



USDA GUARANTEED RURAL HOUSING PRODUCT MATRIX

All loans must be eligible for guarantee by USDA, meet Brokers Choice requirements, and be eligible for GNMA.

USDA SINGLE FAMILY HOUSING GUARANTEED LOAN PROGRAM (SFHGLP) PRODUCTS OWNER-OCCUPIED, PRINCIPAL RESIDENCE, SINGLE UNIT ONLY

LOAN PURPOSE	MAX LTV/CLTV %	MIN CREDIT SCORE	MIN LOAN AMT	MAX LOAN AMT	HIGH BALANCE MIN	HIGH BALANCE MAX
PURCHASE	100/100	600	\$50,000	FNMA LIMITS	FNMA LIMIT +\$1	USDA HAS NO PUBLISHED MAX LOAN AMOUNT*
RATE/TERM REFI	100/100	600				
STREAMLINE REFI	105/105	620				

* Maximum loan amount is constrained by market value, maximum allowable annual income at product max DTI, and transaction type ([7 CFR 3555.103](#))

PRODUCT OFFERINGS	USDA MATRIX NOTES
30 YR FIXED	<ul style="list-style-type: none"> Calculate LTV/CLTV using the base loan amount (excluding upfront guarantee fee). LTV may exceed 100% of appraised value only to include the upfront guarantee fee. LTV/CLTV max of 90% or identity of interest and non-arm's length transactions. An appraisal product is required on Streamline Refinance transactions.
30 YR STREAMLINE	
Nonstandard terms available	

USDA SFHGLP PROGRAM OVERVIEW

All loans must be eligible for and guaranteed under the USDA SFHGLP. USDA requires that to be eligible for this income and property restricted program, borrowers must:

- Be U.S. Citizens or Qualified Aliens
- Occupy subject property as primary residence
- Purchase a property that meets [USDA Section 502](#) criteria
- Not exceed the adjusted annual household income threshold for the state and county where the dwelling is located (*HB-1-3555 CH 9.2*)
- Not have been suspended or debarred from federal program participation (SAM)
- Not qualify for conventional credit per *Section 3555 151(e)(4) and (j)*, and *HB-1-3555 CH 8.2B. Obtaining Credit*. (see [General Eligibility Requirements](#))
- For any guideline not addressed in this product description, please refer to *HB-1-3555*, including all Appendix

USDA and GNMA seasoning requirements apply for Streamlined Refinance transactions. (see [Loan Purpose – Refinance \(Streamline\)](#))

2025 CONFORMING LOAN LIMITS

UNITS	GENERAL LIMITS	HIGH COST LIMITS	AK, GUAM, HI, U.S. VIRGIN ISLANDS
1	\$806,550	\$1,209,750	\$1,209,750



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TOPICS	GUIDELINES/OVERLAYS
Age of Credit and Loan Documents	<ul style="list-style-type: none"> • BCM does not have a document expiration overlay to USDA guidelines; underwriting has discretion to condition for updated credit docs when needed to support approval decision. • USDA requires all credit docs to be dated within 120 as of loan closing (date of the NOTE)
Appraisals	<ul style="list-style-type: none"> • Appraisal Age: Appraisal must have been completed within 150 days of loan closing. An appraisal older than 150 days prior to closing is eligible for an appraisal update. • Appraisal Form: For all transactions other than Streamline Refinance transactions, a full appraisal report must be completed using the appropriate form: <ul style="list-style-type: none"> ○ One-Unit Single Family Dwelling: Uniform Residential Appraisal Report (FNMA Form 1004/FHLMC Form 70) ○ Condominium: Uniform Residential Appraisal Report for Individual Condominium Unit (FNMA Form 1073/FHLMC form 465) • Appraisal Photo Requirements: Color photos of front, rear, street scene showing neighborhood improvements and location of the subject property, kitchen, living room, condo common areas HB-1-3555 CH 12.5 B. Appraisal Report. • Appraiser Eligibility: The appraiser must be an approved BCM appraiser. • Appraiser/Client Confidentiality: Under USPAP Ethics Rules, appraiser may not discuss the appraisal with anyone other than the client without the client’s permission. It is recommended, but not required that USDA/RD is identified as an intended user with the lender in the appraisal report obtained HB-1-3555 CH 12.5 B. Appraisal Report. • HUD MPR: Existing dwelling must be inspected to determine whether the property meets the current minimum property requirements (MPR) per FHA Single Family Handbook 4000.1, or as superseded by HUD, and the appraiser must certify that the property meets the requirements and standards of the Handbook, HB-1-3555 CH 12.9A. • Property Flipping: Lender is responsible for ensuring any recently sold property’s value is strongly supported when a significant increase between sales occurs by performing a thorough review of the appraisal report to validate and support the property’s value and protect the applicants from possible predatory real estate lending HB-1-3555 CH 12.5 B. Appraisal Report. • Private Streets, Roads, or Shared Driveways: These must have a permanently recorded easement or be owned and maintained by a Homeowners Association (HOA). All evidence of recorded easements or maintenance agreements must be reviewed and approved by the approved lender’s underwriter and documented in the lender’s permanent loan file HB-1-3555 CH 12.7 Street Access and Road Maintenance. • Streamlined Refinance Transactions: Streamlined Refinance transactions require a valuation product. (see Loan Purpose for requirements.) • Valuation Approach Requirements: The market or sales comparison is required for all appraisals. The cost approach may be completed at the appraiser or lender’s request. The requirements for estimated reproduction cost and estimated replacement cost for a dwelling less than one year old are removed HB-1-3555 CH 12.5 B. Appraisal Report.

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TOPICS	GUIDELINES/OVERLAYS
Assets and Reserves	<ul style="list-style-type: none"> • 1031 Tax Deferred Exchange: Proceeds from 1031 Tax Deferred Exchanges are NOT an eligible source of funds. • Assets not considered cash equivalents for “Annual” program qualifying purposes, see HB-1-3555 CH 8.2.B. Obtaining Credit. • Gift funds are eligible for funds to close, but not eligible for reserves. Gifts of equity, sweat equity, and rent credits are not eligible sources of funds. HB-1-3555 Attachment 9-A Income and Documentation Matrix • See Assets and Reserves sections in HB-1-3555 and Attachment 9-A for individual asset types and options for documentation and verification.
Borrower Eligibility	<ul style="list-style-type: none"> • General Requirements: All borrowers must meet USDA borrower eligibility requirements (HB-1-3555 CH 1.2.C. and HB-1-3555 CH 8.2), including: <ul style="list-style-type: none"> ○ USDA requires borrowers to be U.S citizens ○ Permanent residents and non-permanent residents are temporarily ineligible ○ Corporation, Limited Liability Company (LLC), Partnership or other Business Entity are <u>not</u> eligible (HB-1-3555 CH 1.2.C., also see Trusts) ○ Loans with co-signers and non-occupant co-borrowers are not permitted (HB-1-3555 CH 9.8); applicants must personally occupy the dwelling as a principal residence (HB-1-3555 CH 8.2.C and 7.C) ○ For military discharge requirements, see Occupancy ○ Non-purchasing Spouse, see Credit Requirements ○ Borrowers who own another dwelling, see Occupancy ○ Primary Applicant: The highest wage earner does not have to be the primary applicant (HB-1-3555 CH 10.7.A) ○ Also see, General Eligibility Requirements • BCM Requirements: <ul style="list-style-type: none"> ○ All borrowers must have a valid SSN ○ Maximum of four borrowers per loan



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<p>Closing Costs, Fees, Interested Party Contributions, and Points</p>	<ul style="list-style-type: none"> • Closing Costs, Discount Points, Fees, and Points: May not exceed restrictions per HB-1-3555 CH 6.2.C (Reasonable and Customary Expenses Associated with the Purchase of an Existing Dwelling or New Construction) for Purchase or HB-1-3555 CH 6.3 Prohibited Loan Purpose, Closing Costs for all transactions. <ul style="list-style-type: none"> ○ Lender fees and charges must meet the points and fees limits published by the Consumer Financial Protection Bureau (CFPB) in the Federal Register are 12 CFR 1026.43(e)(3) and cannot exceed those charged other applicants by the lender for similar transactions such as FHA-insured or VA-guaranteed first mortgage loans, HB-1-3555 CH 6.2.C ○ SFHGLP upfront guarantee and annual fee are not included in lender fees and charges calculation of allowable points and fees under 12 CFR 1026.43(e)(3) and HB-1-3555 CH 6.2.C • Property Seller or other interested party contributions toward closing costs are limited to six percent (6%) of the sales price and must represent an eligible loan purpose in accordance with HB-1-3555 CH 6.3. <ul style="list-style-type: none"> ○ Closing costs and/or prepaid items paid by the lender by premium pricing are not included in the seller contribution limitation ○ Fees toward the applicant's cost to close such as real estate commission or other typical fees paid by the property seller or other interested party under local, state law, or local custom, are not considered in the maximum contribution calculation (HB-1-3555 CH 6.3 Prohibited Loan Purposes, Seller Contributions)
<p>Compliance, High Costs Loan, Qualified Mortgage (QM)</p>	<ul style="list-style-type: none"> • Loans exceeding any applicable federal, state, or municipal High Cost limits (HOEPA) are not eligible. • Loans must be Qualified Mortgage (QM), Safe Harbor, or Rebuttable Presumption; USDA provides a definition of QM in 7 CFR 3555.109 Qualified Mortgage. • Rebuttable Presumption QM USDA loans are eligible if they meet USDA requirements and applicable law.
<p>Conditional Commitment Form RD 3555-18</p>	<ul style="list-style-type: none"> • All USDA guaranteed loans to be closed by BCM must be eligible for guarantee per USDA guidelines (HB-1-3555) in effect as of the date of the Conditional Commitment is issued.: <ul style="list-style-type: none"> ○ Provide a copy of the unexpired Conditional Commitment with conditions, requirements, and Lender Certification (or printed confirmation page for electronic loan closing submissions) ○ Comply with all conditions stated on the Conditional Commitment, including any attachments (HB-1-3555 CH 16.1) ○ Loan must close under the same terms as underwritten and approved for the Conditional Commitment (HB-1-3555 CH 16.1 – 16.2) or fall within tolerances established by HB-1-3555 CH 5.3G ○ The Conditional Commitment will expire 90 days from issuance, unless new construction is involved, HB-1-3555 CH 15.6A and CH 16.2 <p>(See also Guaranteed Annual Fee, Upfront Guarantee Fee, and Technology Fee)</p>

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Condominiums- Eligible	<ul style="list-style-type: none"> ● Condominium: Units located in a project approved or accepted by HUD/FHA, Fannie Mae, Freddie Mac, or VA are eligible for guarantee (HB-1-3555 CH 12.11.A). <ul style="list-style-type: none"> ○ Project must be reviewed to ensure compliance with HUD/FHA, Fannie Mae, Freddie Mac, or VA and certify documentation to support project approval or acceptable has been reviewed (HB-1-3555 CH 12.11.A3) ○ Compliance with the requirements must be indicated by stating the project classification on the Uniform Underwriting and Transmittal Summary (FNMA Form 1008/FHLMC Form 1077) ● Site Condominium: Project approval may not be required if they meet these criteria (HB-1-3555 CH 12.11.A2): <ul style="list-style-type: none"> ○ Single family totally detached dwelling encumbered by a declaration of condominium covenant or condominium form of ownership ○ The unit has no shared garage or any other attached buildings (i.e. archways, breezeways) ○ The condominium unit consists of the entire structure, site and air space and is not considered to be common areas or limited common areas ○ The following documentation must be in the loan file delivered to BCM: <ul style="list-style-type: none"> ▪ Appraisal data collected on Individual Condominium Unit Appraisal Report (Fannie Mae Form 1073) ▪ Condominium Rider (Form RD 3550-10) ▪ Insurance, hazard insurance policy and flood insurance policy, if applicable, and maintenance costs will be the responsibility of the unit owner ● Planned Unit Development (PUD): Loans may be guaranteed for PUD single family dwellings the same as for single family dwellings not in a PUD (HB-1-3555 CH 12.11 B) ● Ineligible Condominium Project Characteristics: (HB-1-3555 CH 12.11.A.1)
Condominiums (NOT Eligible)	<p>Condominiums listed here are ineligible:</p> <ul style="list-style-type: none"> ● Common interest apartment or community apartment projects: Any project or building that is owned by several owners as tenants-in-common or by a HOA in which individuals have an undivided interest in a residential apartment building and land and have the right of exclusive occupancy of a specific apartment in the building ● Condominium hotel or condotel ● Condominium project for which the owner’s association is named a party to current litigation or for a project that has not been turned over to the association for which the project sponsor or developer is named a party to current litigation ● Condominium Project that has any units less than 400 Sq. Ft ● Condominium project with non-incidentual business operations owned or operated by the owners’ association such as a restaurant, spa, health club, etc. <p style="text-align: right;"><i>(Continued)</i></p>



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Condominiums (NOT Eligible) <i>(Continued)</i>	<ul style="list-style-type: none"> • Condominium that represents a legal but non-conforming use of the land, if zoning regulations prohibit rebuilding the improvements to current density in the event of their full or partial destruction • Cooperative ownership (Co-Op) • Houseboat Project • Investment Securities: A project in which ownership is characterized or promoted as an investment opportunity; and/or projects that have documents on file with the Securities and Exchange Commission • Manufactured Home/Manufactured Housing/Manufactured Home Condominium Project (MHCP) • Multi-dwelling Unit condominium that permits an owner to hold title to more than one dwelling by a single deed and mortgage • New condo project where seller concessions are not disclosed on the settlement statement and/or are being offered in excess of Agency guidelines • Timeshare
Credit Eligibility	<ul style="list-style-type: none"> • Delinquent non-tax federal debt and delinquent court-ordered child support will render an applicant ineligible. • CAIVRS response for all applicants must be “A” for applicants to be eligible for a guaranteed loan.
Credit Requirements (HB-1-3555 CH 10 Credit Analysis)	<ul style="list-style-type: none"> • Credit Report Expiration: Credit reports must not be more than 60 days old at the time of closing. • Credit Report Type: RMCR credit report or traditional tri-merge is required for each borrower. BCM does not accept a Non-Traditional Merged Credit Report (NTMCR). • GUS Accept loans do not require Credit Score Validation • Acceptable Tradelines: A minimum of two eligible tradelines are required to validate the credit score; eligible tradelines include credit accounts (installment, revolving, etc.) with at least 12 months of repayment history reported on the credit report (HB-1-3555 CH 10.5) • USDA will not accept a credit score less than 600 under any circumstance. <ul style="list-style-type: none"> ○ GUS: <ul style="list-style-type: none"> ▪ GUS will determine the underwriting score and display it in the Credit Report section of the findings ▪ REMINDER: BCM does not offer manual underwriting on USDA loans at this time • Non-Purchasing Spouse (NPS) (HB-1-3555 CH 10.15, 10-18, CH 11.2B) Debts of a Non-Purchasing Spouse <ul style="list-style-type: none"> ○ If the property or applicant resides in a community property state, a credit report for the NPS must be obtained ○ All NPS debt must be included in the applicant’s debt ratio, except for those specifically excluded by state law, including collections (HB-1-3555-CH 10.9) ○ Credit history of the NPS is not a reason to deny the loan application <p style="text-align: right;"><i>(Continued)</i></p>



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<p>Credit Requirements (HB-1-3555 CH 10 Credit Analysis) (Continued)</p>	<ul style="list-style-type: none"> ○ Community property states include: AZ, CA, ID, LA, NV NM, TX WA, and WI; AK is an opt-in community property state (where property is separate unless both parties agree to make it community property through a community property agreement or community property trust) ○ If NPS liabilities are included in the GUS decision, and GUS Accept is received, downgrade is not automatically required (HB-1-3555 CH 10.15 Non-Purchasing Spouse Credit) ● Non-traditional Credit: BCM does not accept non-traditional credit. ● Recent or Undisclosed Debts: Accurate data entered in GUS is the lender’s responsibility; new installment or revolving accounts that are not reflected on the credit report in GUS must be manually entered on the Asset and Liabilities GUS application page. ● Resubmission Policy – Expired Credit Report – Conditional Commitment Issued: When a Conditional Commitment is issued by USDA and the credit report in GUS is expired, lender may pull a new credit report outside of GUS to ensure there are no new debts, new credit, increases in liability, etc. <ul style="list-style-type: none"> ○ If there are no changes, the issued Conditional Commitment shall remain valid: <ul style="list-style-type: none"> ▪ Release, correction, or resubmission is not required (HB-1-3555 CH 5.3M) ▪ See also Guaranteed Underwriting System (GUS) Findings and Underwriting Methodology ● Verification of Rent (VOR)/Mortgage History <ul style="list-style-type: none"> ○ GUS Accept: VOR/Mortgage History <u>not</u> required for GUS Accept loan; VOR not required if rent amount entered into GUS
<p>Credit Requirements – Major Derogatory Credit</p>	<p>Adverse Credit</p> <ul style="list-style-type: none"> ● Charge-off accounts: See Attachment 10-A <ul style="list-style-type: none"> ○ GUS Accept: Documented credit exception is <u>not</u> required. ● Collections: Non-medical collections totaling more than \$2,000 must be paid in full—OR—have a satisfactory payment arrangement documented in the file—OR—use 5% of the balance to qualify. Charge-offs and medical collections are not to be included in the total. <ul style="list-style-type: none"> ○ GUS Accept: All collections must be listed in GUS, except collections eligible for exclusion in the capacity analysis (HB-1-3555 CH 10.9); underwriter must evaluate collection accounts, document justification, and perform a capacity analysis. Borrower Letter of Explanation (LOE) is <u>not</u> required with GUS Accept (HB-1-3555 CH 10.9, Attachment 10-A) (Continued)



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<p>Credit Requirements – Major Derogatory Credit <i>(Continued)</i></p>	<ul style="list-style-type: none"> ● Consumer Credit Counseling Plan: <ul style="list-style-type: none"> ○ GUS Accept: Payments must be included in the debt-to-income ratio (DTI); written permission from the counseling agency and recommendation for approval must be documented (Attachment 10-A) ● Federal Debts and Judgements: Borrowers who are delinquent on federal debts, or if SFHGLP suffered any loss related to a previous loan (under most circumstances) may not be eligible for a guaranteed loan. <ul style="list-style-type: none"> ○ Recorded outstanding judgments obtained by the U.S. in a federal court (other than the U.S. Tax Court when a payment plan is underway), or any delinquent federal debt identified by CAIVRS will cause borrower to be ineligible until the federal debt is paid in full or satisfied (HB-1-3555, Appendix 7, HB-1-3555 CH 10.7, 10.8, 10.10, Attachment 10-A) ● Foreclosure or Deed-in-Lieu of Foreclosure: See Attachment 10-A (Appendix at rear of Chapter 10) ● Major Adverse Credit – No major credit events allowed within last 36 months <ul style="list-style-type: none"> ○ GUS Accept: <ul style="list-style-type: none"> ▪ Further documentation for Ch 7 or Ch 13 Bankruptcy is <u>not</u> required; however Ch 13 payments in progress must be included ▪ Credit Report and Declarations on the 1003 must accurately reflect the Bankruptcy ● Non-Federal Judgments: Open and unpaid non-federal judgments are ineligible. (HB1-3555 CH 10.7, 10.8, and 10.10) Exception: Non-federal judgments must be 1) paid in full, or 2) there must be a current three-month history of regular payments
<p>Debt-to-Income Ratio (DTI)</p>	<ul style="list-style-type: none"> ● Ratios are Determined by GUS findings Accept/Eligible ● BCM does not allow manual underwriting at this time. ● Purchase and Refinance: GUS files that receive an Accept or Accept Full Documentation underwriting recommendation do not require debt ratio waivers. ● OBLIGATIONS Included in DTI: Installment debt greater than 10 months (or payment does not exceed 5% of repayment income); revolving accounts with balances (use 5% if no payment); 30-day accounts (reference HB-1-3555); court ordered alimony/child support/garnishments (court decree required and must be current); student loans (see student loan section below); mortgage debt, business debt unless evidence paid through business with 12 months cancelled checks; NPS debt (community property State); ● OBLIGATIONS NOT Included in DTI: Obligations not considered or included in total debt-to-income ratio calculations include: Medical collections; Federal, state, and local taxes; Federal Insurance Contribution Act (FICA) contributions; Other retirement contributions such as 401(k) accounts, including the repayment of loans secured by 401(k) funds; Automatic deductions to savings accounts, mutual funds, stocks, bonds, certificates of deposit, including the repayment of loans secured by such funds; Collateralized loans secured by depository accounts; Utilities; Insurance, other than property insurance; Commuting costs; Union dues; Open accounts with zero balances; Child care; and Voluntary deduction <i>(Continued)</i>



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Debt-to-Income Ratio (DTI) <i>(Continued)</i>	<p>STUDENT LOANS: Lenders must include the required payment as applicable:</p> <ul style="list-style-type: none"> • Fixed payment loans: A permanent amortized, fixed payment may be used in the debt ratio when the lender retains documentation to verify the payment is fixed, the interest rate is fixed, and the repayment term is fixed. The fixed payment will fully amortize/pay in full the debt at the end of the term. • Non-Fixed payment loans: Payments for deferred loans, Income Based Repayment (IBR), Income Contingent (IC), Graduated, Adjustable, and other types of repayment agreements which are not fixed must use the greater of the following: <ol style="list-style-type: none"> 1. One half (.50) percent of the outstanding loan balance documented on the credit report or creditor verification, or 2. The current documented payment under the approved repayment plan with the creditor. • Student loans in the applicant’s name alone but paid by another party remain the legal responsibility of the applicant. The applicable payment must be included in the monthly debts • Student loans in a “forgiveness” plan/program remain the legal responsibility of the applicant until they are released of liability from the creditor. The applicable payment must be included in monthly debts
Deed Restrictions (Resale Deed Restrictions)	<ul style="list-style-type: none"> • Mortgage loans subject to resale deed restrictions, other than an acceptable Age Deed Restriction on a one-unit property for borrower’s principal residence are <u>not</u> eligible.
Disaster Policy	<ul style="list-style-type: none"> • BCM Requirements: <ul style="list-style-type: none"> ○ Disaster Inspection: Properties in a presidentially declared disaster area where individual assistance is granted in the property county require inspection, regardless of whether or not the loan program requires an initial appraisal ○ USDA Eligible: Properties located in an area designated by USDA as eligible for guarantee require inspection if in a presidentially declared disaster area where individual assistance is granted in the property county ○ USDA Streamlined Transaction: USDA streamlined transactions without appraisals with a Note date before the incident period end date, or for which an end date has not been declared, or loans with a Note date on or after the incident period end date require an inspection, including interior inspection, with photos • USDA Requirements: USDA requires that if a conditional commitment is issued and a natural disaster occurs in the area prior to loan closing or after loan closing but prior to signing the lender certification and submission of a closed loan package to USDA: <ul style="list-style-type: none"> ○ Lender must ensure the collateral, employment, and all documentation utilized to support the conditional commitment has sustained no adverse changes ○ Lender must ensure the collateral is secure before submitting the loan package to USDA [HB-1-3555-107(d), 107(i)(2)]



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TOPICS	GUIDELINES/OVERLAYS
Down Payment Assistance Program (DAP), Homebuyer Assistance Program (HAP), Housing Authority Subsidy, and Mortgage Credit Certificate (MCC)	BCM does not allow down payment assistance products combined with USDA products at this time
Electronic Signatures (eSignatures)	<ul style="list-style-type: none"> • The following mortgage loan documents may not contain eSignatures: <ul style="list-style-type: none"> ○ Note and Rider(s) to the Note ○ Notice of Right to Cancel ○ Power of Attorney ○ Security Instrument and Rider(s) to the Security Instrument ○ COVID -19 Temporary Attestation • Electronic Signatures must meet USDA requirements and applicable laws, including compliance with the ESIGN Act Policy on Use of Electronic Signatures; the E-Sign Act, Compliance and Technology
Escrow/Impounds	<ul style="list-style-type: none"> • Escrow/Impound Account: An escrow/impound account is required for all USDA guaranteed loans for payment of taxes and insurance premiums (unless otherwise prohibited by applicable law); USDA requires escrow accounts for collection of the monthly portion of the Guaranteed Annual Fee (HB-1-3555 CH 11.2A) • Established Data Tolerances: Lender is <u>not</u> required to update the Underwriting Analysis of a loan that has received a Conditional Commitment for Loan Note Guarantee when monthly tax and insurance payments increase but do not exceed the established thresholds (cumulative total of \$50); the threshold policy should not be construed to allow lender manipulation of escrow variables to obtain approvals (HB-1-3555 CH 5.3G) (see also Guaranteed Underwriting System (GUS) Findings and Underwriting Methodology – Established Data Tolerance)
Exclusionary Lists, CAIVRS, GSA (SAM Website)	<ul style="list-style-type: none"> • Appraiser Eligibility: Appraiser must be BCM approved. • CAIVRS: All obligors of the loan must be screened on CAIVRS, and CAIVRS alerts must be satisfactorily resolved and supporting documentation must be included in the loan file • GSA SAM: Lenders that utilize an automated method that creates a report, similar to a watch list, that performs a check of the SAM Website will meet SAM screening requirements (HB-1-3555 CH 8.2 E)

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TOPICS	GUIDELINES/OVERLAYS
Flood Insurance	<ul style="list-style-type: none"> • Existing and New Construction in a Special Flood Hazard Area (SFHA): If not served by a public sewer system with on-site septic or sewage treatment systems must have a drinking water supply that is protected from cross-contamination from the on-site septic/sewage treatment during flooding (HB-1-3555 CH 12.B) • Existing Homes in SFHA: Eligible under the SFHGLP only if flood insurance through FEMA’s National Flood Insurance Program (NFIP) is available for the community; NFIP, “Write-Your-Own,” or Private Flood Insurance policy meeting the requirements of 42 U.S.C. 4012a(b)(1)(A) must be in place at loan closing (HB-1-3555 CH 12.10B). • Flood Insurance Coverage: Policy must cover the lesser of the outstanding principal balance or the loan or the maximum amount of coverage allowed under FEMA’s NFIP. • Maximum Deductible: The deductible must not exceed the greater of \$1,000 or 1% of the face amount of the policy, or the minimum deductible offered by the borrower’s chosen insurance carrier. • New Construction in SFHA: Must meet requirements of HB-1-3555 CH 12.10B in order to be eligible for loan guarantee.
Guaranteed Annual Fee, Upfront Loan Guarantee Fee, and Technology Fee	<ul style="list-style-type: none"> • Annual Fee: The Guaranteed Annual Fee must be passed from the lender to the borrower and correctly calculated and disclosed (HB-1-3555 CH 16.5) <ul style="list-style-type: none"> ○ Monthly escrow is required for the annual fee (HB-1-3555 CH 11.2A) (see also Escrow/Impounds) ○ The monthly portion of the Guaranteed Annual Fee will be net funded at the time of loan funding by BCM ○ BCM will remit the escrowed annual fee when due and payable to USDA • Fee Structures Fiscal Year (FY) 2020-2021: Purchase and Refinance transactions: <ul style="list-style-type: none"> ○ Annual Fee: 0.35% of the average annual scheduled unpaid principal balance (UPB) ○ Upfront Guarantee Fee: 1% of the principal obligation ○ USDA LINC offers a fee calculator on its website (https://usdalinc.sc.egov.usda.gov/RHShome.do) • Technology Fee: USDA guaranteed loans submitted via GUS that are issued USDA Form RD 3555-18E Conditional Commitment on or after 01/01/2020 are subject to a one-time USDA \$25 Technology Fee, which must be remitted with the upfront guarantee fee (HB-1-3555 CH 16.6). This Technology Fee: <ul style="list-style-type: none"> ○ Can be included in the loan amount, subject to maximum loan-to-value (LTV) thresholds (HB-1-3555 CH 16.6) ○ When passed on to the consumer, the fee must be disclosed on the Loan Estimate (LE) and Closing Disclosure (CD) under <i>Services You Cannot Shop For/Services Borrowers Did Not Shop For</i>, and entitled USDA Technology Fee (HB-1-3555 CH 16.6B) ○ Upfront Loan Guarantee Fee: The Upfront Loan Guarantee Fee may be paid by the borrower or financed into the total loan amount (HB-1-3555 CH 16.4)

USDA GUARANTEED RURAL HOUSING PRODUCT MATRIX

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TOPICS	GUIDELINES/OVERLAYS
Guaranteed Underwriting System (GUS) Findings and Underwriting Methodology	<ul style="list-style-type: none"> • Established Data Tolerances: An updated underwriting analysis is <u>not</u> required if a loan file has received a Conditional Commitment for LNG when monthly tax and insurance payments increase but do not exceed the established thresholds. The threshold applies when an increase in monthly debt provided on the loan application at the time of Conditional Commitment differs from the amount recorded at loan closing, as follows(H-1-3555 CH 5.3.G): <ul style="list-style-type: none"> ○ A tolerance threshold has been established when an increase in monthly payments do not exceed a cumulative total of \$50 (examples of these debts include installment loans, revolving credit, real estate taxes, homeowner’s insurance premiums) ○ The threshold policy should not be construed to allow lender manipulation of escrow variables to obtain approvals ○ (See also: Escrows/Impounds – Established data Tolerance and Interest Rate) • Downgrade from GUS Accept to Refer: Loan <u>not</u> eligible. Examples of issues that must result in a downgrade include: <ul style="list-style-type: none"> ○ Unable to validate credit score ○ Disputed account ○ Authorized user accounts that do not meet criteria (HB-1-3555 CH 10.12) ○ Potential derogatory or contradictory information ○ Pre-foreclosure sale within the last three years (HB-1-3555 CH 10.7B) • GUS Refer with Caution: Loan <u>not</u> eligible.
Homeownership Counseling	<ul style="list-style-type: none"> • Certain USDA Rural Development state offices require Homeownership Counseling for first-time homebuyers; proof of borrower’s homebuyer education completion is required (if applicable).
Identity of Interest	<ul style="list-style-type: none"> • Maximum 90% LTV/CLTV (before Guarantee Fee) for USDA Identity of Interest and Non-Arm’s Length transactions.
Income Analysis: Annual Income, Adjusted Annual Income, and Repayment Income	<ul style="list-style-type: none"> • Adjusted Annual Income: Calculated by subtracting eligible deductions [per HB-1-3555.152(c)] from the annual income figure (HB-1-3555 CH 9.5) <ul style="list-style-type: none"> ○ Household Eligibility for the USDA Guaranteed Loan is determined using the Adjusted Annual Income ○ Certification household Adjusted Annual Income threshold (limit) is not exceeded per the state and county where the dwelling is located is required (HB-1-3555 CH 9.2) • Annual Income: Calculated for the ensuing 12 months, based on income verification, documentation, and household composition (HB-1-3555 CH 9.3): <ul style="list-style-type: none"> ○ Annual Income includes all eligible income sources from all adult household members, not just parties on the Note (see CH 9.3 for full-time student income specifications) ○ Annual Income for the household is used to calculate the Adjusted Annual Income: <ul style="list-style-type: none"> ▪ Annual income calculation must be logical and based on income history, and documentation provided <i>(Continued)</i>



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TOPICS	GUIDELINES/OVERLAYS
<p>Income Analysis: Annual Income, Adjusted Annual Income, and Repayment Income <i>(Continued)</i></p>	<ul style="list-style-type: none"> ▪ Ensuing 12-month calculation is based on income verifications, documentation, household composition, and (if applicable) verified changes of income amounts or sources in the ensuing 12 months) ▪ Income sources that will not be received for the entire ensuing 12 months are included in annual income unless excluded under 3555.152(b)(5) ▪ Form RD 3555-21 must state income source, number of months receipt remaining for the ensuing 12-month period, and the total amount to be received • Income Analysis: BCM must confirm applicants and households meet eligibility criteria for SFHGLP, and must calculate and document Annual Income, Adjusted Income, and Repayment Income (HB-1-3555 CH 9.1) • Repayment Income: This calculation determines if the applicant(s) has/have sufficient income to repay the mortgage in addition to recurring debts; repayment income calculations often differ from the calculation of annual and adjusted annual income (HB-1-3555 CH 9.7) • Significant variance (increase or decrease of 20% or greater) in income from the previous 12 months must be analyzed and documented to determine “stable and dependable” income
<p>Loan Purpose – Purchase</p>	<ul style="list-style-type: none"> • USDA Restrictions: Purchase Transactions must meet applicable USDA restrictions of HB-1-3555 CH 6 Loan Purposes, including: <ul style="list-style-type: none"> ○ Closing costs may be financed when there is equity above the contract price ○ Financed discount points must reduce the effective interest rate (HB-1-3555 CH 6.3 Prohibited Loan Purposes) • BCM LTV/CLTV Limits apply (see Matrix on Page 1 of this Guide) • State and Geographic Restrictions apply (see State and Geographic Restrictions)
<p>Loan Purpose – Refinance (General Requirements)</p>	<ul style="list-style-type: none"> • Interest Rate: Interest Rate of the new loan must be fixed and may not exceed the interest rate of the loan being refinanced (HB-1-3555 CH 6.2E.2) • Term: 30-Year loan term required • Unpaid Fees, past due interest, and late fees/penalties due to the servicer cannot be included in the new loan amount • Refinance Types: (HB-1-3555 CH 6.2E Refinance, CH 6.3 Prohibited Loan Purposes) <ul style="list-style-type: none"> ○ Eligible Refinance Types: <ul style="list-style-type: none"> ▪ Non-Streamline Refinance ▪ Streamline Refinance ○ Ineligible Refinance Transactions: (See also: Product and Program Eligibility) <ul style="list-style-type: none"> ▪ Refinance of certain Construction financing types, including site without dwelling refinance ▪ Refinance of Existing Section 502 Direct Loan (including Section 502 Leveraged Loan) ▪ Streamline-Assist Refinance Transaction

(Continued)



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TOPICS	GUIDELINES/OVERLAYS
Loan Purpose – Refinance (General Requirements) <i>(Continued)</i>	<ul style="list-style-type: none"> • Seasoning: The existing USDA loan being refinanced must have closed 180 days prior to the request for Conditional Commitment and may not have a delinquency greater than 30 days within the 180 day period. • For Refinance Transactions in Texas, also see Loan Purpose – Refinance (Texas) (See also: State and Geographic Restrictions .)
Loan Purpose – Refinance (Non-Streamline Rate and Term)	<ul style="list-style-type: none"> • Non-Streamline Rate and Term Refinance: Must meet the refinance requirements in Loan Purpose – Refinance (General Requirements); and: <ul style="list-style-type: none"> ○ Appraisal: New appraisal is required ○ BCM LTV/CLTV Limits apply (see Matrix on Page 1 of this Guide) ○ Loan Amount: Maximum loan amount may not exceed the new appraised value, with the exception of the Upfront Guarantee Fee; items eligible to be financed up to the new appraised value include the principal and interest of the existing loan, reasonable and customary closing costs, and funds necessary to establish a new tax and insurance Escrow Account
Loan Purpose – Refinance (Streamline)	<ul style="list-style-type: none"> • Streamline Refinance: Must meet the refinance requirements in Loan Purpose – Refinance (General Requirements); and: <ul style="list-style-type: none"> ○ Appraisal: A valuation product must be provided to support a value that results in an eligible LTV/CLTV <ul style="list-style-type: none"> ▪ Acceptable AVM: An acceptable Automated Valuation Model (AVM), such as CoreLogic, or Freddie Mac HVE with standard deviation of .20 or less, or ▪ Exterior Only Appraisal: Such as 2055E or applicable alternative, or ▪ Full Appraisal, including interior inspection ○ BCM LTV/CLTV Limits apply (see Matrix on Page 1 of this Guide) ○ Loan Amount: Maximum loan amount may include the principal and interest of the existing loan, reasonable and customary closing costs, and the Upfront Guarantee Fee ○ Seasoning: In addition to USDA seasoning requirement, GNMA seasoning requirements must be met: (APM 17-06); <ul style="list-style-type: none"> ▪ The borrower has made at least 6 consecutive monthly payments on the loan being refinanced (cannot prepay) Referred to hereinafter as the initial loan, beginning with the payment made on the first payment due date AND ▪ The first payment due date of the refinance occurs no earlier than 210 days after the first payment due date on Initial loan
Loan Purpose – Refinance (Texas)	<ul style="list-style-type: none"> • Texas Refinance restrictions apply: <ul style="list-style-type: none"> ○ Texas (a)(6) Cash-out: <u>Not</u> eligible under BCM USDA programs ○ Texas (f)(2): <u>Not</u> eligible for USDA Streamline Refinance transactions <ul style="list-style-type: none"> ▪ Texas SJR allows refinance of a home equity loan (a)(6) as a Rate and Term Refinance Transaction (f)(2) provided certain conditions are met <p style="text-align: right;"><i>(Continued)</i></p>



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TOPICS	GUIDELINES/OVERLAYS
<p>Loan Purpose – Refinance (Texas) <i>(Continued)</i></p>	<ul style="list-style-type: none"> ▪ Non-Streamlined Rate and Term USDA Refinance, Texas (f)(2) are eligible, subject to meeting requirements of the Texas Constitution, including: <ul style="list-style-type: none"> ♦ Refinance Loan is closed at least one year after the (a)(6) Home Equity Loan was closed ♦ Funds: No additional funds are advanced other than funds to refinance the existing debt, actual closing costs, and required reserves (Rate and Term) ♦ LTV/CLTV/HLCTV: Transaction cannot exceed 80% LTV/CLTV/HCLTV of the fair market value of the subject property ♦ Disclosure Notice: A 12-day notice [(f)(2) Disclosure] informing the borrower of their rights associated with an equity or non-equity home loan is required; the Disclosure must be delivered or placed in the mail no later than 3 business days after an owner submits an application specifically for an (f)(2) loan, and at least 12 days prior to loan closing ○ Borrower Affidavit: The loan file must contain a separate affidavit signed by the owner acknowledging that requirements of Texas Section 50(f)(2) have been met
<p>Occupancy</p>	<ul style="list-style-type: none"> • Owner-Occupied: Borrower(s) must occupy the property within 60 days after signing the security instrument (with some exceptions for servicemembers and students (HB-1-3555 CH 8.3)) • Additional Real Estate Owned: A borrower may own another dwelling if USDA requirements (HB-1-3555 CH 8.2 Owning a Dwelling) are met, including: <ul style="list-style-type: none"> ○ Current dwelling is not financed by Section 502 or 504 or an active RD grant, and ○ Borrower only owns one other home and qualifies for both the owned home and the one for which they are applying, and ○ Borrower will occupy the USDA Guaranteed home throughout the term of the loan, and ○ Documentation in the file indicates the current home no longer meets applicant’s needs (for acceptable significant status changes, see HB-1-3555 CH 8.2); Overcrowding is defined as more than 1.5 residents per room (excluding kitchen and bathrooms) • Active Duty Military Applicants: Military applicants must express intent to meet occupancy requirements upon discharge; if they cannot occupy because they are on active duty they will qualify if their family will continue to occupy the property as their principal residence (HB-1-3555 CH 8.2B Obtaining Credit).

USDA GUARANTEED RURAL HOUSING PRODUCT MATRIX

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TOPICS	GUIDELINES/OVERLAYS
Power of Attorney (POA)	<p>A Power of Attorney (POA) may be used when the loan file documentation verifies that the following applicable requirements have been satisfied:</p> <ul style="list-style-type: none"> • Any specific or general POA must comply with state law and allow for legal enforcement of the mortgage note. • For military personnel, a POA may only be used for one of the applications (initial or final), but not both: <ul style="list-style-type: none"> ○ when the service member is on overseas duty or on an unaccompanied tour; ○ when unable to obtain the absent borrower’s signature on the application by mail or via fax; and, ○ where the attorney-in-fact has specific authority to encumber the property and to obligate the borrower. <p>Acceptable evidence includes a durable POA specifically designed to survive incapacity and avoid the need for court proceedings. HB-1-3555 (03-09-16) SPECIAL PN 16-3 Revised (01-15-20) PN 533</p> <ul style="list-style-type: none"> • For incapacitated borrowers, a POA may only be used where: <ul style="list-style-type: none"> ○ a borrower is incapacitated and unable to sign the mortgage application; ○ the incapacitated individual will occupy the property to be guaranteed; and, ○ the attorney-in-fact has specific authority to encumber the property and to obligate the borrower. Acceptable evidence includes a durable POA specifically designed to survive incapacity and avoid the need for court proceedings. <p>Electronic signatures in accordance with the conditions outlined in Chapter 15 of HB-1-3555</p>
Product Feature NOT Eligible	<ul style="list-style-type: none"> • Ineligible Products and Programs <ul style="list-style-type: none"> ○ Refinance and existing-construction TX loans, unless all improvements and inspections have been completed and escrow holdback funds are disbursed ○ Interim Construction Financing, Construction Loans, Single-Close Construction Loans, Combination Construction to Permanent and Construction Loan Modifications (Note: Construction to Permanent refinancing of a construction loan may be eligible if the loan meets all of the following: 1) Property is complete, 2) Separate documentation, 3) New qualification, 4) new underwrite and new Note, 5) new disclosures and security instrument, and 6) loan meets all other applicable guidelines) ○ Construction and/or Land Loans or Land Sale Contracts ○ Energy Efficient Mortgages (EEMs) and Rural Energy Plus ○ Farm Residence Loans ○ Loans for Tribal (Native Americans Trust) Lands ○ Manufactured Homes and Manufactured Home Products and Programs (see Property Types)

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TOPICS	GUIDELINES/OVERLAYS
Property Type and Condition	<ul style="list-style-type: none"> • General Property Requirements: <ul style="list-style-type: none"> ○ Income-producing Properties that do not meet USDA Rural Development requirements are not eligible; indications that a property may be income-producing include but are not limited to dairy farms, grain bins, hog barns, multiple equestrian stables, and silos <ul style="list-style-type: none"> ▪ See HB-1-3555 CH 12 for income-producing land and buildings, acreage requirements and non-tillable (farm) limits ○ Modular Homes are sectional prefabricated houses that consist of multiple modules or sections which are typically manufactured in a remote facility and delivered to their site of intended use; permanent on-frame homes do not meet the definition of modular homes (HB-1-3555 CH 13, §3) <ul style="list-style-type: none"> ▪ Existing modular homes must meet the inspection requirements outlined in HB-1-3555 CH 12.9A ▪ New modular homes are treated as stick-built housing and follow requirements outlined in HB-1-3555 CH 9B; construction take-out product limitations apply (see also: Product and Program Eligibility) ○ New Construction: Must meet minimum required plan certification, inspections, and warranty document requirements (HB-1-3555 CH 12.9B New Dwellings) <ul style="list-style-type: none"> ▪ New home purchase transactions that cannot meet the minimum requirements are limited to a 90% maximum LTV (lender may loan the one-time upfront guarantee in addition to the 90% LTV) ▪ New construction and construction take-out product limitations apply (see Product and Program Eligibility) ○ Properties in Disaster Areas: Properties located in an area designated by USDA as eligible for guarantee by virtue of being in a disaster area must still meet BCM Disaster Policy and Escrow Holdback requirements ○ Purchase Transaction: Must be located in an area designated acceptable by Rural Housing ○ Refinance Transaction: Permitted from properties in areas that were determined to be non-rural after the existing loan was made; for loans in an area in which the designation changed from rural to non-rural (HB-1-3555 CH 12.3.C, PN 513) ○ Site Value: See HB-1-3555 CH 12 and related sections ○ Standards: Properties must meet the standards in HB-1-3555 CH 12
Property Type NOT Eligible	<ul style="list-style-type: none"> • Ineligible Property Types: <ul style="list-style-type: none"> ○ Assisted Living or Board and Care Facility ○ Bed and Breakfast ○ Boarding House ○ Commercial Enterprise ○ Condition: Property rating of C5, C6, and Q6 not allowed unless issues that caused the ratings are cured prior to closing ○ Condominium, Condotel, and other Ineligible Condo Projects (see Condominiums) <p style="text-align: right;"><i>(Continued)</i></p>

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TOPICS	GUIDELINES/OVERLAYS
Property Type NOT Eligible <i>(Continued)</i>	<ul style="list-style-type: none"> ○ Construction: Single close construction, loan transaction or loan where modification to the original Note is elected (HB-1-3555 CH 6) (see Product and Program Eligibility) ○ Co-op ○ Exotic or Non-traditional structure, such as dome or log home ○ Hawaii Property in Lava Zone 1 or 2 ○ Houseboat ○ Income-producing Property ○ Land Loan, Unimproved or Vacant Property (Site without a Dwelling) ○ Manufactured Home, Mobile Home, and On-frame Modular Home are not eligible (even if eligible for USDA Guarantee) ○ Native American Indian Trust, Tribal Land Loan ○ Working Farm or Ranch <p>(See also: Product and Program Eligibility, and State and Geographic Restrictions.)</p>
Purchase Contract Assigned	<ul style="list-style-type: none"> ● Transactions with purchase contracts that have been assigned are not eligible
Subordinate Financing/Junior Lien	<ul style="list-style-type: none"> ● All Jr. Liens must be paid off through transaction ● New subordinate financing is not eligible
State and Geographic Restrictions	<ul style="list-style-type: none"> ● Ineligible for USDA Guarantee Loan: <ul style="list-style-type: none"> ○ Hawaii Lava Zone 1 or 2 property ○ New Jersey 2—4 Unit property ○ New York property ○ U.S. Territory or U.S. Possession Property ○ See Product and Program Eligibility
Tax Transcripts and 4506-T	<ul style="list-style-type: none"> ● IRS Transcripts are required for all applicable household members, in addition to documentation source options in HB-1-3555 Attachment 9A, HB-1-3555 CH 9.3E <ul style="list-style-type: none"> ○ Form 4506-T: Each adult household member, as applicable, must complete and sign an IRS Form 4506-T for the previous two tax years at the time of loan application (see HB-1-3555 CH 9.3 for Full-time Student requirements); the 4506-T must request full transcripts with all schedules ○ Transcript Unavailable: If transcripts not available from the IRS for an applicant or required household member, document explanation and correspondence to and from the IRS in the permanent file to support transcript omission <ul style="list-style-type: none"> ▪ Failure to File tax returns when legally required to do so is <u>not</u> an eligible explanation <i>(Continued)</i>



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TOPICS	GUIDELINES/OVERLAYS
Tax Transcripts and 4506-T <i>(Continued)</i>	<ul style="list-style-type: none"> ▪ No SSN: An adult household member that does not have a Social Security Number, ITIN, or other identification to confirm they are legal U.S. residents to enable the lender to submit a 4506-T request may render the application ineligible; if required documentation cannot be confirmed, the lender will be unable to submit a complete loan application to USDA (BCM requires a SSN for all borrowers) (See also: Borrower Eligibility .)
Title Policy and Tax Payments	<ul style="list-style-type: none"> • A title policy ensuring the Lender is in first lien position and applicable endorsements are required for all loans. • Short form policy is acceptable on a refinance if provided through the original title company.
Trusts	<ul style="list-style-type: none"> • Only an Inter Vivos Revocable Living Trust acceptable to USDA and BCM is eligible; other trust types are <u>not</u> eligible. • Documents for loans where title is taken in a trust <u>cannot</u> be signed with a Power of Attorney.
Water, Well, and Wastewater System	<ul style="list-style-type: none"> • Private Well and Wastewater System that meets requirements of FHA SF Handbook or meets requirements of local and/or state health authority do not require additional inspections other than water purity tests. (HB-1-3555 CH 12.6 Water and Wastewater Disposal Systems)



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USDA FREQUENTLY USED ONLINE REFERENCE MATERIALS (INTERNET HYPERLINKS)	
CAIVRS	https://entp.hud.gov/caivrs/public/home.html
Guaranteed Rural Housing Loan Program Forms	https://www.reginfo.gov/public/do/PRAViewIC?ref_nbr=201206-0575-004&icID=36933
Guaranteed Underwriting System (GUS)	https://www.eauth.usda.gov/Login/login.aspx
HUD SF Handbook 4000.1	https://www.hud.gov/program_offices/housing/sfh/handbook_4000-1
SAM (System for Award Management)	https://www.sam.gov/SAM/
USDA LINC (Lender Interactive Network Connection)	https://usdalinc.sc.egov.usda.gov/RHShome.do
USDA RD Eligibility	https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do
USDA Rural Development Directives	https://www.rd.usda.gov/resources/directives
Administrative Notices	https://www.rd.usda.gov/resources/directives/administrative-notices
Bulletins	https://www.rd.usda.gov/resources/directives/bulletins
Electric Sample Documents	https://www.rd.usda.gov/resources/directives/electric-sample-documents
Form Letters	https://www.rd.usda.gov/resources/directives/form-letters
Guide Letters	https://www.rd.usda.gov/resources/directives/guide-letters
Handbooks	https://www.rd.usda.gov/resources/directives/handbooks
Information Publications	https://www.rd.usda.gov/resources/publications
Instructions	https://www.rd.usda.gov/resources/directives/instructions
Procedure Notices	https://www.rd.usda.gov/resources/directives/procedures-notices
Significant Guidance Documents	https://www.rd.usda.gov/resources/directives/significant-guidance-documents
Unnumbered Letters	https://www.rd.usda.gov/resources/directives/unnumbered-letters