

Refer to [Exhibit A](#) for Rural Housing origination instructions.

PRIMARY RESIDENCE – PURCHASE				
Property Type	Maximum LTV	Maximum Loan Amount	Minimum Credit Score	Underwriting Engine & Required Response
1-Unit Condo PUD	101.01% ^{1,2,3}	No specific maximum loan amount; borrower must meet income limit and qualify for the loan	580	GUS – <i>Accept/Eligible Refer</i> responses will be manually underwritten

PRIMARY RESIDENCE – RATE/TERM REFINANCE				
Property Type	Maximum LTV	Maximum Loan Amount	Minimum Credit Score	Underwriting Engine & Required Response
1-Unit Condo PUD	101.01% ^{1,3,4}	No specific maximum loan amount; borrower must meet income limit and qualify for the loan	580	GUS – <i>Accept/Eligible Refer</i> responses will be manually underwritten

1. The LTV is calculated as the loan amount divided by the appraised value. LTV may exceed 100% of the appraised value only by the amount of any financed Guarantee Fee.
2. For purchase transactions, closing costs and prepaid expenses may be financed when the sales price is lower than the appraised value but the base loan amount may not exceed the appraised value.
3. Refer to the [Subordinate Financing](#) section.
4. Refinances permitted only for existing GRH loans.

PROGRAM SUMMARY

The Guaranteed Rural Housing mortgage loan program offers 30-year fixed-rate mortgage financing guaranteed by the U.S. government through USDA Rural Development (RD) for low- and moderate-income households in eligible rural areas. The conventional mortgage loan term is for a 30-year fixed rate loan without a condition to obtain private mortgage insurance (PMI).

PRODUCTS OFFERED

Product	Loan Term
Guaranteed Rural Housing – 30 Year Fixed	30-Year Fixed

PRICING

The GRH program is priced to the GNMA I 30Y or GNMA II 30Y pricing (depending on the desired rate) listed on the third page of the daily price indication sheets, but subject to the maximum interest rate listed under *Government Price Adjustments*.

The maximum interest rate for Guaranteed Rural Housing loans is defined by RD Instruction 440.1, Exhibit B as the Fannie Mae posted yield for 90-day delivery (Actual/Actual) for 30-year fixed rate conventional loans plus one percent (1.0%), rounded up to the nearest one-quarter of one percent (0.25%).

RURAL DEVELOPMENT STATE WEBSITES

Websites for state Rural Development offices can be accessed by inputting the main address, then adding the 2-letter state code. Main web address: <http://www.rd.usda.gov/>.

Example

State of Michigan

<http://www.rd.usda.gov/mi>

Connecticut, Massachusetts, and Rhode Island are all managed by the Massachusetts RD director. Therefore, the applicable Website for all three states is <http://www.rd.usda.gov/ma>.

RURAL DEVELOPMENT FORMS

Rural Development forms are available at the [USDA Service Center Agencies eForms](#) site.

FORM RD 3555-21, REQUEST FOR SINGLE FAMILY HOUSING LOAN GUARANTEE

[Form RD 3555-21](#) must be submitted to Underwriting with the initial loan submission. Borrower and co-borrower must sign page two. The version dated "Rev.08-22" must be used for all loan submissions.

ELIGIBLE BORROWERS

- U. S. citizens
- Permanent resident aliens:
- Non-permanent resident aliens:

INELIGIBLE BORROWERS

- Non-occupant co-borrowers
- Borrowers closing in a trust

ELIGIBLE PROPERTY TYPES

- One-unit detached or attached properties
- Condominiums
- Planned unit development (PUDs)
- Modular homes

INELIGIBLE PROPERTY TYPES

- Manufactured homes
- 2-4 unit properties

INCOME LIMITS

Adjusted annual income may not exceed 115% of the median income for the area in which the subject property is located; the income limits published [here](#) are calculated at 115% of the median income and cannot be exceeded

MAXIMUM LOAN AMOUNT

PURCHASE

The maximum base loan amount is determined by qualifying ratios and appraised value. The gross loan amount may exceed the appraised value only by the amount of the financed Guarantee Fee.

REFINANCE

NON-STREAMLINED REFINANCES

The new loan amount may include the principal and interest of the existing RD loan, closing costs, prepaid expenses, and lender fees to the extent there is sufficient equity in the property, as determined by the new appraisal. The guarantee fee may still be financed even if the resulting gross loan amount would exceed the appraised value.

STREAMLINED REFINANCES

The refinance loan amount may represent the outstanding principal balance (including current interest charges due along with a reasonable and customary fee for reconveyance) of the existing GRH loan and any amount of the upfront guarantee fee to be financed into the loan. The new loan amount cannot exceed the original purchase loan amount and cannot include delinquent interest, closing costs, prepaid expenses, or lender fees. The guarantee fee can be included in the loan amount, but only to the extent that the gross loan amount does not exceed the original purchase loan amount of the existing loan to be refinanced. (Streamlined-Assist transactions are not eligible under this product. Use the GRH Streamlined-Assist product instead.)

INTERESTED PARTY CONTRIBUTIONS

Maximum 6% of the sales price

TEMPORARY BUY-DOWNS

- Use the [Temporary Interest Rate Buydown Worksheet](#) to determine the contribution amount attributable to the buydown fee so it can be added to the purchase agreement.
- Seller- or builder-funded buydowns only (buydowns funded by more than one contributor are not eligible).
- 1-0, 1-1 or 2-1 buydown only; 3-2-1 buydowns are not permitted by USDA.
- Purchase transactions only.
- Borrower qualified at the full note rate.
- For Correspondents who do not use Flagstar's closing documents, we have a fillable [Temporary Buydown Agreement](#) that meets our requirements. We also publish a [job aid](#) to assist in preparing the buydown agreement.

RESERVES

Not required

SUBORDINATE FINANCING

PURCHASE

No maximum CLTV. However, subordinate financing (down-payment assistance) is allowed only from a non-profit or religious organization, a federal, state, or local government agency. All secondary financing must be reviewed and approved by Flagstar Bank.

REFINANCE

No maximum CLTV. Any subordinate financing cannot be included into the new first lien and must remain subordinate.

CREDIT ALERT INTERACTIVE VOICE RESPONSE SYSTEM (CAIVRS)

All borrowers must be screened using HUD's Credit Alert Interactive Voice Response System (CAIVRS). Rural Development will not insure a loan if the borrower is currently delinquent on any unpaid federal debt or has had a claim paid within the previous three years. A CAIVRS check occurs automatically when the loan is submitted to RD's GUS system. A CAIVRS number that begins with anything other than an "A" must be investigated and verification must be obtained that the debt has been satisfied prior to moving forward with the loan application. The GUS findings will identify all such loans.

SYSTEM FOR AWARD MANAGEMENT (SAM)

All applicants and other parties to the transaction (including sellers, listing and selling real estate agents, loan officers, loan processors, underwriters, appraisers and builders) must be screened using General Services Administration (GSA) [System for Award Management \(SAM\)](https://www.sam.gov/portal/public/SAM/) (<https://www.sam.gov/portal/public/SAM/>). An applicant is ineligible if he/she is presently delinquent on any Federal debt or is suspended or debarred, or otherwise excluded from participating in Rural Development programs. Customers will check the website above and submit screen prints of the results of those checks for all parties along with their underwriting submission to Flagstar. The checks should occur no greater than 30 days prior to loan closing, otherwise documentation will need to be updated by performing another check of SAM and submitting the new screen print to Flagstar.

QUALIFYING RATE

Note rate

QUALIFYING RATIOS

- GUS approved: Per AUS
- Manual underwrite: 29% / 41%. Refer to **Chapter 11, *Ratio Analysis***, of *RD Technical Handbook*, HB-1-3555 for information regarding debt ratio waivers and compensating factors.

PROPERTY GUIDELINES

APPRAISAL STANDARDS

- Appraisals ordered through the system must include the following comment in the Special Instructions field: *Appraisal is for a Rural Development loan.*
- Appraiser must not appear on the ineligible appraisers list published by the state RD office.
- Existing dwelling inspection reports/certifications are not required with appraisals by FHA roster appraisers; however, they are required if the appraisal is prepared by a non-FHA roster appraiser.

PROPERTY STANDARDS

- Property must be in area designated as rural by Rural Development, refer to the [USDA Income and Property Eligibility](#) site.
- Condominiums must meet Fannie Mae or Freddie Mac warranty guidelines or be HUD or VA approved.

UNDERWRITING

For underwriting questions and underwriting support please contact Government Customer Support by calling (866) 945-9872 or via email at governmentuw@flagstar.com.

- All loan applications will be underwritten to USDA's GUS (Guaranteed Underwriting System) and Flagstar current guidelines. Refer to the HB-1-3555 Single Family Housing Guaranteed Loan Program Technical Handbook and Flagstar's USDA Underwriting Guidelines for Government Guidelines.
- Rural Development's basic eligibility and underwriting guidelines are found in [7 CFR 3555](#) and the RD Technical Handbook, [HB-1-3555](#).
- Use the *Rural Housing Processing Checklist*, [Doc. #9801](#), for documentation required for submission to Flagstar Underwriting.
- Non-traditional, alternative credit and no credit score loans are now eligible and will follow the [USDA Handbook HB-1-3555](#) requirements. A credit score of 999 should be entered for those borrowers.
- Flagstar will only use Credco credit reports when underwriting GRH loan transactions. For Flagstar underwritten files, if the customer does not provide a Credco credit report, the underwriter will order

one, and the credit report of record, which will include the credit scores of record, will be the Credco report used in the most recent Guaranteed Underwriting System (GUS) submission.

- Delegated customers and customers who are Lender Agents of Flagstar, and thus able to submit loans to the USDA GUS system themselves, may use their own credit providers.
- The broker/correspondent is to fill out the Request for Single Family Housing Loan Guarantee, [Form RD 3555-21](#). The borrower and co-borrower must sign page two. In addition, the broker/correspondent is to fill out the *Worksheet for Documenting Eligible Household and Repayment Income*, which is Attachment 9-B to [Chapter 9, Income Analysis](#), of RD Technical Handbook, HB-1-3555. For non-delegated customers, the forms must be submitted to the underwriter with the initial loan submission. The 3555-21 must be completely filled out and signed by the underwriter and applicants PRIOR to submitting the loan to the [appropriate RD production team](#).
- Once the underwriter issues a conditional loan approval where the only outstanding prior-to-close conditions are not likely to affect the GUS recommendation, the underwriter will Final Submit the loan in the GUS system, and send the appropriate documents to the [appropriate RD production team](#) for their review. Non-delegated brokers/correspondents should not submit anything to RD.
- The underwriter is responsible for resubmitting the loan to GUS when material changes in loan data occur. Under the following conditions, the underwriter must resubmit the loan through GUS for an updated evaluation. If the Final Submit has already occurred, the underwriter will need to contact the [appropriate RD production team](#) to have the loan application released back to Flagstar in GUS.
 - Borrowers were added/deleted from the application or critical borrower information has changed.
 - A decrease in the borrower's income and/or cash reserves.
 - An increase in the loan amount or interest rate.
 - Any changes that would negatively affect the borrower's ability to repay the mortgage.
 - Any changes regarding the property, such as change in sales price or appraised value.
- Some data changes do not affect the outcome of an underwriting recommendation. Once a mortgage loan has been sent to the [appropriate RD production team](#) as a Final Submit, the following data changes do not require that the GUS loan application be updated. Although these changes do not require another GUS submission, an updated [Form RD 3555-21](#) MUST be submitted to the [appropriate RD production team](#) and the RD Conditional Commitment re-issued with the updated information.
 - A decrease in the interest rate.
 - A decrease in the loan amount.
 - A decrease of mortgage or personal liabilities.
 - An increase of assets.
- Documentation to include in submission to the [appropriate RD production team](#).
 - *Accept/Eligible* loans:
 - Underwriter should refer to RD's [Origination Stacking Order Checklist](#) for list of required documents and stacking order.
 - In the following circumstances, even *Accept/Eligible* loans will require that a fully documented file be submitted to the [appropriate RD production team](#) (appropriate messaging will appear on the GUS findings):
 - When a loan is submitted to GUS 10 or more times.
 - As part of a random five percent sample of loans.
 - If the borrower or co-borrower is on another GUS application within the past 12 months.
 - Loans that receive the full file submission message on the GUS findings are treated by Flagstar as a recommendation downgrade to Refer and are ineligible.

- Loans that receive an *Accept/Ineligible* recommendation must be reviewed to determine if the ineligibility identified in the GUS findings can be resolved. If so, the loan information must be corrected and resubmitted to GUS to obtain a revised underwriting recommendation (*Accept/Eligible*). Accept/Ineligible loans are not approvable if the reason(s) leading to the ineligibility cannot be resolved.

REFINANCE TRANSACTIONS

- [Click here](#) for a helpful side-by-side refinance options chart provided by USDA.
- All refinance transactions:
 - Refer to Chapter 6, Loan Purposes of RD Technical Handbook, HB-1-3555.
 - Existing RD loans may be refinanced even if property is no longer in a designated rural area.
 - The interest rate of the new loan must be at or below the interest rate of the existing loan.
 - The existing RD loan must have closed at least 12 months prior to the [appropriate RD production team's](#) receipt of a conditional commitment request for refinance (loans outstanding for less than 12 months are not eligible for refinance).
 - The existing loan to be refinanced must have been current for the previous 180-day period prior to the [appropriate RD production team's](#) receipt of a conditional commitment request for refinance.
 - Any late mortgage payments within the past 36 months on the existing USDA loan must be analyzed and addressed by the lender to determine if any late payments were a disregard for financial obligations, an inability to manage debt, or factors beyond the control of the borrower when considering the underwriting decision. The permanent file for the new loan must contain documented evidence that the payment history requirements have been met.
 - Adding or deleting borrowers is permissible as long as at least one original borrower is retained on the new refinance loan.
 - Escrow credits are not permitted. The borrower's existing escrow balance may not be credited to the payoff and/or credited anywhere on the Closing Disclosure.
 - Customary and reasonable closing costs and other fees may be collected from the borrower by the lender. Such charges may not exceed the cost paid by the lender or charged to the lender by the service provider. Excessive fees are not permitted. Examples of customary and reasonable fees are:
 - The actual cost of the appraisal, inspection, credit reports, imposed verification charges, title examination and title insurance fees, attorney fees, settlement fees, recording fees, taxes, test or treatment fees, and/or courier/wire/notary fees as long as the service provider is not an employee of the lender.
 - Document preparation fees may only be charged if the documents are prepared by a third party not controlled by the lender. The lender may not charge document preparation fees if it prepared the documents itself.
 - Only bona-fide discount points (paid to Flagstar to lower the interest rate) can be assessed to the borrower. See Discount Points under Other Fees in the Fees section below.
 - Subordinate financing, such as home equity seconds and down payment assistance silent seconds, cannot be included in the new loan amount. Any existing secondary financing must be re-subordinated to the new first lien.
 - Refer to Paragraph 11.3B of Chapter 11, Ratio Analysis, of RD Technical Handbook, HB-1-3555 regarding debt ratio waivers and compensating factors for refinance transactions.
 - All guidelines not specified in this section that are applicable to purchase transactions apply.

- Non-streamlined refinances:
 - Existing loan must a USDA GRH or Direct loan without regard to the current servicer.
 - A new appraisal is required.
 - The new loan amount may include the principal and interest of the existing RD loan, closing costs, prepaid expenses, and lender fees to the extent there is sufficient equity in the property, as determined by the new appraisal.
 - The guarantee fee may still be financed even if the resulting gross loan amount would exceed the appraised value.
- Streamlined refinances:
 - Existing loan must a USDA GRH loan serviced by Flagstar Bank. Streamlined refinances of USDA GRH loans serviced by others must be done under the GRH Streamline-Assist program.
 - Loans utilizing the new Streamlined-Assist option must be registered under the special GRH Streamlined-Assist products, based on whether the existing loan is currently serviced by Flagstar Bank or another lender. Streamlined-Assist loans are not eligible under this product.
 - An appraisal is not required, and the value used for the appraised value will be the appraised value from the loan being refinanced.
 - Streamlined refinance transactions may now be submitted to GUS.
 - The refinance loan amount may represent the outstanding principal balance (including current interest charges due along with a reasonable and customary fee for reconveyance) of the existing GRH loan and any amount of the upfront guarantee fee to be financed into the loan. The new loan amount cannot exceed the original purchase loan amount and cannot include delinquent interest, closing costs, prepaid expenses, or lender fees.
 - The guarantee fee can be included in the loan amount, but only to the extent that the gross loan amount does not exceed the original purchase loan amount of the existing loan to be refinanced.
 - Even though an appraisal is not required, Flagstar requires a property inspection to verify that the property meets the current requirements of [HUD Handbook 4000.1](#). The inspection must be conducted by an FHA appraiser on Flagstar's eligible appraiser list.

FEES

GUARANTEE FEE

The guarantee fee for all purchase and refinance transactions is 1.00% of the gross (final) loan amount. The guarantee fee may be financed or paid at closing. If the upfront fee is financed, it is calculated as the base loan amount (before the guarantee fee is added, but after other financed items) divided by 0.99, rounded down to the nearest dollar, and then multiplied by 0.01. The gross loan amount may only exceed the appraised value by the amount of the financed guarantee fee.

ANNUAL FEE (PAYABLE MONTHLY)

0.35%

Calculate the amount for the upfront and annual guarantee fees using the [Guarantee Upfront and Annual Fee Calculator](#).

Flagstar's system permits the following three options regarding the upfront guarantee fee:

- Full financing of the upfront guarantee fee (except for any amount less than one dollar),
- Partial financing of the fee (with the remainder paid in cash at closing), or
- Paying the full upfront guarantee fee in cash at closing.

Customers should refer to the Guaranteed Rural screen for the breakdown of the financed vs. paid in cash portions of the guarantee fee.

OTHER FEES

- Fees and charges associated with originating/closing a GRH loan cannot exceed fees charged for loans insured or guaranteed by the FHA or VA; refer to Paragraph 6.2C of [Chapter 6, Loan Purposes of RD Technical Handbook](#), HB-1-3555.
- Closing costs for both purchase and non-streamlined refinance transactions may be financed up to the appraised value of the property.
- Discount points: Bona fide loan discount points (that reduce the interest rate) are eligible to be financed for all loans; Financed discount points must not exceed two percentage points of the loan amount.

STATE ELIGIBILITY

Available in designated rural areas of the following states and the U.S. Virgin Islands with the stated restrictions. Designated rural areas in states/territories not listed are available without restriction.

State/Territory	Restriction
American Samoa	Not eligible
Arizona	Community property state. Refer to the USDA Handbook HB-1-3555 for non-purchasing spouse details.
California	Community property state. Refer to the USDA Handbook HB-1-3555 for non-purchasing spouse details.
District of Columbia	Not eligible
Guam	Not eligible
Idaho	Community property state. Refer to the USDA Handbook HB-1-3555 for non-purchasing spouse details.
Louisiana	Community property state. Refer to the USDA Handbook HB-1-3555 for non-purchasing spouse details.
Nevada	Community property state. Refer to the USDA Handbook HB-1-3555 for non-purchasing spouse details.
New Mexico	Community property state. Refer to the USDA Handbook HB-1-3555 for non-purchasing spouse details.
Puerto Rico	Not eligible
Texas	Community property state. Refer to the USDA Handbook HB-1-3555 for non-purchasing spouse details.
The Commonwealth of the Northern Mariana Islands	Not eligible
Washington	Community property state. Refer to the USDA Handbook HB-1-3555 for non-purchasing spouse details.
Wisconsin	Community property state. Refer to the USDA Handbook HB-1-3555 for non-purchasing spouse details.

LATE FEE

Flagstar requires a five percent (5%) late fee for GRH transactions.

CLOSING DOCUMENTATION – CORRESPONDENT TRANSACTIONS

Closing documentation may be obtained from Flagstar's Web-Based Closing Documents (WBCD) service available on the system.

- Fannie Mae/Freddie Mac Uniform Security Instrument, 3000-series.
- Fannie Mae/Freddie Mac multi-state Fixed Rate Note, 3200-series.
- Copy of Preliminary Title Policy or Preliminary Opinion (with environmental endorsement).
- Copy of Settlement Statement for prior primary residence (for purchase transactions).
- Copy of Homeowners Policy or Binder.

Cash back to the borrower at closing, including tax prorations, is not allowed except for refunding the borrower's verified earnest money deposit on a purchase transaction. Refinance transactions are not eligible for any cash back to the borrower. Any excess should be returned to Flagstar.

EXHIBIT A

How to originate a non-delegated Guaranteed Rural Housing loan with Flagstar:

1. Take the application, ensure applicant is eligible for a guaranteed loan based on:
 - a. Property being located in a rural area
 - b. Income eligibility (use RD's Worksheet for Documenting Eligible Household and Repayment Income, which is Attachment 9-B to [Chapter 9, Income Analysis](#), of RD Technical Handbook, HB-1-3555)
 - c. Initial review of credit
 - d. Qualifying ratios
2. Confirm eligibility through USDA's [Income and Property Eligibility](#) site.
3. All applicants and other parties to the transaction (including sellers, listing and selling real estate agents, loan officers, loan processors, underwriters, appraisers and builders) must be screened using General Services Administration (GSA) [System for Award Management \(SAM\)](https://www.sam.gov/portal/public/SAM/) (<https://www.sam.gov/portal/public/SAM/>). Obtain screen prints for results of all checks and submit with underwriting file.
4. Upload/input loan application into the system, select product using a Loan Type of *Rural*, complete Guaranteed Rural screen on the system, run credit through the system, order verifications, etc.
5. Retrieve and follow the *Rural Housing Processing Checklist, Doc. #9801*.
6. Complete all applicable Rural Development forms, to include signatures, and then submit loan application package to Flagstar for underwriting review.
7. Once Flagstar issues its conditional loan approval, the underwriter will submit file to [Rural Development](#) for their review.
8. Rural Development reviews loan and issues [Form RD 3555-18](#), Conditional Commitment of Single Family Housing Loan Guarantee.
9. Flagstar reviews and clears conditions listed on the [Form RD 3555-18](#) and places loan into Final Approval status.
10. Broker/correspondent locks the interest rate with Flagstar Marketing department (if not previously locked). Save confirmation in the file.
11. Schedule the closing. Prepare closing documents using Flagstar's Web-Based Closing Docs (WBCD) service available on the system. Order funds.
12. Close the loan.
13. Deliver closed loan package to Flagstar.
14. Flagstar submits the guarantee package to Rural Development using RD's [Loan Closing Stacking Order Checklist](#).
15. Rural Development issues the Loan Note Guarantee, [Form RD 3555-17](#) to Flagstar.