

Product Snapshot

USDA | Purchase



Cardinal Financial offers a USDA Rural Housing program (502 Guaranteed) designed to provide low to moderate income applicants the opportunity to own adequate, modest, decent, safe, and sanitary homes in rural areas. Eligible applicants may build, rehabilitate, improve, or relocate a dwelling in an eligible rural area. USDA determines the eligible areas for financing, see the [USDA Eligibility](#) site for information on whether the property address meets the USDA lending area criteria.

Primary Residence					
	Property Type	LTV ¹	CLTV	Min Credit Score	Max DTI ^{2,3}
Purchase	1-Unit, Manufactured Housing	100% Market Value Excluding USDA Guarantee Fee	100% Market Value Excluding USDA Guarantee Fee	580	29/41%
				Non-Traditional	29/41%

¹The LTV (loan-to-value) may be exceeded by the financed USDA Guarantee Fee

²Debt Ratio Waivers permitted with compensating factors and minimum credit score of 680; see USDA underwriting guidelines for more information. GUS files that receive an Accept or Accept Full Documentation underwriting recommendation do not require debt ratio waivers; ratios determined by AUS with GUS Accept

³Properties located in West Virginia: loans must be credit qualified, DTI not to exceed 50%

Program Parameters		
Eligible Transactions	<ul style="list-style-type: none"> Purchase 	
Acceptable Transaction Terms	USDA 30 Year Fixed Rate	USDA30
	Temporary 1-0 Buydown	USDA3010BD USDA 30 Year Fixed Rate
	Temporary 1-1 Buydown	USDA3011BD USDA 30 Year Fixed Rate
	Temporary 2-1 Buydown	USDA3021BD USDA 30 Year Fixed Rate
	Temporary 1-0 Buydown - Manual UW	USDA3010BDMU USDA 30 Year Fixed Rate
	Temporary 1-1 Buydown - Manual UW	USDA3011BDMU USDA 30 Year Fixed Rate
	Temporary 2-1 Buydown - Manual UW	USDA3021BDMU USDA 30 Year Fixed

	Rate
Guarantee Fee	<p>Effective October 1, 2023 - September 30, 2024</p> <ul style="list-style-type: none"> • Upfront 1.00% of total loan amount • Annual Fee = 0.35% • If the upfront Guarantee Fee is financed, please see guidelines for calculation requirements
Maximum Interest Rate	The maximum interest rate cap set by USDA has been eliminated, the lender and borrower are free to negotiate any mutually acceptable fixed interest rate.
Overlays	Refer to the Wholesale Lending Product Overlay Matrix for any applicable Carinal overlays

Program Requirements	
Appraisal	Full interior/exterior appraisal is required on purchase and non-streamlined rate and term refinances.
Assets	Not required unless non-traditional credit is used to qualify the borrower
Borrower Eligibility	<p>Eligible Borrowers</p> <ul style="list-style-type: none"> • All borrowers must have a social security number • All borrowers must have no CAIVRS claim • US citizens • Permanent resident aliens • Non-permanent resident aliens • Maximum of 4 borrowers on the mortgage loan • Non-occupying co-borrowers are not permitted <p>Ineligible Borrowers</p> <ul style="list-style-type: none"> • Trusts, Corporations, Partnerships
Conditional Commitment	<ul style="list-style-type: none"> • A Conditional Commitment is required on every USDA Rural Housing loan prior to closing.
Credit	<p>Derogatory Credit</p> <ul style="list-style-type: none"> • Follow USDA Guidelines <p>Non-traditional Credit</p> <ul style="list-style-type: none"> • Manual Underwriting required • See the Lending Guide for specific requirements
Escrows	Required
Exclusionary Lists	All borrowers must be screened through CAIVRS, LDP, and GSA lists
4506-C Requirement	<ul style="list-style-type: none"> • Signed IRS Form 4506-C for the previous two tax years must be obtained at the time of loan application • The 4506-C must request full transcripts with all schedules

<p>GUS Recommendation Types</p>	<ul style="list-style-type: none"> ● GUS must be utilized for underwriting <p>Manually underwritten loans:</p> <ul style="list-style-type: none"> ● Maximum ratios are 29/41 ● Debt Ratio Waiver may be requested and documented in the file when: <ul style="list-style-type: none"> ○ The maximum PITI ratio cannot exceed 32% and the maximum TD ratio cannot exceed 44%, <i>and</i> ○ The credit score of all borrower(s) is 680 or greater, <i>and</i> ○ At least one acceptable compensating factor is documented
<p>Homebuyer Education</p>	<p>Home buyer education may be required; see the guidelines for requirements.</p>
<p>Income</p>	<p>Eligibility</p> <ul style="list-style-type: none"> ● To determine if the borrower is eligible, refer to http://eligibility.sc.egov.usda.gov ● Follow the USDA underwriting guidelines for income eligibility and verification <p>On October 1, 2023, new ineligible area maps will be updated to the USDA Income and Property Eligibility Site at https://eligibility.sc.egov.usda.gov. The current maps will be moved to the "Previous Eligibility Areas" tab.</p> <p>Single Family Housing Loan Guarantee Processing</p> <p>On October 1, 2023, all properties for new applications must be located in an eligible rural area based on the new eligibility maps. However, a property that is located in an area being changed from rural to non-rural may be approved if all of the following conditions are met:</p> <ul style="list-style-type: none"> ● The application is dated and received prior to October 1, 2023, and the Loan Estimate was issued by the lender within 3 days of application receipt, ● The applicant has a signed/ratified sales contract on a property that is dated prior to October 1, 2023, ● Applicant meets all other loan eligibility requirements <p>If the property is located in an area being changed from rural to non-rural, lenders must provide Rural Development all of the following information in addition to all other required documentation. For loans submitted via the Guaranteed Underwriting System (GUS), the documentation must be uploaded into the system:</p> <ul style="list-style-type: none"> ● Copy of the signed/ratified and dated sales contract, ● Copy of the Loan Estimate issued to the applicant, ● Verification that the property was located in an eligible rural area prior to October 1, 2023 <p>Note: Maps of the "Previous Eligible Areas" (eligibility maps prior to October 1, 2023) will be available on the Eligibility site beginning October 1, 2023. A printout of the map indicating the property address was previously eligible is acceptable.</p> <p>GUS underwriting recommendations will display an INELIGIBLE property determination for property that is no longer located in an eligible rural area. This does not prevent the final submission to Rural Development. The Rural Development reviewer will be able to override the property eligibility determination when the lender has uploaded the required documentation noted above.</p>

Loan Limit	<ul style="list-style-type: none"> ● Conforming limit ● Mortgage amount is limited to 100% of the appraised value + upfront guarantee fee (if financed) ● The borrower cannot receive any cash back from the transaction with the exception of out of pocket money (with supporting documentation) already paid (i.e. earnest money deposit).
Minimum Loan Amount	\$50,000
Manufactured Housing	<ul style="list-style-type: none"> ● Manufactured Housing that meets the following requirements: <ul style="list-style-type: none"> ○ Must receive GUS Accept Eligible; Manual UW not permitted unless the following exception is met: <ul style="list-style-type: none"> ■ Manual underwriting required for existing construction located in a Pilot State ○ Must be new construction ○ Existing manufactured homes are eligible for financing only if the property was constructed on or after January 1, 2006 and is located in one of the Pilot States as noted below ○ Designed as a one-family dwelling; have a floor area of not less than 400 square feet ○ Have the HUD Certification Label affixed or have obtained a letter of label verification issued on behalf of HUD, evidencing the house was constructed in compliance with the Federal Manufactured Home Construction and Safety Standards ○ Be classified as real estate (but need not be treated as real estate for purposes of state taxation) ○ Be titled as real property prior to closing ○ Be built and remain on a permanent chassis ○ Be designed to be used as a dwelling with a permanent foundation built in accordance with the Permanent Foundations Guide for Manufactured Housing (PFGMH) ○ Have been directly transported from the manufacturer or the dealership to the site ○ Must have a manufacture date that is within 12 months of the purchase contract ○ All manufactured homes must meet all remaining USDA guidelines <p>Pilot States: An exception to allow the purchase of an existing unit, constructed on or after January 1, 2006, applies to properties that qualify under the Manufactured Housing Pilot and is limited to the following Pilot states: Colorado, Iowa, Louisiana, Michigan, Mississippi Montana, Nevada, New Hampshire, New York, North Dakota, Ohio, Oregon, Pennsylvania, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.</p>
Maximum Financing	<ul style="list-style-type: none"> ● Only one USDA loan is allowed per borrower and co-borrower. ● The borrower may not own any other property, including property owned free and clear, except under specific conditions. See the guide for further information.
Mortgage History	Paid as agreed for the last 12 months
Occupancy	Owner-occupied only
Payment Shock	Calculation of payment shock is required. See the guidelines for further requirements.

<p>Property Type</p>	<p>Eligible Properties</p> <ul style="list-style-type: none"> ● SFR attached/detached ● Attached/detached PUD ● Approved Condos ● Modular Home ● Newly constructed manufactured homes permanently affixed to the foundation ● Property must be in an eligible area as defined by the USDA https://eligibility.sc.egov.usda.gov/eligibility ● Property must meet HUD standards outlined in Handbook 4000.1 ● USDA does not impose a limitation to the size/acreage of the site, unless the property is in Montana where the lot size may not exceed 40 acres <p>Ineligible Properties</p> <ul style="list-style-type: none"> ● Farms ● Unimproved land ● Income-producing properties ● Multifamily ● Properties with grain bins, silos, dairy farms, multiple barns, or service buildings ● Leasehold properties ● Properties in Lava Zones 1 & 2 ● Properties located near active or planned oil and gas drilling sites or operating wells ● Properties located in avalanche slide or run-out areas ● Community Land Trusts or Blind Trusts ● Marijuana Income is an unacceptable income type regardless of state law ● Montana <ul style="list-style-type: none"> ○ Lot size of the property may not exceed 40 acres
<p>Qualifying Ratios</p>	<ul style="list-style-type: none"> ● For GUS approved loans ratios are determined by GUS ● Maximum 50% DTI for properties located in West Virginia regardless of GUS approval
<p>Temporary Buydown</p>	<p>A temporary buydown allows borrowers to reduce their effective monthly payment for a limited period of time through a temporary buydown of the interest rate.</p> <ul style="list-style-type: none"> ● The effective interest rate that a borrower pays during the early years of the mortgage is reduced as a result of the deposit of a lump sum of money (sometimes called a “subsidy”) into a buydown account. A portion of the subsidy is released each month to reduce the borrower’s payments ● The buydown funds may be provided by various parties, including the lender, the property seller, or other interested parties to the transaction ● Buydown funds may not come from the borrower <p>General Requirements for Temporary Interest Rate Buydown Plans</p> <ul style="list-style-type: none"> ● Buydown program is “2-1” <ul style="list-style-type: none"> ○ Interest rate for the first year is 2% lower than the Note rate ○ Interest rate for the second year is 1% lower than the Note rate ○ Interest rate for the remaining years is the Note rate ● Buydown program is “1-1” <ul style="list-style-type: none"> ○ Interest rate for the first year is 1% lower than the Note rate ○ Interest rate for the second year is 1% lower than the Note rate ○ Interest rate for the remaining years is the Note rate ● Buydown program is “1-0” <ul style="list-style-type: none"> ○ Interest rate for the first year is 1% lower than the Note rate ○ Interest rate for the remaining years is the Note rate

- The actual note rate and monthly payment that the borrower is obligated to pay is never actually reduced, and the full rate and payment must be reflected on the mortgage documents
- At the end of the buydown period, the buydown funds collected at closing will have been exhausted, and the buydown period ends.
- Allowed on fixed-rate mortgages
- Primary residence 1-unit dwelling
- Eligible for single and double-width manufactured homes
- Rate increase will not exceed 1% per year
- The mortgage instruments must reflect the permanent payment terms rather than the terms of the buydown plan

Buydown Funds Provided by Interested Parties to the Transaction

- When the source of the buydown funds is an interested party, the Interest Party Contribution limits will apply

Lender-Funded Buydowns

- If the buydown is funded by the lender as part of the pricing on the loan, the buydown agreement must require that the funds in the buydown account be transferred to the new servicer if the mortgage is subsequently transferred.

Buydown Agreements

- The buydown agreement must provide that the borrower is not relieved of his/her obligation to make the mortgage payments required by the terms of the Note
- The buydown agreement may include an option for the buydown funds to be returned to the lender, if it funded the buydown, if the mortgage is paid off before all of the funds have been applied

Qualifying the Borrower

- The mortgage loan must be underwritten at the full note rate. Both the full note rate and the initial buydown rate must be entered into GUS.

Terms of the Buydown

- The buydown plan provides for increases of not more than 1% in the interest rate paid in each 12-month interval.

Buydown Funds

- Funds for buydown accounts must be deposited in an escrow with a financial institution supervised by a federal or state agency
- The buydown funds are applied toward payments as they come due under the Note
- Buydown funds are not refundable unless the mortgage is paid off before all funds have been applied
- Buydown funds cannot be used to pay past-due payments

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