

## Hobby Farm Maximum LTV/CLTV (Purchase and Refinance)

Program	Loan Amount	LTV/CLTV	FICO
<b>Hobby Farm</b> (\$500+ of annual ag income)	≤ \$806,500	80% / 95%	680
	\$806,501 - \$1,200,000	75% / 90%	
	\$1,200,001 - \$2,000,000	70% / 80%	
	\$2,000,001+ <sup>1</sup>	55% / 55%	

1. Reviewed on case-by-case basis, requires investor approval

## Hobby Farm Highlights

- 15- and 30-year fixed rate term
- Up to 95% CLTV
- Loan amounts up to \$2,000,000
- 5-160 acres and up to 50 heads of livestock
- DTI up to 39%; up to 43% w/compensating factors
- Minimum mid-score 680

### LHFS PROGRAM CODES

W Exp Hobby Farm Fixed 30	WEHF30-000
W Exp Hobby Farm Fixed 15	WEHF15-000

A Hobby Farmer is defined as an individual whose primary business or vocation is other than farming; but is actively engaged in agricultural products or whose property has the capability to generate agricultural income.

- Properties with a significant portion of the property dedicated to agricultural or business purposes, should be avoided. The property should have the characteristics of a hobby farm property as opposed to a full-time farming operation.
- The real estate securing the loan should consist of at least five (5) acres of land that has agricultural production capability of \$500 annually or more; or, if the subject property is less than five (5) acres, borrower must provide gross annual receipts of at least \$5,000 from the sale of agricultural products, with such income verified.

“Cash out” is defined as a refinance transaction that provides funds above and beyond the mortgage debt used to purchase the property. Generally the payoff of a second mortgage will result in classifying the transaction as cash out, unless the second mortgage was for purchase money of the subject property in which case the transaction may be considered a rate/term refinance.

Examples of eligible uses of cash out include:

- Refinancing personal debts
- Funds for documented intended improvements or reimbursement of documented recent improvements to the subject property.

Examples of ineligible purposes include:

- Investments
- Funding for non-agricultural business purposes

GENERAL REQUIREMENTS	
<b>TERMS AVAILABLE</b>	<ul style="list-style-type: none"> <li>Fixed rate 15- or 30- year fully amortized</li> </ul>
<b>PROPERTY TYPE AND OWNERSHIP</b>	<ul style="list-style-type: none"> <li>Single Family, Primary, and Secondary Residence home in good condition</li> </ul>
<b>BORROWER AND OWNERSHIP ENTITIES</b>	<ul style="list-style-type: none"> <li>Individuals only</li> </ul>
<b>NON-OCCUPYING CO-BORROWERS</b>	<ul style="list-style-type: none"> <li>Allowed, reviewed on a case-by-case basis</li> <li>Non-occupying co-signors must be closely related to occupying borrowers</li> </ul>
<b>CREDIT</b>	<p>Minimum mid-score of 680</p> <p>Bankruptcies, foreclosures, short sales, significant mortgage late pays, significant collections Tax liens, etc.</p> <ul style="list-style-type: none"> <li>Applications with 4+ Years of solid credit history since date of credit event (discharge date for bankruptcies) will be considered.</li> </ul>
<b>DTI</b>	<ul style="list-style-type: none"> <li>39%; up to 43% w/compensating factors <ul style="list-style-type: none"> <li>Some examples of compensating factors may include 750+ mid score, 50% owner equity, lower LTV than stated guidelines, or significant cash reserves.</li> </ul> </li> </ul>
<b>INCOME</b>	<p>All applications must include copies of the most recent:</p> <ul style="list-style-type: none"> <li>The most recent 2 years of personal tax returns</li> <li>The most recent 2 years W-2's and the most recent wage statement if the borrowers are wage earners</li> </ul> <p>Self-Employed applicants:</p> <ul style="list-style-type: none"> <li>Less than 25% ownership in an entity:</li> <li>Two years of K-1 statements</li> </ul> <p>Greater than 25% ownership in an entity:</p> <ul style="list-style-type: none"> <li>Two full years of tax returns for the entity, including K-1 statements</li> <li>A balance sheet for the business (assets and liabilities). The balance sheet should include payment terms for the business-related debts, including rates, terms and payment amounts.</li> </ul> <p style="text-align: center;"><b>Agricultural Income</b> <b>Hobby Farm (500+ of annual AG income)</b></p> <p>Acreages of 5+ need to have reasonable potential to produce \$500/annually. If an applicant has a property under 5 acres (and needs to be classified as a hobby farmer) then the annual agriculture income must be \$5,000.</p>
<b>PROPERTY ELIGIBILITY</b>	<ul style="list-style-type: none"> <li>Rural Area</li> <li>Properties are generally 5-160 acres, properties with acreages under 5 or over 160 will be considered on a case-by-case basis.</li> <li>Owner occupied, single family, and primary residences with a primary home in good condition.</li> <li>Consumer outbuildings are permitted.</li> <li>Primary homes should have a value of at least 30% of the overall property value. Properties with a home valued less than 30% will be reviewed on a case-by-case basis.</li> </ul>
<b>INELIGIBLE PROPERTY TYPES</b>	<ul style="list-style-type: none"> <li>Full-time farming</li> <li>Business property</li> <li>Manufactured homes, mobile homes (allowed as second dwelling only – not primary home on subject)</li> <li>Townhomes</li> <li>Condominiums</li> <li>Planned Unit Developments (PUDS in the form of Homeowners Associations, allowed for access roads, fences, gates, etc. for ingress/egress to the rural residence.)</li> <li>Duplexes</li> <li>Lot or land only properties</li> <li>Properties with deferred maintenance or incomplete construction</li> <li>Leasehold</li> <li>Rental Homes</li> <li>Unique Homes (i.e., dome homes, grain bin homes, 3-season cabins)</li> </ul>
<b>ACREAGE</b>	<ul style="list-style-type: none"> <li>Properties generally range from 5-160 acres</li> <li>Acreages 160+ considered on a case-by-case basis.</li> </ul>
<b>SECOND HOME ON PROPERTY</b>	<ul style="list-style-type: none"> <li>One additional home on the subject property is allowed.</li> <li>Two additional homes allowed on a case by case basis.</li> <li>The comparable sale analysis should focus on the primary home.</li> <li>Ancillary value can be given to the additional home(s) if the home(s) are not a manufactured.</li> </ul>

<b>GENERAL REQUIREMENTS (CONTINUED)</b>	
<b>LIVESTOCK</b>	<ul style="list-style-type: none"> <li>• Generally 50 head or less</li> </ul>
<b>GIFTS</b>	<p><b><u>Gifts of Cash:</u></b>          Gifts of cash must be received from an immediate family member.</p> <p><b><u>Gifts of Equity:</u></b>          A gift of equity is permitted when purchasing from an immediate family member.</p> <ul style="list-style-type: none"> <li>• The purchase price in the purchase agreement should be as close to the estimated value of the property as possible.</li> <li>• The purchase agreement must include a statement including the gift of equity and the amount.</li> <li>• If the discrepancy between the purchase price and appraised value is greater than 5%, LHFS will evaluate on a case-by-case basis whether or not the purchase agreement will need to be amended.</li> <li>• The settlement statement should include a gift of equity line.</li> </ul>
<b>HOME ONLY VALUE RESTRICTIONS</b>	None
<b>HOME VALUE TO OVERALL PROPERTY VALUE PERCENTAGE</b>	Ideally 30%+, but lower levels considered
<b>APPRAISAL</b>	<ul style="list-style-type: none"> <li>• Fannie Mae 1004 / Freddie Mac 70 appraisal forms or Uniform Agricultural Appraisal Report (UAAR)</li> <li>• The appraiser should choose the reports which best supports the value given to the subject property.</li> <li>• USPAP Compliance: It is the responsibility of the appraiser completing the work to ensure USPAP compliance. The requirements established in the most current version of USPAP are considered minimum requirements.</li> <li>• Licensure: Certified Residential or Certified General Appraiser in good standing in the state in which the property subject to the appraisal is located.</li> <li>• Appraiser Engagement: The appraiser is to be engaged by the Client. An engagement letter should be used to outline to the appraiser the objectives of the appraisal. A copy of the engagement letter, including signatures of the appraiser and the Client should be available upon request.</li> <li>• Intended Users: The intended User in the appraisal report should be named as the Client, Its Successor and Assigns.</li> <li>• Effective Date: The Effective Date of the appraisal should be the date of the appraiser's last physical inspection of the subject property.</li> <li>• Report Date: The Report Date of the appraisal must be within 60 days of the Effective Date of the appraisal. The report may not be more than 120 days old on the date of closing.</li> <li>• Inspection of the Subject and Comparable Sales: In all cases, the appraiser(s) completing the evaluation and signing the report must personally inspect the property, including the interior of the home. The appraisal process must also include inspection of the exterior of the comparable sale properties used in the analysis of the subject value. If such an exterior inspection is not possible (due to lack of property access, locked gates, distance, improvements not visible from the roadway, etc.) the appraiser may use marketing brochures, listing information, or similar source photos to support the improvements' characteristics on a sale property together with an explanation of the source of the physical characteristics' information.</li> <li>• Signature Requirement: Appraisers are bound by the signatory requirements of their licensing state to ensure that necessary signatures are affixed to the completed appraisal report</li> <li>• Additional Property Guidelines:             <ul style="list-style-type: none"> <li>• Homes need to be in good condition with no deferred maintenance or incomplete construction. Any deferred maintenance or incomplete items noted in appraisal reports must be remedied prior to closing, with a final inspection conducted by the appraiser.</li> <li>• Some agriculture facilities are permitted, but not active/concentrated livestock facilities or extensive business facilities.</li> <li>• Properties should be "hobby" in nature versus a property where there is a full-time business.</li> <li>• The appraiser should give no value to assets considered to be personal property (i.e., singlewide mobile homes, irrigation equipment, etc.)</li> <li>• Appraisals on log homes and steel sided/steel roofed homes (shed homes w/o large attached sheds or livestock shelter) need to include documentation that this type of home is typical and common for the market area.</li> <li>• Non-contiguous parcels are permissible. The parcels should be within a reasonable proximity to each other. Each non-contiguous parcel must be separately appraised.</li> <li>• All parcels must have access to state or county-maintained streets or roads (direct access or by easement).</li> <li>• The property is required to have adequate in-service utilities, including, individual well and septic. Waste treatment must meet state and local standards.</li> </ul> </li> </ul>

<b>GENERAL REQUIREMENTS (CONTINUED)</b>	
<b>INSURANCE</b>	<p>All homeowner's insurance and flood insurance companies must be AM Best rated (A- or better) or Demotech rated (A or better).</p> <p><b>Homeowners Insurance</b></p> <p><u>Purchase:</u> LHFS requires that the premium for the first year either be paid through the closing/signing process or evidence provided that it has been paid outside of closing.</p> <p><u>Refinance:</u> If current insurance premiums are paid monthly, quarterly, or semi-annually, the hobby farm program requires full payment through the next due date, either through the closing/signing process or evidence provided the premium has been paid in full outside of closing. Also, the policy must be updated to annual payments and an updated binder provided prior to closing.</p> <p><b>Flood Insurance</b></p> <p>Flood insurance is required if any determination indicates the buildings on the property lie within a flood zone. Coverage requirements will be determined by an underwriter. The amount of insurance required is the lesser of:</p> <ul style="list-style-type: none"> <li>• The outstanding balance of the loan(s); or</li> <li>• The maximum amount of insurance available for the type of structure; or             <ul style="list-style-type: none"> <li>• The maximum limit available for the type of structure; or</li> <li>• The "insurable value" of the structure.</li> </ul> </li> </ul>
<b>PROPERTY TAXES / TITLE</b>	<ul style="list-style-type: none"> <li>• Escrow accounts are only required for loans classified as higher-priced mortgage loans (HPML). A borrower may also voluntarily request an escrow account. HPML loans are required to have an escrow account established and maintained for a minimum of five (5) years.</li> <li>• <b>Real Estate Taxes:</b> <ul style="list-style-type: none"> <li>• If taxes are due and payable within 45 days of closing, LHFS requires the taxes to be paid through the closing and shown in the loan estimate.</li> <li>• Amounts to be escrowed are dependent upon the month of closing and when the next installment is due.</li> </ul> </li> <li>• Alta 2006 Residential Loan Policy with Alta 8.1 Environmental Protection Lien Endorsement is required.</li> </ul>
<b>PURPOSE</b>	Purchase and Refinance
<b>SECOND MORTGAGE</b>	Allowed if financed through financial Institution / Government
<b>CASH-OUT RESTRICTIONS</b>	Undocumented actual cash out to the borrower will be limited to the lesser of \$100,000 or 25% of the loan amount.
<b>SELLER CLOSING COST CONTRIBUTION</b>	Up to 5% (No seller carrybacks allowed)
<b>ADDITIONAL</b>	<ul style="list-style-type: none"> <li>• Manually underwritten</li> <li>• If an application is taken in the name of one spouse, only ½ of the joint asset/income, along with the full liability payments, will be used in the loan analysis.</li> </ul>

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

**REVISION HISTORY:**

<u>DATE</u>	<u>TOPIC / UPDATE</u>
08/21/2025	Updated formatting

