

# RuraLiving® Home Mortgage

## FINANCING THE HOBBY FARM

### ELIGIBLE BORROWER TYPES

1. U.S. Citizens.
2. Permanent Resident Aliens.
3. 18 years of age.
4. The borrower's primary business/vocation is typically something other than farming.

### INELIGIBLE BORROWERS TYPES

1. Loans in the name of a trust.
2. Loans in the name of a LLC, Partnership or Corporation.
3. Loans in the name of an estate.

### ELIGIBLE LOAN TERMS

1. 15 years.
2. 30 years.
3. No minimum loan amount.
4. Maximum loan amount of \$600,000.
5. Maximum LTV of 80% based on lesser of purchase price or appraised value.
6. Maximum CLTV is 95%.
7. Up to 5% seller contributions are allowed; seller carry backs are not allowed.

### ELIGIBLE LOAN TYPES

1. Purchase.
2. Limited cash out refinance.
3. Cash-out refinance – proceeds must be used for an eligible purpose and are limited to the lesser of \$100,000 or 25% of the loan amount.

### ELIGIBLE PROPERTIES

1. Five to 160 acres.
2. Must generate or have potential to generate no less than \$500.00 annually.
3. Home value should comprise 30% of the total value.
4. Non-contiguous parcels are permitted as long as they are relatively close in proximity.
5. Property must be in good condition. New construction allowed, must be 100% constructed.
6. Properties with secondary homes are permitted as long as little or no contributory value is given to the second residence.
7. Properties must be hobby farm in nature.

8. Atypical homes such as; shed, berm (with exposed roof), and log may be permitted on a case-by-case basis with similar comps.

### INELIGIBLE PROPERTIES

1. Full-time farming operation.
2. Property exposed to a high concentration of livestock (more than 50 head).
3. Townhome, duplex, condo or PUD.
4. Manufactured or mobile home.
5. Investment.

### CREDIT REQUIREMENTS

1. Maximum 39% DTI.
2. Borrowers must have 5% own liquid funds available for the down payment.
3. Gift or gift of equity from immediate family member is acceptable.
4. Minimum 680 credit score for each borrower.
5. Borrowers cannot have any history of:
  - a. bankruptcies
  - b. mortgage delinquencies and/or,
  - c. short sales/foreclosures.
6. Second mortgages are permitted providing the loan is from a lending institution. Maximum amortization is 15 years and seller carry back financing is not permitted.
7. Loans must comply with Qualified Mortgage/Ability to Repay Regulations.

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### **DOCUMENTATION REQUIREMENTS - INCOME**

1. Pay stubs covering 30 days wages.
2. Two years 1040s including W2s.
3. Two years business returns for borrowers with 25% or greater interest in other business entities.
4. Self-employed borrowers must provide items #2 and #3 and a balance sheet which lists business-related debts, including rates, terms and payment amounts required for self-employed borrowers.
5. Self-employed borrowers with Schedule F Income must provide three years personal and business returns for all ag-related business entities listed in the personal return. They must also provide the balance sheet referenced in requirement #4.
6. Proof of Ag or Timber Income from:
  - a. 1040s - Schedule E.
  - b. appraiser's statement.
  - c. business plan from the borrower.
  - d. land rental agreement, CRP contract, boarding contracts and/or pasture rents.

### **DOCUMENTATION REQUIREMENTS - ASSETS**

1. Two months bank statements, 401k statement or investment statements with deposits explained and paper trailed by the borrower.
2. Gift letter if applicable.
3. Copy of canceled earnest check if more than 2% of the purchase price. Borrower must also explain and paper trail the source of funds for the down payment.

### **DOCUMENTATION REQUIREMENTS - CREDIT**

1. Divorce Decree and stipulations (if applicable).
2. Explanation for recent inquiries coupled with recent billing statement or note for new accounts.
3. Any supportive credit information – rental references or doesn't accept non-traditional credit.
4. Non-traditional credit cannot be used to qualify.

### **DOCUMENTATION REQUIREMENTS - PROPERTY**

1. Must be completed on the Uniform Residential Appraisal Report or the Uniform Agricultural Appraisal Report (UAAR).
2. Inspection report must include photos of all outbuildings, equine facilities and/or sheds.
3. Well and Septic Certifications are required.
4. Deferred maintenance/repairs must be completed prior to closing the loan.
5. No work escrows permitted.
6. Flood determination certificate is required.