting submission. The terms of the DPA and evidence of approval by the DPA.<ul style="list-style-type: none">➤ The DPA is subject to Underwriter review; final determination of acceptability is at Finance of America Mortgage's sole discretion.➤ Finance of America Mortgage caps the Maximum CLTV at 102.05%. |

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Purchase Transactions, Continued

Interested Party Contributions

Interested Party Contributions (IPC) are limited to a maximum of 6% of the sales price.

Items typically paid for by the Seller, which are common and customary for the area, are not included in the 6% cap.

Earnest Money Deposits (EMD) and prepaids may be refunded to the Borrower at closing with acceptable verification that they have been paid by the Borrower.

See [Rural Housing Service Guide](#) for additional information on [Interested Party Contributions](#).

Sales Concessions or Inducements to Purchase

Sales Concessions/Inducements must be deducted dollar-for-dollar from the sales price prior to applying the LTV calculation.

Any IPC that exceeds 6% is considered a Concession/ Inducement. Additionally, the following are considered Concessions/Inducements, regardless whether the IPC limit has been reached or not:

Payment of moving costs.

Gift funds that are not properly documented.

Receipt of personal property or chattel.

Decorating allowances.

Repair allowances to be done after closing.

Repairs

All repairs referenced in the Sales Contract or the appraisal plus all repairs required to meet HUD guidelines or that are a safety/health hazard must be completed prior to closing.

Finance of America Mortgage will not permit any Escrow Holdback for repairs.

Sales/Purchase Contract

All Borrowers listed on the loan application must be listed on the Contract for Sale.

Short Sales

If the Sales Contract references a Short Sale, the applicable Short Sale Agreements must be provided in the underwriting submission.



Refinance Transactions

Traditional Refinance

The following requirements for a USDA Traditional Refinance apply:

The current loan must be an existing Rural Housing loan (Direct or Guaranteed).

The property must be the Borrower's primary residence.

The property must be the same as the original loan.

If the property is no longer considered a "rural" property, the refinance of the existing Rural Housing loan can be completed.

The Borrower must meet the currently published income eligibility requirements for USDA.

There must be a Net Tangible Benefit to the Borrower.

All USDA refinances must meet the Net Tangible Benefit analysis performed by the Underwriter.

The new loan amount is limited to 100% of the current appraised value.

The LTV may be increased to include the Up-front Guarantee Fee (Maximum 102.05%). **102.80% on or After October 1st if increased Guarantee Fee applies.** The following is permitted to be financed in the new loan amount:

Payoff of the current unpaid principal balance, **plus**

Reasonable, common and customary closing costs, including prepaids (up to a maximum of 100% of appraised value), unpaid fees to servicer, **plus**

The Up-front Guarantee Fee (the cost of the Up-front Guarantee Fee may be added to the loan amount to exceed 100% LTV—maximum 102.05%.)

Subordinate Financing may not be paid by the new USDA loan; it must be subordinated to the new USDA loan.

Borrower is not permitted to receive cash back in the transaction.

No portion of the "original" Guarantee Fee paid at the time of purchase can be credited back to the Borrower.

Continued on next page



Refinance Transactions, Continued

Traditional Refinance, Continued

Documentation & Qualification

Full credit review required

Copy of original Note

Copy of current Pay-off

Fully completed 1003

Tri-Merge Credit Report with FICO and verification of mortgage.

Income must be documented to Finance of America Mortgage requirements

For ratio qualification, see [Maximum DTI](#), and

For USDA eligibility

All Borrowers on the Note must meet USDA eligibility requirements.

All mortgages (including the current mortgage being refinanced) must be current.

Finance of America Mortgage requires a mortgage history of 0X30 in the most recent past 12 months.

Asset verification and sourcing required if needed to close the loan, see [Assets and Reserves](#).

Appraisal Required for Traditional Refinance.

Appraisal may not be required for a Streamline Refinance, see [Streamline Refinance](#).

Streamline Refinance

USDA Streamline Refinances are permitted under the following requirements.

A Streamline Refinance must meet all requirements for traditional refinance, see [Traditional Refinance](#), **except** as follows:

Maximum loan amount is restricted to

The unpaid principal balance, **plus**

The Up-front Guarantee Fee

No appraisal is required

If the Borrower chooses to include closing costs, prepaids or interest in the loan amount, a new appraisal is required, see [Traditional Refinance](#).

Notes:

- ✓ Refinance of Direct loans are never permitted for a Streamline Refinance, an appraisal is always required.

USDA Pilot Refinance

Ineligible



Finance of America Mortgage USDA Underwriting Guidelines

Overview

Loans must meet the more restrictive guidelines of Finance of America Mortgage /USDA. Guidelines presented herein are either Finance of America Mortgage overlays or repetition of USDA guidelines provided for the sake of clarity.



Age of Documents

Existing Properties

Credit Reports

No later than 30 days from application at time of underwriting.

No later than 90 days from the closing/disbursement date.

If credit will be older than 90 days on the closing/disbursement date, a refreshed credit report is required. If the DTI variance is greater than 2% GUS must be rerun with the new debt and the file resubmitted to USDA for approval at increased ratios.

Income and Assets

No later than 45 days from application date at time of underwriting.

No later than 90 days from the closing/disbursement date.

Appraisal

No older than 120 days at time of close/disbursement.

If older than 120 days, a recertification of value with 1 additional (new) comp can extend the appraisal to 180 days from closing/disbursement. (A 1004D or Recertification are permitted on New Construction)

➤ The appraisal can never be more than 180 days old.

➤ **Title**

- Finance of America Mortgage requires a preliminary title at time of Underwriting. Finance of America Mortgage requires a 24 month chain of title on the property.

Final Title Commitment must be within 60 days of the Note Date.

New Construction

Credit Reports

No later than 30 days from application at time of underwriting.

No later than 90 days from the closing/disbursement date.

If credit will be older than 90 days on the closing/disbursement date, a refreshed credit report is required. If the DTI variance is greater than 2% GUS must be rerun with the new debt and the file resubmitted to USDA for approval at increased ratios.

Income and Assets

No later than 60 days from application date at time of underwriting.

No later than 90 days from closing/disbursement date.

Appraisal

No older than 120 days at time of close/disbursement.

If older than 120 days, a recertification of value with 1 additional (new) comp can extend the appraisal to 180 days from closing/disbursement.

The appraisal can never be more than 180 days old

A final inspection is required (442) to validate completed value of property.

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Finance of America Mortgage USDA Underwriting Guidelines, Continued

Documentation All USDA loans are documented using Full/Alt documentation, unless otherwise noted in a product subset.

4506-T

A fully executed 4506-T must be included in each loan submission file. Any blank 4506-T's will be returned for completion and execution. Finance of America Mortgage will validate the previous past 2-years tax returns prior to closing.

Borrowers with amended returns that increase income must wait a minimum of 6-months before using the amended returns. The application must be dated after the 6-month wait period. An acceptable LOX is required.

Verbal Verification of Employment

Finance of America Mortgage will perform a verbal verification of employment prior to closing; if the Borrowers appear to be no longer employed, Finance of America Mortgage will not permit the loan to close.

Presentation Guidelines are presented in sections and then alphabetically thereafter to facilitate research.

Right of Redemption See [Rural Housing Service Guide](#) for additional information on [Right of Redemption](#).

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Finance of America Mortgage USDA Underwriting Guidelines, Continued

Underwriting Method

Finance of America Mortgage submits all USDA loans, except Streamline Refinances, to the Guaranteed Underwriting System (GUS):

GUS

Finance of America Mortgage requires that each loan must have either a GUS Accept/Eligible or GUS Refer for approval.

Loans with a GUS Refer with Caution are not acceptable.

Loans with a GUS Refer must be manually underwritten (borrower must meet documented requirements with Manager Review)

Streamline Refinance loans must be manually underwritten.

Regardless of the GUS approval, the Underwriter must ensure that the loan meets the more restrictive of USDA/Finance of America Mortgage guidelines.

Manual Underwriting

Permitted only

- If GUS Refer and with the underwriter verifying that the borrower(s) meet the following minimum requirements:
 - Rental History must be verified and is 0X30 in the most current past 12 months.
 - Acceptable credit letter (LOX) addressing all derogatories.
 - All open collections must be satisfied prior to or at closing.

If prior to, acceptable evidence of payment is required to be approved by the Underwriter.

- Collections/debt repayment cannot be paid from Interested Party Contributions or loan proceeds.
- Manager approval may be required.
- For Streamline Refinances, see [Streamline Refinance](#).
- See [Maximum DTI](#) for details.

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Finance of America Mortgage USDA Underwriting Guidelines, Continued

Assets and Reserves

Assets

The following matrix outlines the acceptable asset types for USDA loans. Verification of assets is required to calculate annual income for USDA income eligibility. See [Considering Household Assets as Eligibility Income](#) for details.

In compliance with Anti-Money Laundering (AML) requirements, the source of funds used in a mortgage transaction must be sourced.

Assets are not required to be verified for qualification unless

- The cash required to close a purchase transaction is > \$500, then it must be sourced and verified, or
- Cash is required to close a refinance transaction, or
- Assets are needed as a compensating factor for approval.

See [Age of Documents](#).

The following matrix outlines asset requirements, if required.

| Asset | Finance of America Mortgage Requirement |
|---------------------------------|--|
| Cash on Hand | Not an acceptable source of funds for closing or reserves. |
| Checking/Savings Account | Bank statements for the most current 2-month period dated within 45 days of the initial loan application date. All online printouts must clearly identify the Borrower name, account number and bank, and must include the URL or be stamped and signed by a bank representative. If faxed, the fax source must be clearly identified and explained if not from directly from the bank. Note: The verification requirements herein includes all types of “demand deposits”, CD’s Money Market funds etc. |
| Earnest Money Deposit | None Required; however, If the sales contract shows an EMD, the funds to pay the EMD must be sourced and, the EMD may be refunded or used toward closing costs at closing/disbursement, as long as verification is provided that the Borrower paid the EMD from their own funds or a gift. |

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Finance of America Mortgage USDA Underwriting Guidelines, Continued

Assets, Continued

| Asset | Finance of America Mortgage Requirement |
|---|---|
| Gift Funds | <p>Gifts to the Borrower are acceptable for Down Payment or Closing Costs. Gifts may not be given at closing, the gift must be given before closing and documented as follows: The donor may only be a relative (A relative is any person related by blood, legal proceedings, marriage or adoption.)</p> <ul style="list-style-type: none"> ○ The gift donor may not be a household member (living in the household). <p>Fully executed gift letter signed by the Borrower and the donor. The gift letter must state: relationship to Borrower, amount of the gift, date the gift was/will be given, the donor's name and address and that the gift does not need to be repaid.</p> <p>Evidence that the donor has the ability to give the gift, evidenced by a complete 1 month bank statement. Large deposits must be sourced in accordance with Finance of America Mortgage guidelines.</p> <p>Evidence of the donor's withdrawal of funds. (Cancelled check, bank statement showing the withdrawal or bank-validated withdrawal slip.)</p> <p>Evidence of the gift deposit into the Borrower's account. Copy of bank statement which must show the deposit and the current balance.</p> <p>Gift funds are considered the Borrower's personal funds, but any remaining gift funds may not be considered as cash reserves for qualification (repayment) purposes.</p> |
| Liquid Assets | <p>Total liquid assets should not exceed 20% of the purchase price.</p> <p>Any application that exceeds this requirement will require RD concurrence as these Borrower(s) should be able to obtain conventional financing.</p> <p>Retirement funds are not considered liquid assets.</p> |
| Proceeds from Sale of Personal Asset | <p>Permitted, however, the Borrower must provide evidence of <u>each</u> of the following:</p> <ul style="list-style-type: none"> Borrower's ownership of the asset Third party estimate of the asset's value (i.e. Kelly Bluebook or other publication) Bill of sale Copy of purchaser's check. Evidence of deposit into Borrower's account. <p>No exceptions are permitted.</p> |
| Retirement Accounts | <p>Most recent statement is required with 30-60-day history.</p> <p>If needed for cash reserves, written documentation must state that the account permits immediate withdrawals by the owner; any penalty amounts must be subtracted from the total.</p> <p>Retirements accounts (including 401K's) that restrict withdrawals may not be counted as a "liquid asset."</p> <p>If used as reserves or a compensating factor, use 60% of the vested amount</p> <p>Note: Retirement Accounts are not considered as household assets used for eligibility income.</p> |
| Stock & Bonds | <p>Obtain most current monthly or quarterly statement to be used as a compensating factor.</p> |

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Finance of America Mortgage USDA Underwriting Guidelines, Continued

Reserves

Not required for USDA loans.
However, if provided and verified, reserves may be used as a compensating factor.
Assets must be verified for minimum 2 consecutive months, dated within 45 days of the initial loan application.

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Finance of America Mortgage USDA Underwriting Guidelines, Continued

Borrowers

Eligibility The following matrix outlines the eligibility/ineligibility for USDA Borrowers.

| Eligible Borrowers | Ineligible Borrowers |
|---|---|
| US Citizens Permanent Resident Alien Non-Permanent Resident Alien | An individual without a valid US issued SSN Borrowers with diplomatic immunity Inter Vivos Revocable Trust Investors Illegal Aliens Non-Occupant Co-Borrowers |
| <p>Important Notes/Additional Requirements: See Income – USDA Eligibility for additional Borrower Eligibility requirements Each Borrower must have a valid US-issued Social Security Number (SSN). Tax Identification Numbers (TIN) are not acceptable. Each Borrower must have valid US Credit. Individuals approved by USDA’s SAVE system are also eligible. Finance of America Mortgage Underwriter must request verification from USDA; it must be included in the loan file. Each Borrower must have a clear CAIVRS and cannot have any delinquent Federal debt. See Federal Debts. Include documentation in the loan file that the Borrower is not on the LDP list (copy of the print-out from https://www5.hud.gov/ecpcis/main/ECPCIS_List.jsp)</p> | |
| Permanent Resident Alien | Non-Permanent Resident Alien |
| Copy of the current permanent residency documentation issued by the US See the Rural Housing Service Guide for specific guidelines. | Must occupy the subject property; may not be a non-occupant Borrower Must be eligible to work in the US; there must be a minimum of 1-year left on Visa A copy of the current Visa issued by the US that clearly indicates the Borrower is eligible to live/work in the US See the Rural Housing Service Guide for specific guidelines. The Borrower must be submitted/ verified through USDA’s SAVE system to confirm eligibility. |

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Finance of America Mortgage USDA Underwriting Guidelines, Continued

Non-Arm's Length Transactions

Identity of Interest or Conflict of Interest
For USDA, the following Non-Arm's Length Transactions are ineligible:
Realtor and originator or their processor are the same person
Seller is related to buyer and house is delinquent or a short sale
Borrower is purchasing a residence previously owned by themselves within the last five (5) years.

Note: For a definition and additional details for Non-Arm's Length Transactions, see the [Rural Housing Service Guide](#).

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Finance of America Mortgage USDA Underwriting Guidelines, Continued

Credit

Overview All loans require a Credit Report with a minimum 2 FICO scores. Credit Reports must be run from a Finance of America Mortgage - approved vendor. Each Borrower must have at least 2 FICO scores provided. Finance of America Mortgage runs a Tri-Merge credit report from a Finance of America Mortgage -approved credit vendor.

Bankruptcy To be eligible, the Borrower(s) must have re-established valid acceptable credit (See [Trade Lines](#)), and the bankruptcy must have been discharged/dismissed within the timeframes noted in the matrix below.

| Bankruptcy | Seasoning Requirement – Time Since Full Dismissal | |
|--|---|---|
| | Financial Mismanagement | Extenuating Circumstances See Rural Housing Services Guide |
| Single Bankruptcy ✓ Chapter 7; 11;12 or 13 | 3 Years | 2 Years |
| Multiple Bankruptcy Filings ✓ Chapter 7; 11;12 or 13 ✓ Defined if Borrower has filed more than 1 bankruptcy in the most current past 7 years. | Not Permitted for USDA | Not Permitted for USDA |
| Notes: ✓ Timelines are calculated from the date of <u>full</u> dismissal (completion) to the application date. ✓ If the subject property is a refinance of a debt included in a bankruptcy or insolvency proceeding, the loan must include documentation that the debt was reaffirmed during the proceedings. ✓ See Foreclosure if property is included in a bankruptcy discharge. | | |

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Finance of America Mortgage USDA Underwriting Guidelines, Continued

Collections

GUS Refer (manual underwrite)

Outstanding collections must all be paid in full prior to close or at closing. If paid prior to closing, the Borrower must provide acceptable documentation to evidence payment in full, including source of funds for payment.

If paid at close, the Borrower must have provided acceptable documentation to evidence adequate funds to pay the collection in full, including source of those funds.

GUS Accept

Collections may remain open as long as the following applies and is approved by the Underwriter prior to close:

Each specific collection must be temporary and caused by circumstances beyond the control of Borrower.

The Borrower must provide a Letter of Explanation (LOX) detailing the specific circumstance of each collection; why the collection remains unpaid, and why the collection should remain open.

Consumer Credit Counseling

If the Borrower(s) were involved in Consumer Credit Counseling, the following applies:

The Borrower must document that 12-months of the repayment period has elapsed under the plan and that all payments have been made on time, and

The Borrower has written permission from the counseling agency to enter into a mortgage transaction.

Disputed Credit Trade Lines

Gus Accept

If the loan has received an Accept and the credit report indicates a trade line or public record in dispute, to avoid manually downgrading the loan to a "Refer", the Underwriter must meet 1 (one) of the following conditions:

The trade line has a zero balance, or

The trade line is marked, "paid in full" or "resolved," or

The trade line has an outstanding balance of less than \$500 **and** is more than 24 months old.

If the conditions cannot be met, the loan must be manually downgraded to a "Refer."

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Finance of America Mortgage USDA Underwriting Guidelines, Continued

Disputed Credit Trade Lines, Continued

GUS Refer (manual underwrite)

If Finance of America Mortgage determines to manually underwrite the loan file, all disputed trade lines with outstanding balances/payments that have been excluded from the debt ratios must have written evidence to support a justifiable dispute.

Written evidence may include correspondence from the applicant and/or their attorney to the creditor.

Federal Debts

Borrowers that are delinquent on Federal Debts are ineligible for a USDA loan.

Recorded outstanding judgments obtained by the United States in a Federal Court (other than the U.S. Tax Court) or any delinquent Federal Debt identified by the Credit Alert Verification Reporting System (CAIVRS) shall cause the applicant to be ineligible until the Federal debt is paid in full or other resolved (i.e. an official release of liability has been issued). Evidence of payment arrangements is acceptable for IRS federal tax judgments.

The Underwriting must determine if the payment arrangements and history are acceptable (must be paid as agreed). See [Judgments](#). Loan funds from the USDA loan may not be used to satisfy a debt.

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Finance of America Mortgage USDA Underwriting Guidelines, Continued

Foreclosure

If the Borrower has a previous Foreclosure (deed-in-lieu) a minimum of 3 years must have elapsed since the last activity date on the foreclosed property.

The Borrower must have re-established acceptable credit.

Must provide evidence that the reason for the foreclosure-type incident has been resolved and is not expected to happen again.

Extenuating circumstances beyond the Borrower's control, such as job loss, illness, divorce may reduce the number of years that must elapse before USDA mortgage credit may be extended.

Inquiries

Finance of America Mortgage requires that any inquiries on the Credit Report within the past 90 days must be addressed in an LOX from the Borrower.

If new credit has been established since the Credit Report, a credit update that includes the new credit must be ordered.

The new credit must be included in the qualifying ratios.

Judgments

All judgments must be satisfied prior to or at closing.

If prior to, evidence of a court satisfaction is required. "Paid in Full" is not sufficient.

Payment plans will be considered (must be approved by the Underwriter), Borrower must provide evidence of an active plan with a minimum 6-month acceptable payment history (OX30).

The payment will be included in the total debt ratio.



**Mortgage/
Rental History**

FICO \geq 640 – With GUS/Accept

- A 2-year history of residence is required for all loans.
- No Mortgage/Rental history is required; although Finance of America Mortgage reserves the right to request verification at Underwriter's discretion.

FICO < 640

- A 2-year history of residence is required for all loans.
- Mortgage/Rental history for a minimum 12 months with OX30 required. With Underwriter's approval, verification may be cancelled checks; written verification from a rental management company, or bank statements
- All late payments greater than 30 days must be documented with an explanation from the borrower

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Finance of America Mortgage USDA Underwriting Guidelines, Continued

Student Loans Student loans are long term debts that must be included in the debt ratios.
Finance of America Mortgage requires written documentation of the current payment (i.e. letter from loan servicer, online account verification or other written documentation) to verify the payment type as well; verification from the credit report alone is not acceptable.

Conventional Fixed Payment

A fixed loan payment will not adjust over the repayment term and the payment listed on the written documentation may be used for debt ratios.

Qualification will be based on the **greater of** one percent (1%) of the outstanding loan balance or the verified fixed payment reflected on the credit report.

Exception: Monthly payment amounts listed on the credit report, which are less than 1% of the outstanding balance may be used when evidence from the loan servicer is obtained indicating;

1. The applicant is on a fixed repayment plan not subject to change under the terms of the current agreement, **and**
2. The monthly payment amount due.

Fixed payments have a monthly amount that is not subject to change through the fixed repayment time frame. Income Based Repayment (IBR) plans, graduated plans, adjustable rates, interest only and deferred plans are examples of repayment plans that are subject to change and **do not qualify for the exception.**

The following are examples of repayment plans must be calculated using the greater of 1% of outstanding loan balance or the verified payment.

Graduated Payment

Graduated payments generally start with low payments and then adjust every 12 months or more.

Regardless of when the payment adjustments occur, Finance of America Mortgage must use the **greater of** 1% of the loan balance or the highest payment documented on the written repayment plan agreement in the debt ratios.

Deferred Payment

A payment must be included in the debt ratios, regardless of when that payment actually begins.



Income Based Repayment (IBR)

IBR repayments of zero are not acceptable. The Borrower must provide written documentation of the IBR payment plan from the loan servicer.

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Finance of America Mortgage USDA Underwriting Guidelines, Continued

Short Sales

If the Borrower has been involved in a Short Sale of a previous property, the following apply:

A minimum of 3 years must have passed since the completion of the short sale.

The Borrower must have re-established acceptable credit.

Must provide evidence that the reason for the short sale has been resolved and is not expected to happen again.

Extenuating circumstances beyond the Borrower's control, such as job loss, illness, divorce may reduce the number of years that must elapse before USDA mortgage credit may be extended.

Trade Lines

Non-Traditional Credit

For USDA only, Finance of America Mortgage may accept non-traditional credit.

Acceptance is at the Underwriter's discretion based on credit depth.

- Non-Traditional credit is used to build a credit profile and not to offset derogatory credit.

If used, the following must be provided:

- A minimum 12-month history in written verification that includes the creditor's name, date the account was opened, balance, monthly payment due and payment history in 0X30/0X60/0x90 format.
- Acceptable sources include: rent; utilities; auto insurance; school tuition; payments to retail stores.

Valid Trade

- ✓ Finance of America Mortgage requires that each Borrower have a minimum of 2 currently reported trade lines (traditional or non-traditional) that have been reviewed for a minimum of 12 months, regardless of the AUS.

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Finance of America Mortgage USDA Underwriting Guidelines, Continued

Trade Lines, Continued

Authorized User Trade lines

Open authorized user accounts must be an accurate reflection of the Borrower's independent approach to repayment and credit history. Closed authorized user accounts require no underwriting consideration. **GUS Accept** loans with an open authorized user trade line must include evidence of 1 of the following:

Another Borrower on the loan application owns the trade line in question, or

The owner of the trade line is the Borrower's spouse, or

Evidence that the Borrower has been making "acceptable" (0x30) payments on the account for a minimum of the most recent 12 months prior to loan application.

If 1 of the above conditions cannot be met, the GUS decision must be manually downgraded to "Refer" and the loan must be manually underwritten.

The decision to permit "manual underwriting" with a "Refer" decision and whether or not to manually approve the loan is in Finance of America Mortgage's sole discretion.

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Finance of America Mortgage USDA Underwriting Guidelines, Continued

Debt and Liabilities

Overview

The Borrower's debts and liabilities must be included in the total debt to income ratio (DTI).

Housing Debt (front ratio) must include

Subject property mortgage payment including Taxes, Insurance, Annual Guarantee Fee and any Home Owner Association dues.

Total Debt (or DTI) must include the following:

All mortgages, installment debt, revolving debt, child support and alimony obligations.

Borrowers with delinquent Federal Debt are not eligible for a USDA loan.

Co-signed Debts

Co-signed debts may be excluded from the DTI if the Borrower provides: Documented evidence that the co-signer (and not the Borrower) has made the last most recent 12-months payments.

Written evidence that the co-signer is obligated on the debt.

If the debt is a real estate debt, in addition to the above, the Borrower must provide documentation that they are not on the property deed.

Notes:

If the Borrower cannot provide satisfactory evidence, the debt may not be excluded.

If the Borrower cannot document that they are not on the "co-signed property deed", the property must be considered in the maximum (multiple) properties financed by 1 Borrower.

Installment Debt

Installment debts with 6 months or less payments remaining may be excluded from the DTI.

Installment debts may be paid down to 6 months at closing for qualification purposes.

The Borrower must have properly sourced and adequate funds to pay down the debt.

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Finance of America Mortgage USDA Underwriting Guidelines, Continued

Non-Borrowing Spouse

In Community Property States when qualifying for a mortgage, the credit of the non-purchasing spouse must be pulled since that credit is also the responsibility of the Borrower.
 The debts and liabilities of the non-purchasing spouse (NPS) must be included in the Borrower's DTI.

| Community Property States | |
|---------------------------|-----------------|
| Arizona (AZ) | Nevada (NV) |
| California (CA) | New Mexico (NM) |
| Idaho (ID) | Texas (TX) |
| Louisiana (LA) | Washington (WA) |
| | Wisconsin (WI) |

Retirement Account Loans

Loans against personal assets such as Retirement Accounts, 401K, Insurance Annuities, etc. are not required to be considered in the DTI calculation.

Revolving Debt

If the Credit Report does not report a payment for revolving debt, use 5% of the reported outstanding balance for DTI calculation.
 Revolving debt may be paid off and closed prior to or at closing.
Prior to Close: Evidence of payment in full is required. (Credit Supplement or direct verification from the creditor.)
At Close: The Borrower must provide evidence that the accounts have been closed.
 The funds to pay the debt must be sourced in accordance with Finance of America Mortgage requirements.
 Debts may not be paid by the property Seller or from loan proceeds.

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Finance of America Mortgage USDA Underwriting Guidelines, Continued

Student Loans All student loans must have documentation to verify the current payment due unless fixed rate is stated on the credit report. Estimates are not acceptable.

The greater of one percent (1%) of the outstanding loan balance or the verified fixed payment reflected on the credit report.

Exception: Monthly payment amounts listed on the credit report, which are less than one percent of the outstanding balance may be used when evidence from the loan servicer is obtained indicating;

1. The applicant is on a fixed repayment plan not subject to change under the terms of the current agreement, **and**
2. The monthly payment amount due.

Fixed payments have a monthly amount that is not subject to change through the fixed repayment time frame. Income Based Repayment (IBR) plans, graduated plans, adjustable rates, interest only and deferred plans are examples of repayment plans that are subject to change and **do not qualify for the exception.**

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Finance of America Mortgage USDA Underwriting Guidelines, Continued

Employment and Income

Employment History

USDA loans require a minimum of 2-years history of employment prior to application date.

Job changes are acceptable with stable income.

Job changes that change income structure are subject to review by the Underwriter.

A Borrower with less than 1 year on the current job is subject to additional conditions if the income does not appear to be supported/reasonable or the Borrower is employed by a family-owned business.

Employment Gaps

The Borrower must document all gaps in employment greater than 1 month over the past 2 years.

Evidence that the income is stable (likely to continue for 3 years) and dependable.

Annual Income – USDA Eligibility

USDA bases eligibility for a Rural Development loan on the location of the property (rural) and specific income limits.

The eligibility of the property and the Borrower's adjusted income for this product may be confirmed by using the USDA web site:

<http://eligibility.sc.egov.usda.gov>.

Eligibility for USDA is calculated on total household income.

Each member of the household aged 18 years or greater must submit income verification if employed or if not employed, must provide a signed letter attesting they are not employed.

Income calculations for eligibility emphasize income going forward (i.e. YTD earnings or most recent tax returns if self-employed.)

Fixed income Borrower's eligibility income is based on net amounts, not grossed-up amounts.

Housing Allowances and Automobile Expense Allowances must be included in the annual income calculation, see [Employment and Income](#) for additional details.

The value of household assets must also be reviewed and considered in the annual income calculation, see [Considering Household Assets as Eligibility Income](#).

Certain deductions (adjustments) may be made to the household income to determine eligibility. See [Acceptable Deductions to Eligibility Income](#).

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Finance of America Mortgage USDA Underwriting Guidelines, Continued

Annual Income-USDA Eligibility, Continued

Considering Household Assets as Eligibility Income

Net family assets with a cumulative value of \$5,000 or greater must be considered in the annual income calculation.

The greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook saving rate must be considered when calculating annual income for eligibility.

Make allowable deductions from the "greater income" figure to determine adjusted income for eligibility purposes.

The value of the following assets must be considered as "additional income" when calculating annual "eligibility" income:

Value of equity in real property.

Savings in bank accounts, demand deposits, CD's or other savings instruments.

IRA's (401K's are not considered).

Stocks/Bonds and other forms of capital investments– current fair market value.

Business or household assets disposed of for less than fair market for the 2 years preceding the date of loan application.

- Disposition of a trust is considered, but not an assets if included in a foreclosure or bankruptcy.

Verification of the asset must meet USDA/FINANCE OF AMERICA MORTGAGE requirements:

Most current past 2 months statements, see [Assets and Reserves](#) for additional details.

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Finance of America Mortgage USDA Underwriting Guidelines, Continued

Annual Income-USDA Eligibility, Continued

Acceptable Deductions to Eligibility Income

Once the Underwriter has determined the maximum household income for Borrower eligibility; there are certain deductions that are permitted to reduce the household income to meet eligibility:

Minor Children: A \$480.00 deduction is permitted to the annual income for each child in the household under 18 years of age.

Child Care Expense: Child care expenses for children age 12 and under may be deducted if properly verified.

Third party verification provided by a licensed childcare facility or provider on official letterhead must include the child's name, date of enrollment, monthly payment due and payment history.

Letters from private individuals or relatives must include the same information along with evidence of payments made (cancelled checks, bank statements, money order receipts, etc.)

The payments must be calculated on an annual basis.

Before and After school care that enable the Borrower to work or finish their education, are also eligible, but must be documented the same as above.

Ineligible for the Deduction: The following are not eligible:

- If the child/children are not yet placed in childcare, the Borrower does not qualify for this deduction.
- Child support payment or private school tuition are not eligible for this deduction.

Senior Deduction: A \$400 one-time deduction to the annual income is permitted if the Borrower or Co-Borrower is age 62 or greater.

Determination of Dependent Deduction

Determination of whether or not a Borrower can claim a minor child as a household member for the purpose of the adjusted household income calculation is based on IRS Publication 501 that considers the custodial parent as the one authorized to claim the dependent on a Federal income tax return.

Borrowers may provide a divorce decree, custody agreement and/or personal tax returns as evidence that the Borrower is authorized to claim the dependent.

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Finance of America Mortgage USDA Underwriting Guidelines, Continued

**Income –
 Repayment
 (Qualifying)**

USDA requires that the Borrower qualify for the loan based on repayment (qualifying) income.
 USDA will accept the types of income outlined in the following matrix as “repayment” income.
 Income must be documented as stable, with the reasonable expectation that the income stream will continue for a minimum of 3 years.
 All income is re-verified via 4506-T and Verbal Verification of Employment, see [4506-T](#) for details.

| Income Type | Requirements |
|--|---|
| <i>Alimony/ Child Support</i> | Provide evidence that the Borrower has been receiving the payments for the last 12 months via bank statements, cancelled checks, recorded agreement. If Borrower files tax returns, the child support may be grossed up by the Borrower's tax rate. Alimony may not be grossed up. Finance of America Mortgage accepts only the signed divorce decree or signed separation agreement; Finance of America Mortgage will not accept voluntary agreements as evidence. |
| <i>Automobile/ Expense Allowance/ Per Diem</i> | Repayment Income Include the amount of these payments that <u>exceed the actual expenditure</u> for which the allowance is provided. The Borrower must provide documentation that the income has been received for the previous 2 years and payments will continue. <ul style="list-style-type: none"> ○ VOE and past paystubs, W2s or personal tax returns. The monthly debt payments for these items must be included in the debt ratios. Annual Income for Eligibility If the allowance/reimbursement is shown on the paystub as “gross earnings” they must be included in the annual income calculation. |

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Finance of America Mortgage USDA Underwriting Guidelines, Continued

Income – Repayment (Qualifying), Continued

| Income Type | Requirements |
|--|---|
| Bonus/ Commission/ Overtime | <p>Income Exceeds 25% of total income: The most current 30-days of paystubs (with YTD) and the most current past 2-years W-2's. The Underwriter will average the income over the past two years. If the income is declining, Finance of America Mortgage will use only the most recent year. An LOX is required. The loan must include other compensating factors. Non-reimbursed expenses will be subtracted from the gross income reported on the Tax Transcripts pulled with the 4506-T.</p> <p>Income less than 25% of total income: Borrower must provide evidence of receipt of income for a minimum 2-year period with personal tax returns or W-2. Income will be averaged for the number of months history provided. Copy of most current paystub. Declining income should not be averaged; most recent lower income will be used. An LOX is required. The loan must include other compensating factors.</p> |
| Disability Income | <p>Eligible if evidence that it will continue for a minimum of 3 years (long term). Documented non-taxable disability may be grossed up at the current tax rate. Important Note: Finance of America Mortgage must never request personal medical information from the Borrower.</p> |
| Dividend and Interest | <p>Eligible with a previous history of at least 2 years receipt evidenced by personal tax returns. Must be averaged over the last 2 years or calculated at current market interest rates, whichever is less. If declining, income cannot be used. Supporting asset documentation must be provided to verify current funds to support continuation of the income for a minimum of 3 years.</p> |
| Family Member Employment | <p>If a Borrower is employed by a family member, the income must be documented as follows: Two years most recent tax returns. Minimum of 3 months bank deposits to document income deposited from employer. Document that Borrower does not have a 25% or greater ownership in the family business. (25% or more is considered self-employed) Greater than 25% increase in income (one year to next) will not be considered unless verified via 4506-T.</p> |

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Finance of America Mortgage USDA Underwriting Guidelines, Continued

Income – Repayment (Qualifying), Continued

| Income Type | Requirements |
|---|---|
| Housing Allowance (Employee Differential Payments) | <p>Repayment/Qualifying Income The amount of these payments may be considered in repayment income when the Borrower provides documentation from the employer they are likely to continue into the first 3 years of the mortgage. Do not offset the mortgage payment with this amount.</p> <p>Annual Income for Eligibility The amount of this income should be included as gross income when calculating eligibility income. See Annual Income – USDA Eligibility.</p> |
| Note Receivable | <p>Eligible with the following: Copy of executed Note, evidencing a minimum 3-years remaining term. Evidence of continuous receipt of the Note income for the most current 12-month period. Personal tax returns, or Evidence of receipt into a bank account.</p> |
| Mileage Reimbursement | <p>If the Borrower uses the standard per-mile rate to calculate applicable automobile expenses, as opposed to the actual cost method, USDA will permit only the portion that the IRS considers depreciation to be used as repayment (qualifying) income. The amount of depreciation claimed must be listed on the appropriate IRS tax forms to support this addition to repayment income. Borrower must document with the most recent 2 years personal tax returns.</p> |
| Projected/Future Income | <p>Not Permitted. The Borrower must have started any new employment, the minimum requirement is: One paystub with minimum 30-days income verified. For Teachers or other professionals with contracts that renew annually:</p> <ul style="list-style-type: none"> ○ Evidence that the Borrower is in the same line of work, and has an executed contract. |
| Part-Time Employment | <p>Permitted if the following is documented: Borrower must document a minimum 2-year history. (With current VOE, paystubs and most current 2 years W-2s.) The employment does not need to be with the same employer. The Borrower does need to be currently employed. The income is averaged over the number of months provided, if income is declining, the Borrower is qualified on the current lower income.</p> |

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Finance of America Mortgage USDA Underwriting Guidelines, Continued

Income – Qualifying, Continued

| Income Type | Requirements |
|------------------------------|--|
| Rental Income | <p>Qualification Must document receipt for a minimum most current 2 years If using 2-years personal tax returns, average net income from Schedule E. If using copies of Leases, apply a 25% vacancy factor and average income. If Borrower does not have a 2-year history, the income may not be used for qualification.</p> <p>Eligibility Rental income must be used for eligibility, even if received for less than 2 years. Negative rental income is counted as 0 for eligibility.</p> |
| Salaried Borrower | <p>Paycheck stubs or payroll earnings statements covering the most recent 30 days, with YTD, and 2 years W-2's Finance of America Mortgage will perform a Verbal VOE with the employer prior to loan closing.</p> |
| Seasonal Employment | <p>Eligible if Borrower can document 2-consecutive years previous history and a statement from the employer that the Borrower is likely to be re-hired. Income will be averaged.</p> |
| Self-Employed | <p>Two years most current personal and business tax returns. Business returns required as applicable to the business. If more than 3 months have elapsed since the most recent fiscal year end, a YTD Profit and Loss Statement and Balance Sheet is required. If income is declining, only the most recent tax return earnings will be used to qualify. The Borrower must provide an LOX explaining the decrease in earnings. The loan must have compensating factors. See the Rural Housing Service Guidelines for additional details.</p> |
| Unemployment Income | <p>Permitted if the Borrower has received for the past 2 years in a seasonal job (see Seasonal Employment). Income must be documented with 2 years personal tax returns or copies of W-2 and/or 1009, and verification of YTD unemployment compensation.</p> |
| Unreimbursed Expenses | <p>Qualification Unreimbursed expenses reported on IRS Form 2016 must be deducted from the qualifying income.</p> <p>Eligibility Unreimbursed expensed reported on IRS Form 2016 are an allowable deduction for determining eligibility.</p> |

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Finance of America Mortgage USDA Underwriting Guidelines, Continued

Property and Appraisal

Appraisal

Appraisal Requirements

All appraisals must be ordered through an independent Appraisal Management Company (AMC).

Appraisals must be completed by an FHA roster appraiser, who must be licensed and certified.

Appraisals transferred from another lender are not eligible, unless it is a purchase transaction where the appraisal was ordered by another lender for the applicant. The initial lender must agree to the transfer of the appraisal report with a letter from the original lender to be retained in the Finance of America Mortgage file. The appraisal must be no older than 120 days at loan closing to be valid.

At least one (1) comparable must be dated within 6 months of the date of the appraisal.

Properties classified as Urban should have comparables located within 1-2 miles.

Properties classified as Suburban should have comparables located within 2-3 miles.

Properties classified as Rural should have comparables located within 20 miles.

Adjustments should not be in excess of 10% net and/or twenty five 25% gross.

If the property has an in-ground pool, or farm service structure, the Appraiser must give a specific contributory value to the items or give a value "with" and a value "without" the specific items.

Properties with farm service structures cannot have any potential to become income producing.

Appraisal Form Requirements

All appraisals must be on UAD compliant forms.

All detached and attached single family residences (including site condos) must be on form FNMA1004/FHLMC70.

Condominiums require FNMA 1073/FNMA 465.

All appraisals must include FNMA form 1004 MC " Market Conditions Addendum"

Cost approach must be completed if property is less than one year old.

All appraisals must include a site value and verify that dwelling meets HUD Handbooks 4150.2 and 4905.1.

If the site value is > 30% of the purchase price, the Appraiser must verify that this is typical for the market area and that the property cannot be subdivided.

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Finance of America Mortgage USDA Underwriting Guidelines, Continued

Carbon Monoxide Detector

Finance of America Mortgage requires a carbon monoxide detector in each property closed.

Condo

The condo must be currently approved by Fannie Mae, Freddie Mac, VA or HUD.

Streamline Refinances without appraisals are exempt.

Flood Zone

All properties in a Flood Zone (as determined by a Flood Zone Determination Certificate) require a review of an elevation certificate to ensure that the property is above the 100-year flood plain.

Lender Certifications

Finance of America Mortgage, under no circumstance, will accept a Lender (or Partner) Certification to document completion of repairs for the subject property.

Finance of America Mortgage requires the Appraiser to complete the Appraisal Update and/or Completion Report (1004D/442).

- Roof Repairs, if required:
 - Require a certification of completion and warranty for the roof work from a licensed roofer. The certification and warranty must be on the roofer's letter head and the license number must be clearly evident.

Multiple Financed Properties

For USDA loans, the Borrower may own only 1 additional property under one of the following conditions:

Additional property is currently deemed inadequate (i.e. increase in family size, family needs, safety hazards)

Additional property is more than 50 miles away from the subject property.



Transfer of Deed – Bankruptcy Cases

If a Borrower has a real estate mortgage discharged in a Chapter 7 bankruptcy, but the lender has yet to conclude their foreclosure action, the Borrower is still in ownership of this property.

The title must be quit claimed to the lender in order to relieve the Borrower from ownership of the property, as well as remove responsibility for real estate taxes and homeowner association dues.

Until the title is transferred out of the Borrower's name, they may not meet requirements to be eligible for a USDA loan.

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Finance of America Mortgage USDA Underwriting Guidelines, Continued

New Construction

The property must be complete prior to closing. The Underwriting Submission File must contain Evidence of Certified Plans and Specs, **and** One of the following must be included in the Underwriting submission: Copy of an eligible building permit that has been issued by an approved local jurisdiction, **or** Certificate of Occupancy or completion certificate issued by an approved local jurisdiction, **or** Certification from a qualified individual* or organization that has reviewed the plans and specs and determined they meet all applicable building codes and development standards

- For example: An architect, engineer, national code certified plan reviewer, local building officials, etc.), **or**

Completed and fully executed Form RD 1924-25

Evidence of Construction Inspections/Warranty
One of the following must also be included in the loan file:
If builder is providing a one-year warranty provide one of the following:
Certificate of Occupancy issued after a minimum of 3 construction inspections were performed, **or**
Copies of 3 construction inspections performed when (1) footing and foundation are ready to be poured (2) shell is complete, but plumbing, electrical and mechanical work are still exposed and (3) final inspection of completed work prior to occupancy

If the builder is providing a 10-year warranty provide a Final Inspection and 10-year insurance warranty

Private Road

Properties with private roads require evidence of a permanent recorded easement.
The easement must be a non-exclusive, non-revocable roadway, driveway easement without trespass from the property to a public street/road. USDA does not require a private road maintenance agreement.

Property Address

It is critical that the property address match on all documents submitted in the Underwriting Submission package:
In the event of a discrepancy in City name, the title work address should be used for validation.

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Finance of America Mortgage USDA Underwriting Guidelines, Continued

Property Eligibility

REV (5/16/13)

The following matrix outlines the property eligibility.

To confirm that the subject property is eligible for a USDA loans, see this link: <http://eligibility.sc.egov.usda.gov>

Property Types Eligible for USDA

- ✓ Single Family-detached and attached
- ✓ Condo, see [Condo](#)
- ✓ PUD

Property Types Ineligible for USDA

- | | |
|--|---|
| <ul style="list-style-type: none"> ✓ Auction Sales (1) ✓ Builder Model Homes that will not be occupied within 60 days of close ✓ Dome Homes ✓ Lease with Option to Purchase ✓ Leasehold Estates ✓ Log Homes ✓ Manufactured Housing (all mobile homes) ✓ Mixed Use Properties ✓ Properties with a Quality Rating of Q 5 or Q 6 ✓ Properties with a Condition Rating of C5 or C6 | <ul style="list-style-type: none"> ✓ Properties in Lava Zones 1 & 2 ✓ Properties without a clear title or in communities where a liens cannot be perfected ✓ Properties with less than 600 sq feet living space ✓ Rural Properties secured by agricultural land (working farms, orchards, ranches) ✓ "Store Front" properties ✓ Time Share Units ✓ Undeveloped Land ✓ Unique (one-of-a-kind) properties |
|--|---|

(1) This does not include standard purchase transactions where the seller is a financial institution disposing of their REO properties.



Property Flipping

Finance of America Mortgage Anti-Flipping policy applies, when a property has transferred in last 90 days, with greater than 20% increase:

Properties that have documented improvements resulting in the increase

- Will require inspection only

Properties with no documented improvements

- Will require a second appraisal and inspection

(Borrower is not allowed to pay for the second appraisal)

If the seller of the property purchased the property and made considerable renovations to support any increase in value, Finance of America Mortgage may consider a property that was originally transferred within the past 90-days.

To be eligible all of the following must be met:

- All transactions must be arms-length, with no identity of interest between the buyer and seller or other parties participating in the sales transaction
- Seller holds title to the property.
- Limited liability companies, corporations, or trusts serving as sellers were established and are operated in accordance with applicable state and federal regulatory requirements.
- There is no pattern of previous flipping activity on the subject property as evidenced by multiple title transfers within the previous a 12 months.
- The property was marketed openly and fairly.
- Property Inspection required (see info below)

In cases where work was not performed, the following is required:

- the appraiser must provide appropriate explanation of the increase in property value since the prior title transfer, **and**
- a second appraisal to be ordered by another FHA appraiser, **and**
- Property Inspection.

Property inspection is ordered and provides the inspection report to the purchaser before closing. The lender may charge the borrower for this inspection.

- At a minimum the inspection must include the following.
- Property structure, including the foundation, floor, ceiling, walls and roof;
- Exterior, including siding, doors, windows, appurtenant structures such as decks and balconies, walkways and driveways
- Roofing , plumbing systems, electrical systems, heating and air conditioning systems;
- All interiors, and
- All insulation and ventilation systems, including fireplaces and solid fuel-burning appliances.



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Finance of America Mortgage USDA Underwriting Guidelines, Continued

Property Inspections

Private Septic System

Inspection required. May be completed by FHA Appraiser, government health authority, licensed septic professional or qualified home inspector. Must state septic system is free of evidence of observable failure.

Septic inspections/certification is not required for properties in MT.

Private Well/Water Supply

Inspection required; the local health authority or state certified laboratory must perform a water quality analysis.

The water quality must meet state and local standards.

Private Water System with Water Purification Systems

USDA loans with an individual water purification system required to make the water safe and meet code when the water is unsafe for human consumption is not eligible for Finance of America Mortgage.

The appraisal should address when a property has an individual water purification system.

Termite

Required if infestation noted by appraiser or home inspector.

The property seller and buyer must always sign the inspection at closing. Always required in AL and NJ, regardless of appraisal or home inspection.
