



## Bulletin 15-12

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### USDA Program Updates

USDA Rural Development has replaced RD 1980-D with 7 CFR Part 3555 and issued a new handbook (HB-1-3555). USDA has updated and clarified their guidelines with the release of the new handbook.

The new USDA guidelines apply to purchase transactions and Non-streamlined and Streamlined refinance transactions effective with loans submitted to USDA's Guaranteed Underwriting System (GUS) on or after December 1, 2014.

The following are highlights of the updates; it is **not** an all-inclusive list:

- A signed 4506-T, for both personal and business tax returns (as applicable), is required for all adult ( $\geq 18$  years) household members and must be processed for the previous 2 years
- The appraisal is valid for 120 days from the effective date (currently 6 months)
- The economic life of the property must meet or exceed the term of the proposed loan
- At least one borrower, whose income and assets were used for loan qualification, must have a minimum of 3 tradelines that have a 12 month history to validate the credit score. The tradelines can be open, closed, disputed or an authorized user account as long as there is a 12 month history.
- Loan related charges (application fee/appraisal, etc.) paid for by the borrower on a credit card must be included in the debt ratio calculations if not appearing on the credit report
- Credit inquiries in the past 90 days must be addressed (previously HomeBridge required 120 days)
- Long term debt must be included in the debt ratios if more than 10 months remaining (previously 6 months)
- Collection account and judgment requirements were updated
- Full time students, who are temporarily away but do reside at the property for part of the year, only \$480 of their income is considered in the annual income calculation ( however the \$480 deduction for dependents still applies)
- Repayment income must generally have been received for two (2) years and be expected to continue for a minimum of three (3) years
- Student loan payment (fixed and non-fixed payments) guidance has been updated
- Less than 12 months housing history may be considered on a case-by case basis with  $\leq 680$  credit score

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- Gift funds from a household member are now eligible (previously ineligible)
  - Any excess gift funds may be returned to the borrower at closing
  - Any rental income received must be included in the annual income calculation.
  - Borrowers must occupy the property within 60 days of signing the security instrument; specific guidance for active duty military borrowers was provided
  - Updated the guidance when a borrower is retaining their current residence.
  - Shared driveways require a recorded easement and private road's must have a recorded easement or be maintained by an HOA
  - Properties with a cistern system are ineligible
  - Clarified the guidance for eligible property which must be predominately residential in use, character, and appearance
  - Provided guidance regarding foreclosures and short sales due to extenuating circumstances
  - Interested party contributions maximum 6% (no change from HomeBridge current guidelines)
  - Properties located in an Special Flood Hazard Area (SFHA) are ineligible unless flood insurance through FEMA's National Flood Insurance Program (NFIP) is available.
  - In-ground swimming pools **no longer** require the contributory value be deducted from the appraised value
  - Expanded the basis points allowed when determining the interest rate from 60 to 100. The maximum interest rate may not exceed the Fannie Mae 90 day Actual/Actual Yield for a 30 year fixed rate loan, plus 100 basis points rounded up to the nearest quarter of one percent (e.g. Fannie Mae 90 day rate is 4.72 + 100 basis points = 5.72 rounded up to 5.75%)

HomeBridge has updated the USDA Purchase and Non-Streamlined and Streamlined matrices and posted them on the HomeBridge website at [www.homebridgewholesale.com](http://www.homebridgewholesale.com).

USDA's new HB-1-3555 may be viewed at USDA Rural Development [Regulations and Guidance](#). Select HB-1-3555 SFH Guaranteed Loan Program Technical Handbook.

The forms with updated numbers (replaced 1980 with 3555) are available at [USDA LINC Training and Resource Library](#) under Forms.

If you have any questions, please contact your Account Executive.