

Product Snapshot

USDA Guaranteed Rural Housing Renovation



The rehabilitation and repair feature of the USDA Single Family Housing Section 502 Guaranteed Loan Program (SFHGLP) allows borrowers to finance the cost of repairs to improve an existing dwelling at the time of purchase. The maximum loan amount cannot exceed the cost of acquisition plus the cost of repairs up to the as-improved market value, plus the guarantee fee, if financed. The borrower obtains one loan at a fixed interest rate to finance both the acquisition and the rehabilitation of the property.

Please visit our website at plazahomemortgage.com to view full Program Guidelines. The information contained in this matrix may not highlight all requirements of these programs and does not reduce or eliminate any requirements set forth in our Guidelines. Guidelines are subject to change without notice.

Primary Residence					
Purpose	Property Type	LTV	CLTV	Min Credit Score	Max DTI
Purchase	1 Unit	100%	100%	620	29/41%

Product Parameters	
Appraisal	<p>A full appraisal is required. The appraisal report must support the “As Improved” market value of the property with the assumption that all repairs are completed. For Standard Renovations, a copy of the original Consultant work write-up and the contractor’s cost estimate (including reserves) will be provided to the appraiser. For Limited Renovations, the appraiser will be provided the contractor’s cost estimate.</p> <p>Transferred Appraisals: Plaza will accept transferred / assigned appraisals from the original transferring lender when all of the requirements outlined in the Appraisal Policy in Plaza’s Credit Guidelines are met.</p>
Underwriting Method	<p>All loans must be decisioned through GUS and receive an Eligible recommendation. GUS approval should be obtained, however loans that receive a “Refer” or “Refer with Caution” may be eligible by exception.</p> <p>Findings of “Ineligible” are not allowed. Loans that receive a finding of “Refer” or “Refer with Caution” may be manually underwritten by exception only and are subject to the requirements in USDA HB-1-3555. Regardless of a GUS Eligible Finding, the Lender is responsible for satisfactorily establishing the applicant’s willingness and ability to repay and manage obligations. The Lender cannot rely solely on GUS approval for making a lending decision.</p> <p>When manually underwriting a loan, the file must contain supporting documentation with a signed LOE from the borrower explaining the nature of any adverse credit. The underwriter’s 1008 must include detailed justification for approving the loan listing any mitigating circumstances and compensating factors. The loan file must be documented with Plaza’s exception approval.</p>
Bankruptcy and Foreclosure (discharge date to application)	<ul style="list-style-type: none"> Not allowed in the last 36 months. Exceptions to the 36 months seasoning requirement will be considered with documented extenuating circumstances. Chapter 13 Bankruptcy may be acceptable if completed at least 12 months or if satisfactory payments have been made for at least 12 months.
Conditional Commitment	A conditional commitment is required on every USDA Rural Housing loan.
Credit Requirements	<ul style="list-style-type: none"> The minimum credit score for all borrowers is 620 regardless of GUS approval. Borrowers without a credit score are not eligible. <p>Credit History: The borrower’s credit history must indicate a reasonable ability and willingness to meet obligations as they become due. The following must be reviewed carefully:</p> <ul style="list-style-type: none"> Valid Credit Score - GUS Accept/Accept with Full Documentation: No credit score validation required. Valid Credit Score - GUS Refer, Refer with Caution and Manual Underwrite: <ul style="list-style-type: none"> All applicants require a credit score and any applicant whose income and/or assets is used to originate the loan must have a validated credit score. The applicant must have two tradelines on the credit report that have been open for 12 months based on the date the account was opened as stated on the credit report. A validated credit score does not indicate the applicant has an acceptable credit history. A validated credit score confirms that one applicant has an eligible minimum credit history.

Eligible Borrowers	<ul style="list-style-type: none"> • Borrowers must lack sufficient resources to obtain conventional financing • Borrowers must have a valid Social Security number. • Title must be placed in individual names only. • All borrowers must be screened using Credit Alert Interactive Voice Response System (CAIVRS) to determine if an applicant is delinquent on a federal loan. • A maximum of four borrowers allowed on a single transaction. • Permanent Resident Aliens • Non-Permanent Resident Aliens • First Time Home Buyers • Generally, borrowers may not own more than one property.
Eligible Property Types	<ul style="list-style-type: none"> • Attached/detached SFRs and PUD
Calculating the Mortgage Amount and USDA Renovation Max Mortgage Worksheet	<p>Maximum Loan / LTV: The maximum loan amount may not exceed the cost of acquisition plus the cost of repairs up to the as-improved market value, plus the guarantee fee, if financed (the total note loan amount may exceed 100% of the as improved market appraised value only by the amount of any financed guarantee fee). This applies only to loans for which all or a portion of the guarantee fee is being financed into the loan. Note: Reasonable and customary USDA eligible closing costs are allowable to be included with other soft costs as long as the costs do not exceed the maximum LTV (100% of the appraised value).</p> <p>Plaza's USDA Renovation Maximum Mortgage Worksheet must be completed on every loan.</p>
Escrow Waiver	Not allowed. Impound accounts are required for property taxes and hazard insurance on all loans.
Guarantee Fee	<ul style="list-style-type: none"> • Up-Front Guarantee Fee: 1.000% • Annual Fee: .350% • If the Up-Front Guarantee Fee is financed, refer to the program guidelines for clarification requirements.
Homebuyer Education	Homebuyer education may be required per USDA. When applicable, the borrower may attend online classes offered by Mortgage Insurance (MI) companies, or any other type of homebuyer counseling that meets Fannie Mae and/or Freddie Mac requirements.
Income Requirement	The adjusted income of all adult household members may not exceed 115% of the U.S. median income.
Loan Limits	Continental US: \$766,550 Alaska/Hawaii: \$1,149,825
Max Financed Properties	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. Refer to program guidelines for additional details.
Mortgage/Rental Payment History	<ul style="list-style-type: none"> • 0 x 30 for the past 12 months • Any delinquencies in the last 24 months are subject to Plaza underwriter approval and may require additional documentation. <p>If GUS waives the rental payment history but the borrower has sufficient other traditional credit to base a credit decision on, the underwriter may waive the rental payment history.</p>
Qualifying Ratios	<ul style="list-style-type: none"> • The typical maximum DTI ratios for USDA loans are 29/41%. • Debt ratios exceeding 29/41% are allowed with a GUS Accept/Accept with Full Documentation finding. Debt ratio waivers are not required for loans receiving an Accept finding in GUS.
Cost of Improvements	Loan proceeds must be used for the acquisition of the land and dwelling plus the amount of eligible repairs and the eligible fees and loan costs listed below. Loan costs may be included in the loan amount subject to the maximum loan to value and must be reasonable and customary.
Contingency Reserve	A 10% contingency reserve is required. 15% is required if the utilities are off.
Eligible Improvements	<p>Standard renovation program – structural repairs and repairs exceeding \$35,000:</p> <ul style="list-style-type: none"> • Repairs may be structural or non-structural • There is no maximum dollar amount for repairs up to the maximum loan amount • There is no required minimum repair amount <p>Limited renovation program – non-structural repairs up to \$35,000:</p> <ul style="list-style-type: none"> • Non-structural repairs only and the home must be considered habitable at the time of closing • Maximum of \$35,000 in eligible repairs and renovation fees • There is no required minimum repair amount <p>Eligible Improvements:</p> <ul style="list-style-type: none"> • Removing safety and health hazards • Making the dwelling accessible to persons with disabilities • Repair or installation of septic system and water wells • Additions, structural alterations or reconstruction of an existing dwelling • Addition of a garage (attached or detached) • Modernizations (kitchens and bathrooms, interior floor cover, exterior siding, etc.)

	<ul style="list-style-type: none"> • Installation of energy conservation or weatherization features • Repairs to existing swimming pools, hot tubs, or saunas • Repairs to accessory dwelling units.
Draw Process	<p>The following may be disbursed at closing and all subsequent draws will be disbursed according to the remaining draw process:</p> <p>Standard Renovation:</p> <ul style="list-style-type: none"> • Permit fees (permits must be obtained before work commences) • Prepaid architectural or engineering fees • Prepaid Consultant fees • Materials draw <p>Limited Renovation:</p> <ul style="list-style-type: none"> • Permit fees (permits must be obtained before work commences) • 50% of the total cost of the repairs, handled through escrow/title <p>Remaining Draw Process:</p> <ul style="list-style-type: none"> • Plaza will handle all project inspections and all remaining rehabilitation disbursement. • Standard Renovation allows up to a maximum of 5 draws. • Limited Renovation provides for the release of the final 50% of renovation funds in a single draw after all work has been completed. • Draws will be advanced after work has been complete and verified by an inspection. • Draws will not be approved for work that is not yet complete, including materials not yet installed. • Lien Waivers or title insurance endorsements must be provided at the time of each draw. • The borrower must provide written approval of payment prior to each draw payment. Funds will be made available via a two-party check payable to the borrower and contractor. • A 10% percent holdback is required on each draw release. The total of all holdbacks may be released only after the final inspection and issuance of the Final Release Notice is received from borrower, HUD Consultant, and inspector as applicable. • Plaza will set up an interest-bearing repair escrow account which is insured by the FDIC, to fund the remaining disbursement. Any interest earned is applied as a principal reduction to the loan.
Self-Help	Self-Help is not allowed.
HUD Consultant	<ul style="list-style-type: none"> • Standard Renovation requires the use of a HUD approved HUD Consultant. The Consultant will perform a thorough inspection of the property and prepare a detailed Work Write-Up (WWU) of the work to be repaired and include estimated costs for labor and materials and associated fees that are customary and typical for the area. This write-up will be used to obtain cost estimates from contractors. • A borrower may use a HUD Consultant on a Limited Renovation but it is not required. If a HUD Consultant is used on a Limited Renovation the cost may be included in the loan amount, LTV permitting.
Temporary Buydowns	<p>Temporary Buydowns are eligible subject to the following:</p> <ul style="list-style-type: none"> • 2-1 and 1-0 buydowns are offered • Purchase transactions only • Qualify at the note rate • Buydown Agreement must be included in the loan file

Product Name	Product Code	Available Term in Months
USDA Rural Housing Renovation Standard 30 Yr Fixed	USDARH30K	360
USDA Rural Housing Renovation Limited 30 Yr Fixed	USDARH30KS	360
USDA Rural Housing Renovation Standard 30 Yr Fixed w/2-1 Buydown	USDARH30KBD21	360
USDA Rural Housing Renovation Standard 30 Yr Fixed w/1-0 Buydown	USDARH30KBD10	360

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