

USDA CHANGES EFFECTIVE 12/1/2014

Valid Credit Scores and AUS: At least one borrower whose income or assets are being used for loan purposes must have 3 credit trade lines with 12 months reporting and have a valid credit score of 640 or greater. (Deferred student loans cannot be used as established trade lines). If the borrower does not meet the minimum trade line requirement (regardless of AUS recommendation) non-traditional trade lines must be provided. Loan must be downgraded to manual and meet all manual requirements, including 29/41% ratio limits.

Student Loan Payments: A payment equal to 1% of the balance on the credit report must be used to calculate DTI on student loans. Example: Student loan with a balance of \$81,450 = \$814.50/mo minimum payment to be counted in DTI. To use a payment on the credit report that is less than 1% of the balance documentation from the lender will be required to show that it is a fixed/level payment.

Household Income: All adult HHM's will be required to sign a 4506T and tax transcripts for the past 2 years will be pulled for verification prior to submission to USDA— this includes over 18 in school, NPS, Fiancé, significant others, etc. that will be living in the household.

Collection Accounts: FHA collection policy has been adopted

Appraisal Expiration: Appraisals can now be updated with a 1004D for an additional 120 days – a 30 day grace period can be granted by RD if needed for closing. NOTE: 240 days is the MAX, the grace period cannot be added on top of the 240.

Rent History: VORs will be required on Credit Score less than 680 regardless of AUS recommendation

Flood Determination: Flood Elevations are no longer required on existing property. New or under construction flood elevation requirements remain the same.

Value deductions/changes: Pools and out buildings are allowed without adjustment to value. 30% site value has been removed.

Asset Reserves: Reserves are determined by an average 2 months either by VOD or 2 months bank statements and cannot be the result of a gift.

Owning More than One Residence: Buyer/borrower purchasing a new home due to outgrowing their current home (ie moving from a 2 bedroom to a 3 bedroom). Overcrowding is defined by USDA as 1.5 persons per room (not just bedrooms). Example: Home has a kitchen, living room, 2 bedrooms and 2 bathrooms = 6 total rooms. To qualify for outgrowing their existing home the total number of household members would have to exceed 9 people.

Seller Contributions: Seller contributions are now capped at 6%