

OVERVIEW

The *Within Reach*TM USDA Down Payment Assistance Program (DAP) is a competitively priced government loan program that does not require a minimum down payment from the homebuyer(s), exclusively offered from Land Home Financial Services, Inc. (LHFS). *Within Reach*TM provides your borrower(s) with a 3% DAP.

Effective for all loans locked on or after 12/1/2018, the program will change from a grant to a down payment assistance program. This home loan program is a purchase money first lien mortgage with down payment assistance in the form of a subordinate soft second lien with a 3-year term, forgiven at 1/36TH of the loan repayment amount for each full calendar month over a 3-year period, for purchase buyers on their primary residence. Borrower(s) must remain current on their mortgage for the second mortgage to be forgiven.

The DAP should be ran through AUS as a second mortgage without a required payment. The dollar amount of the assistance will remain the same as a grant.

This product is designed for the borrower that has achieved financial stability as demonstrated by the file documenting that they have met the responsibilities associated with taking the next step to home ownership such as stability of employment and income, managing their finances and savings to a budget that exhibits responsible repayment patterns and a satisfactory credit history. The down payment assistance program is intended to help these families or individual that have been unable to save a sufficient amount for a down payment and do not have any other resources available for down payment assistance.

Due to the nature of the layered risk in the product offering LHFS will require an evaluation of the borrower's current housing payment history and the borrower must maintain a bank account which will be reviewed to insure the borrower is able to meet their monthly obligations based on their current income level in a timely manner. LHFS will require two months bank statements as part of the underwriting evaluation. While we will allow the down payment to be covered by the DAP and closing costs to be covered by eligible gifts or seller credits, bank statements will still be required as part of the credit evaluation.

In order to insure the borrower will be able to manage a new mortgage payment, the evaluation will include housing payment history. We consider payments made after the due date to be late, inconsistent payment amounts throughout the month and full 30-day lates in making a decision on both the borrower's ability and willingness to repay. We also generally see payment shock on the housing payment to the new required mortgage, so it is especially important to review the borrowers monthly budgeting and financial stability. New homeowners face increased costs when transitioning from a rental property into home ownership where they are responsible for covering all utilities, incidentals, and maintenance of the home.

As part of this review, borrower's that are unable to manage month to month and exhibit NSF (Non-Sufficient Funds) outside of an isolated incident are reviewed very carefully as this is an indication of excessive obligations or inability to manage current budget. Layered with limited assets, payment shock or other credit concerns, these factors may result in a loan denial for this program due to layered risk. It is our intention to help families achieve successful homeownership, not create a financial hardship and strain.

PROGRAM CODES

*Within Reach*TM USDA 3% DPA Fixed 30

WGR30WRDPA3-000



*Within Reach*TM **USDA Guidelines Summary**

ELIGIBILITY	<ul style="list-style-type: none"> All USDA SFH Guaranteed Loan guidelines apply. MCC's (Section 8) is ineligible. At least one of the borrowers to complete Hud Approved First Time Buyer Course.
MORTGAGE LOAN TYPES AND TERMS	<ul style="list-style-type: none"> 30-year fixed term with full amortization in accordance with USDA guidelines. MUST use USDA Income Limits.
DOWN PAYMENT AND CLOSING COST ASSISTANCE	DAP Funds available, 3% of the first mortgage loan amount. DAP funds may be used for down payment and closing costs.
DISCLOSURES	1 st mortgage follows standard disclosure requirements, both LE and CD. 2 nd mortgage will require NHF Program – Partial Exemption Disclosure , with a final HUD-1 at settlement Note: the 1% maximum allowed fees on the 2nd does not include recording or title transfer fees
MAXIMUM LOAN AMOUNT	Loan amounts must be in accordance with USDA - USDA eligible loan limits .
LOCK STATUS	May lock at Conditionally Approved, with appraisal received. Please Note: If loan is locked, and DAP amount (%) needs to change, the lock will be cancelled, a \$400 cancellation fee will apply, and 30 days must elapse before locking to the new program.
FEES	<p>Borrower Paid Compensation Only: Up to 2.0% Borrower Paid Compensation Disclosed: LE must show "Mortgage Broker Compensation – Borrower Paid" Cancellation Fee: A fee of \$400 will apply to each expired lock / locked loan not delivered. Admin Fee: \$1,145</p> <p><u>2nd Mortgage:</u></p> <ul style="list-style-type: none"> Escrow/Settlement Agency fees may not exceed 1% of the loan amount. Recording fees and transfer tax are not included in the 1% tolerance. Avoid any potential delays: Contact title company for 2nd mortgage fee amounts, notify LHFS of cost.
SUBORDINATE FINANCING	The "soft second" will close in the name of National Homebuyers Funds and follow RESPA partial exemption: <ul style="list-style-type: none"> Initial Truth In Lending Disclosure Subordinate Loan Promissory Note Subordinate Deed of Trust 2nd HUD-1 at closing
PROPERTY	<ul style="list-style-type: none"> Limit to 1 unit only.
BORROWER ELIGIBILITY	<ul style="list-style-type: none"> Borrowers may not own other 1-4 family residential property at time of closing. Maximum number of 4 borrowers, including accommodation mortgagors. Non-occupant co-borrowers/cosigners are not allowed. The loan file must demonstrate financial management based on credit patterns, bank statements showing withdraw/payment of current housing, and expense activity. Ineligible Borrowers <ul style="list-style-type: none"> Borrowers with ITIN numbers. Borrowers that are not legal residents including, but not limited to the following borrowers: <ul style="list-style-type: none"> Diplomatic Immunity/Embassy Personnel, Borrowers with deferred action status, which includes DACA, Foreign Nationals, Borrowers with Temporary Protected Status (TPS)



General Requirements

CREDIT

- Minimum valid Credit Score 640 required.
 - Exception:
 - Credit Scores between 620-639 Exception Waivers may be granted by U.S.D.A. upon submission of credit explanation with supporting documentation disclosing the reason for the derogatory accounts resulting in a low credit score, the circumstances beyond the borrower's control were resolved 12 months or more prior to application and there is a 50% or greater reduction in the borrower's verified housing expense.
- USDA defines valid credit score as:
 - Two or more eligible tradelines are necessary to validate an applicant's credit report score. Eligible tradelines consist of credit accounts (revolving, installment, etc.) with at least 12 months of repayment history reported on the credit report. At least one applicant whose income or assets are used for qualification must have a valid credit report score.
- Verification of Rent supported by 12 months cancelled checks or withdraws from bank account required regardless of GUS approval.
 - For credit scores over 680 only, if the Borrower does not have current housing history then 3 months bank statements demonstrating the borrower has a consistent history of saving an amount greater than or equal to the new housing payment is needed.
 - Housing Payment Shock may not exceed 100% when DTI exceeds 29% unless GUS Approval, 680 credit score and compensating factors such as borrowers with conservative attitude towards credit usage, borrowers with proven ability to accumulate savings or reserves, potential for increased earnings as indicated by job training or education in the working profession.
- Mortgage History:
 - AUS: 0x30 past 6 months and 1x30 past 12 months
 - Manual underwrite: 0x30 past 12 months and no more than 2x30 past 24 months
- Maximum DTI is 29/41:
 - Exceptions may be made by USDA with a Ratio Waiver for housing ratio over 29 but less than 32% and for total debt ratio over 41 but less than 44% subject to:
 - GUS Approval, or
 - 680 credit score, proposed PITI payment less than or equal to applicant's verified housing expense, 3 months reserves and 2 years with current employer.
- Paying off debt to qualify is not allowed.
- Collections with aggregate total over \$2,500 must be paid or resolved regardless of age of collection account.
 - Medical Collections excluded from aggregate total.
 - Collections under \$2,500 fall under standard USDA requirements.
- No outstanding judgments, including repayment plan. All outstanding judgments must be paid in full.
- Chapter 13: Bankruptcies must be fully discharged before eligible for financing.
- IRS payment plans are not allowed.
 - Exceptions may be made by Underwriting or Risk Managers for IRS payment agreements submitted with the taxes filed by 4/15 of the current year only.
 - For consideration of exception request an explanation as to why the borrower owes the taxes, what was done to correct the underpayment from occurring in the future, copy of IRS agreement, IRS Record of Account Transcripts to confirm date of payment arrangement request and evidence of 3 consecutive timely payments will be required.

General Requirements (Continued)

<p>ASSETS</p>	<ul style="list-style-type: none"> • Gift donors cannot be on title or purchase contract as they do not meet the definition of "Gift" per agency definition. • VOD's are not acceptable for asset documentation alone. • Checking account statements are required on primary borrower regardless of cash to close requirements and AUS findings. <ul style="list-style-type: none"> • Borrower with overdrawn accounts (negative balance at any time), NSF's and/or overdraft charges will not be eligible <ul style="list-style-type: none"> ○ Exceptions may be made by Underwriting or Risk Managers for isolated NSF / overdraft charges only: ○ The following will be required for consideration: <ul style="list-style-type: none"> ▪ Detail explanation with supporting documentation demonstrating the event was a onetime occurrence unlikely to re-occur. Documentation provided must be consistent with the credit and asset profile of the borrower.
<p>EMPLOYMENT / INCOME</p>	<ul style="list-style-type: none"> • USDA Income limits must be used USDA eligible income limits. • Borrowers who have new employment in the prior two years with increased earnings will require recent educational related experience to support the career and/or income change. • Positions with variable income or varying hours will require a minimum of twelve months to effectively calculate the stable monthly qualifying income. • Rental income received from a relative requires a documented 12-month payment history of rents. • Paystubs and W-2's may not be substituted with a written verification of employment. • Amended tax returns are only acceptable for documented errors or omissions. • 4506T: Full 1040 transcripts required on all <i>Within Reach</i>TM loans, W2 Only transcripts not allowed.
<p>TITLE</p>	<ul style="list-style-type: none"> • Any borrower holding title only must be a legal U.S. Resident. • Title must be taken as an individual
<p>OTHER CONSIDERATIONS</p>	<ul style="list-style-type: none"> • Borrower may receive the difference of their earnest money. No portion of the DAP nor seller credits (including tax proration credits) may be given back to the borrower and principal curtailments are not allowed. • Land Home Financial Services, Inc. will run Undisclosed Debt Monitoring (UDM) prior to closing which may require additional information or affect borrower's loan approval if additional credit is obtained or late payments are reported. Prior to closing, any new inquiries and/or debt must be documented. • Maximum days allowed for seller rent back 60 days. • All loan documentation should not be over 90 days old at submission. • Property Assessed Clean Energy (PACE) aka: Home Energy Renovation Opportunity (HERO) subordination not permitted. Must be paid in full prior to closing. • Temporary Buy down loans not permitted. • Processing fees are not allowed and include the following: <ul style="list-style-type: none"> • Contract processing • Third-party processing, or • Self-processing • Prepaid interest credits are not allowed.

General Requirements (Continued)

<p>PROPERTY COLLATERAL</p>	<p><u>Well & Septic:</u></p> <ul style="list-style-type: none"> Local Health Authority well water analysis and/or septic report, where required by the local jurisdictional authority. Properties vacant 90+ days require a well and septic certification. <p><u>Condo Requirements:</u> USDA approved condominiums:</p> <ul style="list-style-type: none"> Must be currently approved on HUD's condo list. Certification for individual unit financing dated within 30 days prior to date of closing is required to be present in the loan file. <p><u>Ineligible Properties / Locations:</u></p> <ul style="list-style-type: none"> LHFS does not offer financing to properties that are secured by community land trusts (i.e., Illinois Land Trust) Co-ops 2-4 Units Manufactured Homes Mixed-Use Working farms/ranches Texas (a)(6) cash-out refinance Unincorporated territories of the United States (borrowers and properties) are ineligible for financing. <ul style="list-style-type: none"> Puerto Rico US Virgin Islands Guam American Samoa Swains Island
<p>HELPFUL LINKS</p>	<p><u>Land Home Financial Additional Resources:</u></p> <ul style="list-style-type: none"> eScenarios LHFSWholesale.com <p><u>USDA <i>Within Reach</i>TM DAP Program:</u></p> <ul style="list-style-type: none"> Within ReachTM Submission Checklist Within ReachTM - Lock Instructions <p><u>Agency Guidelines:</u></p> <ul style="list-style-type: none"> USDA Guidelines USDA Income Limits USDA Property Eligibility

Each loan files layers of risk (i.e., payment shock; gift funds; assets/reserves not verified; multiple layers of risk, etc.) may require additional documentation or explanations above and beyond the AUS requirements (i.e., rental history; budget letters; excessive commute detail, etc.).

Guidelines are for use by mortgage professionals only and subject to change without notice.

1003 DETAIL

Uniform Residential Loan Application

This application is designed to be completed by the applicant(s) with the Lender's assistance. Applicants should complete this form as "Borrower" information must also be provided (and the appropriate box checked) when the income or assets of a person other than the Borrower (including the Borrower's spouse or other person who has community property rights pursuant to state law will not be used for qualification or the income or assets of the Borrower's spouse or other person who has community property rights pursuant to applicable law and the Borrower resides in a community property state, or the Borrower is relying on other property located in a community property state as a basis for repayment of the loan.

If this is an application for joint credit, Borrower and Co-Borrower each agree that we intend to apply for joint credit (sign below):

Borrower		Co-Borrower	
I. TYPE OF MORTGAGE AND TERMS OF LOAN			
Mortgage Applied for:	<input type="checkbox"/> VA <input type="checkbox"/> FHA	<input type="checkbox"/> Conventional <input type="checkbox"/> USDA/Rural	<input type="checkbox"/> Other (explain): Agency Case Number
II. PROPERTY INFORMATION AND PURPOSE OF LOAN			
Subject Property Address (street, city, state & ZIP)			No. of Units
Legal Description of Subject Property (attach description if necessary)			Year Built
Purpose of Loan	<input type="checkbox"/> Purchase <input type="checkbox"/> Refinance	<input type="checkbox"/> Construction <input type="checkbox"/> Construction-Permanent	<input type="checkbox"/> Other (explain):
Property will be:		<input type="checkbox"/> Primary Residence	<input type="checkbox"/> Secondary Residence <input type="checkbox"/> Investment
<i>Complete this line if construction or construction-permanent loan.</i>			
Year Lot Acquired	Original Cost \$	Amount Existing Liens \$	(a) Present Value of Lot \$
			(b) Cost of Improvements \$
			Total (a + b) \$
<i>Complete this line if this is a refinance loan.</i>			
Year Acquired	Original Cost \$	Amount Existing Liens \$	Purpose of Refinance
			Describe Improvements Cost: \$
Title will be held in what Name(s)		Manner in which Title will be held	
Source of Down Payment, Settlement Charges, and/or Subordinate Financing (explain)		Estate will be held in: <input type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold (show expiration date)	
Secured Borrowed Funds			

1003 Page 1 – Source of Down Payment – “Secured Borrowed Funds”

DETAILS OF TRANSACTION SECTION

VII. DETAILS OF TRANSACTION		VIII. DECLARATIONS				
j. Subordinate financing	7500.00	If you answer "Yes" to any question a through i, please use continuation sheet for explanation.				
k. Borrower's Seller	Enter DAP	f. Are you presently delinquent or in default on any Federal debt or any other loan, mortgage, financial obligation, bond, or loan guarantee?	Borrower Yes	Borrower No	Co-Borrower Yes	Co-Borrower No
l. Other Credits (explain)		g. Are you obligated to pay alimony, child support, or separate maintenance?				
m. Loan amount (exclude PMI, MIP, Funding Fee financed)		h. Is any part of the down payment borrowed?				
n. PMI, MIP, Funding Fee financed		i. Are you a co-maker or endorser on a note?				
o. Loan amount (add m & n)		j. Are you a U.S. citizen?				
		k. Are you a permanent resident alien?				
		l. Do you intend to occupy the property as your primary residence?				

- **Details of Transaction: Should reflect DAP amount if input correctly as a 2nd mortgage.**

LOCK INSTRUCTIONS

Within ReachTM DPA Amount

Lien Information

• First Lien Amt/Base Loan Amt 200000 <input checked="" type="checkbox"/> Search for First	• Second Lien Amt 8000 <input type="checkbox"/> Search for Second	• HELOC Line Amt. 0 <input type="checkbox"/> Search for HELOC	• HELOC Drawn Amt. 0
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Loan Information

• Price/Estimated Value 206200	• Appraisal Amount 206200	Loan Purpose Purchase	• Cash-Out Amount 0
• LTV 96.99	CLTV 100.87	HCLTV (Line Amt) 0	HCLTV (Drawn Amt) 0
Waive Escrows No	Lender Paid Compensation? Borrower Paid	• Date Submitted / Forward Lock 07/24/2018	Include Admin Fee? No
			Secondary Financing Community/Affordable

Needs to be selected to receive pricing →