



PRODUCT:
E3 Codes:

USDA
USDA30

Primary Capital Mortgage guidelines have been created to provide direction and consistency in determining a credit decision. The intention of these guidelines is to describe the general underwriting philosophy of the company, however is not all inclusive of different situations that may arise from loan to loan. PCM strives to make solid underwriting decisions based on the quality of the loan, basing our underwriting decision on all aspects of the loan file (i.e. loan to value ratio, collateral value, credit history, assets, qualifying ratios, etc.). Although multiple risk factors are assessed, the underwriter will attempt to balance the evaluation between the borrower and the property & the borrower's ability to repay the loan provided.

PCM reserves the right to apply additional underwriting criteria depending on the overall risk of the loan file. Guides are subject to change without notice.

Amortization: Product is available on a 30-year fixed rate term.

Appraisal Requirements: A full URAR is required on all transactions. All appraisals must be completed by a HUD approved appraiser. **Properties verified to be on a septic or well will require County septic and/or well approval & operating permits prior to closing. Termite letters will be required on all properties unless waived by RD.**

Assets: Documentation of assets will be based on GUS findings with the following additional requirements:

- A VOD must be accompanied by minimum 1 months complete bank statement or account history printout.
- All online or other activity printouts must clearly identify the borrower, the bank name and account number.
- Verification of full accounts numbers will be required if not found on full statements or printouts.
- Mutual funds, Stocks and Bonds must be discounted by 30% of the available balance.
- Retirement accounts must be discounted by 40% of the vested balance after loans. (See additional notes in the "Reserves" section)
- Deposits that are not verified from payroll, retirement, SSA, disability sources and that are deemed to be excessive must be documented with a satisfactory letter of explanation and supporting documentation. Factors in determining if a deposit is deemed to be excessive may include:
 - The borrower's income stream
 - The borrower's recent history of cash withdrawals
 - The borrower's typical deposit history and spending habits
 - The percentage of the deposit(s) in relation to the borrower's overall asset portfolio

- If credited at closing, all Earnest Money deposits must be documented with a copy of the canceled check and the bank statement reflecting the funds drawn from the borrower's account. Any large/non-payroll deposits must be documented in accordance with HUD and PCM guidelines.

Credit Score and Credit Requirements:

All loans must have a minimum **620** score for both borrowers REGARDLESS of AU findings.

In addition to score requirements, every borrower, regardless of AUS findings, must have a minimum of 3 valid trade lines reporting for a minimum of 12 months during the past 3 years. **Alternate credit, Authorized User and Deferred Student Loans cannot be used to meet this requirement.**

In addition to the minimum credit score requirements, PCM may require borrowers to meet the following criteria:

Mortgage/Housing	0 x 30 in past 12 months 1 x 30 and 0 x 60 in past 13-24 months
Installment	1 x 30 in past 12 months
Revolving	1 x 30 in past 12 months
Chapter 7 Bankruptcy	Discharged 3 years
Chapter 13 Bankruptcy	Discharged 3 years
Foreclosure	None in last 3 years

Accounts cannot have been placed in collection for at least 12 months. Collections older than 12 months do not have to be paid but must have repayment plan in place a minimum of 6 months. Judgments and Tax liens must not have occurred within last 12 months. All tax liens and judgments must be paid prior to closing regardless of age.

Borrowers with a short sale in the past three years would be eligible for financing provided they were current on the mortgage (in addition to being 0x30 in the most recent 12 months) and other installment debts at the time of the short sale, and the proceeds from the short sale will serve as payment in full. However, borrowers are not eligible if they pursued a short sale agreement simply to take advantage of declining market conditions and then purchase a similar or superior property at a reduced price within a reasonable commuting difference. Borrowers that do not meet these requirements would be required to wait 3 years from the completion of the short sale to become eligible for new mortgage financing.

Disclosures:

Completed Guarantee Fee Form *Form 1980-21- completed and signed by all parties (all borrowers must have clear CAIRV #). Income Calculation form, Guaranty Fee Calculation and any state specific forms must be included with package.

Documentation:	Credit file documentation must be dated within 90 days of the note for existing properties and 120 days for newly constructed properties.
Down payment:	Borrowers are not required to make a down payment.
Eligible Borrowers:	U.S. Citizens and permanent resident aliens are allowed under standard underwriting guidelines. All borrowers must have a valid Social Security Number.
Employment/Income:	<p>All Borrowers must be on their job a minimum of 30 days <u>and have a paystub that reflects a minimum of 30 days earnings</u> documented in loan file prior to loan closing. A written VOE may not be used in lieu of this requirement.</p> <p>Borrowers with an extended absence (6 months or more) must be back on the job a minimum of 6 months and have a documented prior 2 year work history in the same or similar line of work for income to be considered stable for qualifying.</p> <p>Verification of Self Employment must be documented with minimum 2 years full tax returns, signed by the borrower, along with a signed 4506t. Business Returns may be required (as determined by Underwriter, DU or LP). Third party verification of the business must be obtained within 30 days of closing. Verification may be from CPA, Regulatory Agency, or copy of current business license AND a verifiable phone listing and address for the business.</p>
Escrow Holdback:	Not allowed.
Financed Closing Costs:	If the value of the home being purchased is appraised higher than the purchase price, the borrower may finance any prepaid expenses and closing costs not being paid by the seller, up to a maximum of 100% of the appraised value. The borrower may NOT finance discount points. These fees must be paid from the borrowers own funds.
First Time Homebuyers:	First time homebuyers are allowed. Counseling may be required – refer to state specific guidelines.
Geographic Restrictions:	The property must be located in a designated rural area as designated by the RHS office. To determine whether the property is located in a designated rural area, go to the Rural Development website at http://eligibility.sc.egov.usda.gov . From the home page, click "Single Family Housing" under "Property Eligibility." Enter the property address to get an instant determination or to view a map.

Gifts:

Gifts are allowed. A fully executed gift letter confirming no repayment will be required. The file must also contain evidence of donor's ability to give gift prior to closing along with the certified check at closing. **Refer to individual state guidelines regarding gifts used for reserves. Not all states allow gift funds to be considered as acceptable reserves for qualifying.**

Guarantee Fee:

A one-time guarantee fee of 3.5% is required on purchase transactions. On refinances (see refinance guidelines for additional details), the fee is reduced to 2.25%. The guarantee fee may be financed. **PLEASE NOTE: When financing the guaranty fee, the actual amount financed will result in a percentage higher than 3.5% due to the required calculation method. Refer to the chart below for proper fee calculation.**

The Guarantee Fee may be calculated in two ways depending on whether the fee will be financed:

Transaction Type	Guarantee Fee Not Financed	Guarantee Fee Financed
Purchase	Multiply the loan amount by 3.5% and round to the nearest cent. Example: \$100,000 x .035=\$3500	The fee is calculated as follows: 1. Divide the base loan amount by .965 and round to the nearest cent. 2. Multiply that number by .035 (3.50%) and round to the nearest cent. Example: \$100,000/.965=\$103,626.94 \$103,626.94 x .035=\$3626.94
R/T Refi*	Multiply the loan amount by 2.25%. Example: \$100,000 x .0225= \$2250.00	Follow steps 1 and 2 above, substituting .9775 for .965 and .0225 for .035. Example: \$100,000/.9775= \$102,301.79 \$102,301.79 x .0225= \$2301.79

*See Refinance Section for additional requirements/guidelines.

Income and Employment Documentation:

A two year employment and income history must be verified on all borrowers:

- Salaried borrowers require a completed VOE or two years W2's and 30 days worth of pay-stubs.
- Self employed individuals require two years tax returns and a year to date profit and loss statement /balance sheet.
- Alimony and Child support must have a two year history with proof of 3 years continuance. 12 months verification of receipt must be provided.
- Part time income, overtime, bonus, and commission income must have 24 month history and will require full written VOE for verification.
- Disability Benefits require Benefits letter and 3 years continuance. Income can be grossed up 125%.

- Social Security benefits require awards letter or 2 month bank statements and 3 years continuance. Income can be grossed up 125%.
- PCM to order 4506T on all loans.

Income Limitation: The borrower’s adjusted “household” income cannot exceed 115% of the area median income. An income calculator is available on the Rural Development website at <http://eligibility.sc.egov.usda.gov>. From the home page, click “Single Family Housing” under Income Eligibility” tab.

Maximum Loan Amount: The maximum loan amount is 100% of the conforming loan limit or 103.5% when the Guarantee fee is being financed.

Maximum Loan to Value: 100% of the market appraised value is allowed and may include closing costs. The maximum LTV may exceed 100% of the appraised value only by the amount of the Guarantee Fee being financed in the loan amount. Purchase transactions are eligible up to a maximum of 102% LTV. Refinance transactions may exceed 100% only the maximum 0.50% Guarantee Fee.

Mortgage Insurance: Not required

Multiple Property Ownership: Borrowers cannot own any other real estate.

Non-Occupant Co-Borrower: Not allowed.

Non Traditional Credit: Not allowed.

Occupancy: Primary residences only.

Additionally, if the borrower has a previous mortgage transaction for a primary residence within the past 12 months, the borrower must provide reasonable documentation to justify the new transaction (i.e.: letter of explanation and other supporting documentation) and confirm their intent to occupy the subject property as their new primary residence.

Power of Attorney: With the exception of active military borrowers, PCM will not allow the use of a Power of Attorney.

Property Type: Eligible properties include single-family, RD eligible PUD, and FHLMC/FNMA approved condos.

Ineligible properties include 2-4 family, manufactured or modular homes, homes with an in ground swimming pool (exceptions made case by case by PCM and USDA), second homes, investment properties, properties located in a flood zone (exceptions made case by case by USDA), leaseholds, mixed use properties, working farms, **properties subject to a right of redemption**, and properties where the site value exceeds 30% of the value.

Property Requirements:

- All properties must have the following inspections and certifications:
- Home Inspection Adequacy Certification.
 - Termite Inspection- all states.
 - Well and/or Septic inspection if applicable. Inspections/Permits will be required prior to closing. FHA Appraiser certification will not be accepted for Septic inspection.

Qualifying Ratios:

29/41 (all deferred payment debts included in qualifying ratios). **Higher ratios may be acceptable if approved by GUS, to a maximum of 50%. Ratio waivers may be required by RD – case by case.**

Installment debts with less than 10 months remaining are not automatically excluded from qualifying ratios. Exceptions to omit the debt are determined on a case by case basis and require compensating factors to consider omission.

Student loans, regardless of deferment period, must be included in qualifying ratios.

Refinances:

Rate/term refinances are allowed on loans already secured by a USDA mortgage. Loans secured by any other type of financing are not eligible.

Description	Requirement
Cash-Out	Not allowed
Term	30 years
Interest Rate	Cannot exceed the interest rate of the existing loan.
Guarantee Fee	The fee amount is .50% of the total principal obligation of the new loan. The fee may be financed into the new loan amount. The LTV of the new loan may exceed 100% only if the excess amount represents a financed guarantee fee of no more than 0.50%
Household Income	Cannot exceed 115% of the median area income. (Refer to USDA website to verify actual geographical limits)
Loan Amount	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 tax and insurance escrow account), Subordinate financing, such as home equity lines of credit and down payment assistance seconds cannot be included in the new loan amount.
Occupancy	Unpaid fees, such as late fees due the servicer, cannot be included in the new loan amount. The subject property must still be the borrower’s principal residence.

- Net Tangible Benefit:** Refinances must meet Primary Capital's Net Tangible Benefit requirements. For requirements please go to our website at www.pcmexpress.com.
- Reserves:** Not required. All earnest money checks must be documented as cleared for credit on the HUD-1 at closing.
- Sales Concessions:** 6% allowed.
- Subordinate Financing:** Not allowed.
- Temporary Buydowns:** Not allowed
- Underwriting:** All loans must receive approval thru Rural Development's Guaranteed Underwriting System (GUS).