MFM Bulletin: 028-2025

Date: November 21, 2025

Subject: USDA Rural Development Guideline Updates

Following USDA's review of credit standards for the Single Family Housing Guaranteed Loan Program (SFHGLP), the maximum PITI ratio is being adjusted to 29%. A higher PITI ratio may be permissible under the following circumstances:

- The application submission receives an "Accept" or "Accept Full Documentation" underwriting recommendation from the Agency's automated underwriting system (GUS); or
- The application meets the requirements for a ratio waiver, including:
    - A maximum PITI ratio of 32%;
    - The credit score of all applicants is 680 or greater; and
    - The applicants demonstrate at least one of the acceptable compensating factors described in HB-1-3555, Chapter 11, Section 11.3.

The effective date for the adjustment of the PITI ratio guideline is November 4, 2025. MFM's USDA Manual Underwriting Guidelines have been updated to reflect maximum DTI ratios of 29/41 to align with these changes. Updated Manual Underwriting guidelines are attached below.

Please contact the MFM Underwriting Dept. (underwriting@memberfirstmortgage.com) if you have questions pertaining to guidelines and/or eligibility.

Thank you!

Member First Mortgage, LLC

USDA Manual Underwriting Guidelines

MFM requires that all USDA loans are submitted through GUS. These guidelines will apply to loans that are either returned with a "Refer" or "Caution" feedback or Approved/ Eligible loans that must be downgraded to a refer.

Below are instances where manual downgrade to refer is required:

- The mortgage file contains information or documentation that cannot be entered into or evaluated by GUS.
- Additional information, not considered in the GUS recommendation which the overall USDA eligibility of the mortgage.
- Undisclosed mortgage debt (not on credit report) that reflects:
  - A current delinquency;
  - Any delinquency within 12 months of the case number assignment date; or
- $2,000 or more collectively in disputed derogatory accounts in the last 24 months.

Origination and Underwriting Requirements	
Minimum Credit Score	640
Current Housing History	**Borrowers who are currently paying rent or mortgage payment (see additional requirements under minimum tradelines for borrowers with no recent housing history)*** 12 month rent payment history required: • 12 months cancelled checks or bank statements showing withdrawal of rent payment along with copy of lease. • Payment history from professional management company is allowed as long as actual payment date is provided. Copy of lease is also required • Private VORs will not be accepted. • Mortgage Payment must be on credit report or payment history directly from lender. Housing Payment history • 0X 30 in most past 12 months
Minimum Tradelines	**Borrowers with current housing history:** • Minimum 2 tradelines on the credit report, open and active for 12 months; or • 1 tradeline on the credit report, open and active for 12 months and at least two closed 12-month tradelines active within the past 36 months AND one additional housing reference such as utility payment history, cell phone or land line payment history, renter's insurance*. *Payment history must show balance due and payment made each month. **Borrowers with NO recent housing history*** • 2 tradelines open and active for 12 months and at least one closed 12 month tradeline active within the past 36 months AND one additional housing reference such as utility payment, cell phone, land line. • The above meet or exceed USDA's "Validated Credit Score" requirements • Authorized user accounts may not be used as a borrower tradeline UNLESS documentation is provided that the borrower has made the last 12 months payments on their own
Installment and Revolving History	Installment: • 0 X 30 in past 12 months • 1 X 30 in months 13-24 Revolving: • 0 X 30 in past 12 months • 1 X 30 in month 13-24 **A detailed explanation of all delinquencies is required.**

USDA Manual Underwriting Guidelines

Collections/Charge Offs	• No collections or charged off accounts (other than medical) within the past 12 months.
	• Medical collections and medical charge offs may be disregarded as long as not reduced to judgment or lien.
	• **If the cumulative total of all Non-medical collection accounts exceeds $2,000, one of the following options will apply:**
	  • **Have satisfactory payment arrangements, documented in file and payment included in DTI**
	  • **Use 5% of the total outstanding balance of the collection(s) as monthly payment in liabilities**
	  • Pay all collections in full

Disputed Accounts	• All disputed derogatory accounts must meet the same credit requirements as above. • For disputed accounts with older derogs, the following will apply: Each account (excluding those listed above) must include a minimum monthly payment of: 1. The payment stated on the credit report; 2. Five percent of the balance of the account; or 3. A lesser amount documented from the creditor.

Borrowers with No Credit Score - S**ervicing Retained ONLY**	Three credit references are required:
	• 12 month rental payment history required with no lates in past 12 months. Borrowers with no credit score and no recent housing payment history are not eligible.
	• Two additional references with no lates in the past 12 months, may include:
	  • Utility company reference (if not included in rent) including gas, electricity, water, internet service.
	  • Insurance premiums not payroll deducted (for example, medical, auto, life, renter's insurance);
	  • Rent-to-own (for example, furniture, appliances); or
	  • A documented 12-month history of savings evidenced by regular deposits resulting in an increased balance to the account.
	*Payment history must show balance due and payment made each month.

Judgements/Tax Liens/ Bankruptcy/Foreclosure	• Borrower must have no outstanding judgments or paid judgments within past 36 months. • Chapter 7 Bankruptcy must be discharged at least 2 years with re-establish credit (must meet minimum credit requirements above). • Chapter 13 - Chapter 13 bankruptcy does not disqualify a Borrower if at the time of case number assignment at least 12 months of the pay-out period under the bankruptcy has elapsed. BK must have been due to extenuating circumstances outside borrower's control which have been resolved and not likely to recur. Must meet minimum credit history requirements above. • No tax liens within the past 36 months. • No foreclosures or Deed in Lieu of F/C with the past 36 months. • No short sales within the past 36 months. • Must not currently be in credit counseling plan.
Maximum DTI	• Maximum DTI 29/41% — No exceptions.

Employment History / Documentation Requirements	• Borrower must be on current job for at least **one year**. Two year employment history is required and must be verified. • Must be self-employed for minimum two years and income must be increasing – no exceptions. • Current paystub, two years W/2s required for wage earners. • Two years personal and business tax returns required for self-employed. • Two year history is required for Overtime, second jobs, Part-time (primary job) and bonuses. • 2 year history required for commission income.
Required Reserves	• 1 month reserves for borrowers with current housing history • 2 months reserves for borrower with no current housing history • Reserves may not come from gift.