

**STOCKTON  MORTGAGE
FUNDING**

USDA

Purchase		Rate and Term Refinance	
LTV/CLTV	Min FICO	LTV/CLTV	Min FICO
100%*	620	100%*	620
		No Score Purchase Only	
1. Ability To Repay and Qualified Mortgage Rule	<ul style="list-style-type: none"> For loans subject to the ATR/QM rule, Stockton Mortgage will only purchase loans that comply with the ATR/QM requirements. Correspondents are responsible for providing evidence of compliance with the ATR/QM rules. Clear itemization of fees and application of all credits that indicate paid by/to will be required on all loans. 		
2. Appraisals	<ul style="list-style-type: none"> A full appraisal (e.g. form 1004 or equivalent, accompanied by form 1004MC) is required for all submissions The appraisal must be no more than 120 days old at loan closing. <u>Stockton Mortgage Corporation will purchase loans secured by properties with "unpermitted" structural additions under the following conditions:</u> <ul style="list-style-type: none"> <u>The quality of the work is described in the appraisal and deemed acceptable ("workmanlike quality") by the appraiser;</u> <u>The addition does not result in a change in the number of units comprising the subject property (e.g. a 1 unit converted into a 2 unit).</u> <u>If the appraiser gives the unpermitted addition value, the appraiser must be able to demonstrate market acceptance by the use of comparable sales with similar additions and state the following in the appraisal:</u> <ul style="list-style-type: none"> <u>Non-Permitted additions are typical for the market area and a typical buyer would consider the "unpermitted" additional square footage to be part of the overall square footage of the property.</u> <u>The appraiser has no reason to believe the addition would not pass inspection for a permit.</u> 		
3. Aged Documents	<ul style="list-style-type: none"> Credit documents must be no more than 120 days old on the date the Note is signed, including credit reports and employment, income and asset documents. 		
4. Assignment of Mortgages	All loans must be registered with MERS at time of delivery to Stockton Mortgage Funding and a MERS transfer of beneficial rights and transfer of servicing rights must be initiated by the Seller, to Stockton Mortgage Corporation within 24-hours of purchase.		
5. Borrower Eligibility	<ul style="list-style-type: none"> U.S. citizens Borrowers must have a valid Social Security Number Permanent resident aliens, with proof of lawful permanent residence Non-permanent residents are allowed as long as they are a qualified alien with proof of lawful residence. Non-occupant borrowers are ineligible See Property: Maximum Number of Properties Owned for information regarding borrowers who currently own a property. 		
6. Condominiums	The lender must perform an underwriting review of the condominium project to ensure the unit meets HUD/FHA, VA, Fannie Mae, or Freddie Mac guidelines. The 1008 must be marked with the appropriate warranty and include all documentation utilized to make the condo warranty.		

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7. Credit: Liabilities	Follow USDA 3555
8. Disaster Policy	Stockton Mortgage will require a post-disaster inspection when the appraisal occurred before the incident end date of the disaster.
9. Escrow/Impounds	An impound account for collection of taxes and insurance (or additional escrow items) is required.
10. Exclusionary List	CAIVRS and GSA list must be checked and cleared.
11. Financing Concessions	Financing or sales concessions cannot exceed 6% of the sales price.
12. Flood Insurance	<p>Existing dwellings:</p> <ul style="list-style-type: none"> Existing dwellings in a SFHA are not eligible under the SFHGLP unless flood insurance through the FEMA National Flood Insurance Program (NFIP) is available. The lender will require the borrower to obtain, and maintain for the term of the mortgage, flood insurance for any property located in a SFHA, listing the lender as a loss payee. <p>New or Proposed Dwellings:</p> <ul style="list-style-type: none"> Rural Housing will not guarantee loans for new or proposed homes in an SFHA unless the lender obtains a Letter of Map Amendment (LOMA) that removes the property from the SFHA or Letter of Map Revision (LOMR) that removes the property from the SFHA or obtains a FEMA elevation certificate that shows that the lowest habitable floor (including basement) of the dwelling and all related building improvements is built at or above the 100 year flood plain elevation in compliance with the NFIP.
13. Funds to Close	Follow USDA 3555
14. Guarantee Fee	<ul style="list-style-type: none"> Upfront Purchase Fee: 1% of the loan <ul style="list-style-type: none"> Financed Guarantee Fee calculated: (loan amount / .98) - loan amount Not financed Guarantee Fee calculated: loan amount * 2% Upfront Refinance Fee: 1% of the loan <ul style="list-style-type: none"> Financed Guarantee Fee calculated: (loan amount / .98) - loan amount Not financed Guarantee Fee calculated: loan amount * 2% Can be financed above the appraised value Annual Fee: .35%
15. Hazard and Wind Insurance	<ul style="list-style-type: none"> Hazard insurance policies should conform to the GSE coverage requirements of "the standard extended coverage endorsement," which states that a policy cannot be accepted that in whole or part excludes wind, hurricane or catastrophe insurance unless the coverage is provided in another policy with the same coverage limits as the hazard policy. Borrower occupied properties should have replacement cost coverage in an amount equal to the insured value of the improvements or the unpaid principal balance Hazard or wind deductible(s) of up to but not exceeding five percent of the policy limits. See Flood Insurance for flood insurance requirements.

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16. High Cost / Higher Priced Mortgages (HPML)	<ul style="list-style-type: none"> • Stockton Mortgage will not purchase High Cost Loans • Higher Priced Mortgage Loans (HPML) transactions are eligible for purchase. HPML guidelines require: <ul style="list-style-type: none"> - Establishment of an escrow account for taxes and insurance premiums on any transaction secured by a principal residence. - Must meet all applicable state and/or federal compliance requirements.
17. Income Annual	Follow USDA 3555
18. Income, Repayment	Follow USDA 3555
19. Interest Rate Maximum	Follow USDA 3555
20. Loan Limits	Maximum loan amount is constrained by the limitations applied when considering the maximum annual income at the program's maximum DTI.
21. Loan Purpose	Follow USDA 3555
22. LTV Determination	Purchase transactions and Refinance Transactions are based on the appraised value.
23. Mortgage Products, Eligible	<ul style="list-style-type: none"> • Fixed Rate 30 year term only • <u>Temporary buydowns are not allowed</u> • Interest only not allowed • <u>Rural Energy Loans are not allowed</u> • Discount points may only be financed for Rural Housing-defined low-income borrowers.
24. Occupancy	Owner Occupied Residences only
25. Property, Eligible Types	<ul style="list-style-type: none"> • Single Family Attached/Detached • PUDs and condos • Purchase Transactions must be located in an area designated as acceptable for Rural Housing. Refinances are permitted for properties in areas that have been determined to be non-rural since the existing loan was made. • Purchase of dwellings which include an in-ground swimming pool are acceptable. • New Construction must meet Rural Housing inspection and Builder Warranty requirements; evidence must be included in the file.
26. Property, Ineligible Types	<ul style="list-style-type: none"> • Single wide manufactured/mobile • Cooperatives • Condotels • Hotel Condominiums • Timeshares • Geodesic Domes • Working Farms and Ranches • Unimproved Land and property currently in litigation • 2-4 units • Income Producing properties that do not meet Rural Housing's requirements. Examples include, but not limited to grain bins, silos, dairy farms, hog barns and multiple equestrian stables. • Properties served by cisterns

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27. Property: Maximum Number of Properties	<p>Current homeowners may be eligible for guaranteed home loans under this part if all the following conditions are met:</p> <ul style="list-style-type: none"> • The homeowner’s current dwelling is not financed by a Rural Development guaranteed or direct Section 502 or 504 loan or active grant; • The homeowner is financially qualified to own more than one house (the borrower is limited to owning one single family housing unit other than the one associated with the loan request); • The homeowner will occupy the home financed with the guaranteed loan as their primary residence throughout the term of the loan; • The current home no longer adequately meets the borrowers' needs (See Chapter 8.2 of the Technical Handbook for details regarding what is defined as not meeting needs); • In all cases, the lender must provide an additional explanation of the burden upon the borrower imposed by the status change both in the near the near and longer term, and also the reasons beyond homeowner convenience why the purchase of the property must be completed prior to the sale of the existing property <p>Departing Residence: borrowers who wish to purchase a new principal residence and retain or rent a residence must qualify with all mortgage liability payments.</p>
28. Ratios	Follow GUS Funding & USDA 3555
29. Recently Listed Properties	<p><u>No Cash-Out Transaction - the listing must have expired or been withdrawn prior to the application date.</u></p> <p>Note: if the property was listed in the prior 30 days to the application date, the Early EPO provision will be extended to one year.</p>
30. Reserves	Not required. When reserves are entered into the GUS, the Lender must develop a two month average. Assets such as 401ks, IRAs, etc, may be included up to only 60% of the vested value.
31. Rural Housing Documentation	<p>RD 3555-18 Conditional Commitment for Single Family Housing Loan Guarantee</p> <ul style="list-style-type: none"> • Must include completed, signed, and dated Lender Certification pages. The lender’s signature on the Lender Certification certifies to Rural Housing the loan was closed in accordance with all applicable conditions listed and no adverse changes have occurred since the commitment was issued. • Loans may not have an outstanding contingent Conditional Commitment. All documentation used to satisfy the Conditional Commitment must be included in the file.
32. UW Method	<ul style="list-style-type: none"> • <u>All loans must be submitted to Guaranteed Underwriting System (GUS)</u> • The loan must receive either an Accept/Eligible or Refer (manual). <ul style="list-style-type: none"> - <u>To ensure the property location and annual income complies with Rural Housing requirements, Lenders must include the Accept/Eligible or Refer/Eligible in the file.</u> • Non-traditional credit acceptable in accordance with Rural Housing’s guidelines. See Credit: History section for more information.

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Seller shall deliver loans that were originated in accordance with the Rural Housing Policies and Procedures Part 7 CFR 3555, unless otherwise noted in the Stockton Mortgage Matrices/Overlays. For any situation not addressed, please refer to Part 7 CFR 3555 or the accompanying handbook.