

Magnolia Bank USDA Pilot Guidelines

Maximum LTV/FICO Requirements

Occupancy	Min FICO
Owner-Occupied	620
Lenders must comply with all USDA requirements including but not limited to Upfront Guarantee, Annual fees and LTV/CLTV requirements.	
Ability To Repay and Qualified Mortgage Rule	<ul style="list-style-type: none"> • For loans subject to the ATR/QM rule, Magnolia Bank 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.
Age of 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. • Preliminary Title Policies must be no more than 180 days old on the date the Note is signed.
Assignment of Mortgages	All loans must be registered with MERS at time of delivery to Magnolia Bank and a MERS transfer of beneficial rights and transfer of servicing rights must be initiated by the Seller, to Magnolia Bank Corp, LLC (#1009313), within 24-hours of purchase.
Borrower	<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. • Housing Choice Voucher Homeownership Program income (commonly known as Section 8 for homeowners) paid via Housing Assistance Payments (HAPs) are an acceptable source of income. However due to operational constraints, transactions involving HAPs paid directly to the Servicer are ineligible for purchase by Magnolia Bank. Transactions with HAPs paid directly to the borrower continue to remain eligible for purchase.
Condominiums	Warranty review not required
Credit	<ul style="list-style-type: none"> • Tri-merge credit report or mortgage account(s) rating is required • 0x30 for the previous 12 months mortgage payments for loan being paid off

Disaster Policy	Magnolia Bank will require a post-disaster inspection when the appraisal occurred before the incident end date of the disaster. See Magnolia Bank disaster policy located in the Seller's Guide for full details.
Eligible Mortgage Products - Existing Loan	Existing USDA Guaranteed Rural Housing loan
Eligible Mortgage Products - New Loan	<ul style="list-style-type: none"> • 30 year fixed rate only • New interest rate must be 100 basis points (1%) below the current interest rate
Escrows/Impounds	An impound account for collection of taxes and insurance (or additional escrow items) is required.
Exclusionary List	CAIVRS and GSA list must be checked and cleared.
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. • The borrower must obtain, and continuously maintain for the life of the mortgage, flood insurance on the security property in an amount sufficient to protect the property securing the guaranteed loan. Flood insurance policies must be issued under the NFIP, or by a licensed property and casualty insurance company authorized to participate in NFIP's "Write Your Own" program. Private flood insurance policies that meet 42 USC 4012a(b)(1)(A) are eligible.
Guarantee Fee	<ul style="list-style-type: none"> • Upfront Purchase Fee: 2.75% of the loan *Financed Guarantee Fee calculated: (loan amount / .9725) - loan amount *Not financed Guarantee Fee calculated: loan amount * 2.75% • Upfront Refinance Fee: 2.75% of the loan *Financed Guarantee Fee calculated: (loan amount / .9725) - loan amount *Not financed Guarantee Fee calculated: loan amount * 2.75% • Guarantee Fee for loans obligated on or before 9/30/15 is 2%. • Can be financed above the appraised value • Annual Fee: - .50%
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. • Properties must 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.
High Cost/Higher Priced Mortgages	<ul style="list-style-type: none"> • Magnolia Bank will not purchase High Cost Loans • Higher Priced Mortgage Loans (HPML) transactions are eligible for purchase. HPML guidelines require that the transaction meets all applicable state and/or federal compliance requirements.

Income, Annual	<ul style="list-style-type: none"> • The borrower's adjusted income may not exceed the Rural Housing's limit for the area. Magnolia Bank strongly recommends that lenders include the documentation to support the annual income calculation in the file. Refer to the USDA Income and Property Eligibility website:http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?NavKey=home@1 • To validate income documentation and disclosure provided by the borrower's and other adult household members that will reside in the home, Lenders will require each adult member of the household to complete and execute IRS Form 4506-T (or comparable IRS form) for the previous two years at the time of loan application. Validation from IRS must be received by the Lender prior to request for Conditional Commitment for Loan Note Guarantee. • Full income verifications/documentation for all borrowers and adult household members is required. In order to verify current income eligibility, income must be documented with the following, as applicable: - Wage Earner Income: <ul style="list-style-type: none"> • Option 1: WVOE with current, year-to-date and previous year's employment earnings, and The most recent pay stub; OR • Option 2: - The most recent pay stub(s) covering 30 days with YTD information, and -W-2s for the previous two years, and WVOE meeting Rural's requirements in the Technical Handbook Ch 9.3 E 2. *Self-Employed Income: <ul style="list-style-type: none"> • Two consecutive years of signed federal personal and business income tax returns with all applicable schedules, or IRS-issued transcripts as long as the transcripts contain the information from all applicable schedules, and • YTD P&L, and • YTD Balance Sheet. *Non-Employed Income Sources: A copy of the most recent award letter, 1099, or verification through individual federal income tax returns for the most recent tax year or other appropriate documents. • Documents must be no more than 120 days old. See Age of Docs for more information.
Loan Purpose	<ul style="list-style-type: none"> • Rate & Term Refinance Only • Loan may include the principal balance of the loan plus the upfront guarantee fee, accrued interest and eligible loan closing costs. • No cash out is permitted to the borrower. Any excess funds, which should be minimal, must be applied as a principal reduction. • Rural Streamline Refinance loans are not eligible
Occupancy	Owner Occupied Residences only
Property, Eligible Types	<ul style="list-style-type: none"> • Single Family Attached/Detached • PUDs and condos • Leaseholds with a minimum length of lease of 15 years beyond the maturity date of the loan. • Property must be in an eligible rural area or an area that was eligible at the time of the original loan closing.
Property, Ineligible Types	<ul style="list-style-type: none"> • Manufactured homes • Mobile Homes • Cooperatives • Condotels • Hotel Condominiums • Timeshares • Geodesic Domes • Working Farms and Ranches • Unimproved Land and property currently in litigation

Property, Ineligible Types Cont.	<ul style="list-style-type: none"> • 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
Ratios	DTI ratios are not calculated
Reserves/Funds to Close	Not Required
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.
Seasoning	Please refer to the Magnolia Bank Seasoned Loan Policy located in the Magnolia Bank Seller Guide for requirements and loan-level price adjustments.
Seasoning Requirements	Minimum 12 months on loan being refinanced.
State Eligibility	<ul style="list-style-type: none"> • Alabama • Alaska • Arizona • Arkansas • California • Colorado • Florida • Georgia • Idaho • Illinois • Indiana • Kansas • Kentucky • Michigan • Mississippi • Missouri • Montana • Nevada • New Jersey • New Mexico • North Carolina • North Dakota • Ohio • Oklahoma • Oregon • Rhode Island • South Carolina • South Dakota • Tennessee • Texas • Utah • Washington • West Virginia • Wisconsin
UW Method	Manual underwriting. GUS is not used.