

WELCOME

- **This training is an overview of the Single Family Housing Guaranteed Loan Program.**
- **If you are taking the training as a mandatory requirement, you are responsible for reporting your completion to your company's contact.**
- **Download and/or print the course materials for future reference.**

•Welcome to an overview training of the Single Family Housing Guaranteed Loan Program.

•If you are taking today's training as part of the mandatory training requirement necessary before your company can become an approved lender with Rural Development, please note that you are responsible for reporting your completion of this training to your company's point of contact.

•Please ensure you have downloaded and/or printed out the course materials for this training. They will not only assist you in getting more out of today's training, but will serve as a valuable reference guide.

WELCOME

- **The executor of your company's approved lender's agreement (Form RD 1980-16) must sign a master attendance sheet (provided in the course materials) and return it to either the National Office or the State Office that sent your company their pre-approval letter.**

•When you have completed the training, alert your company's point of contact. They will add you to the master attendance sheet which must be signed by the executor of Form RD 1980-16 "Approved Lender's Agreement." This master attendance sheet is provided as part of the course materials, and must be returned to either the National Office in Washington D.C. or a State Rural Development office. Please refer to the "pre-approval" letter that your company received alerting you of the mandatory training. There will be a point of contact to return the attendance sheet. Rural Development should only receive the master attendance sheet—not assorted individual attendance sheets. These will not be accepted.

WELCOME

- **When all necessary application materials have been received and reviewed, Rural Development will notify your company of their approval status for the Guaranteed Loan Program.**

•When Rural Development has received, reviewed, and accepted all necessary materials for lender approval, your company will receive official notification that you are approved to offer Guaranteed loans.

•Let's begin the training!



Committed to the future of rural communities.

Guaranteed Loans

- **Affordable**
- **Stable**
- **Responsible**



November 2009

Thank you for joining me to learn more about the Single Family Housing Guaranteed Loan Program. This training will review the Guaranteed Loan Program in depth; including applicant and property eligibility, origination and underwriting guidelines, as well as review many available resources you can access to continue to stay up to date on all program guidelines. At the end of this training you will see how the Guaranteed Loan Program builds more successful homeowners by offering buyers an affordable, stable, and responsible loan program option.

Training Tools

- Titles with * indicate an Administrative Notice is available on this topic.
- Titles with * indicate a ListServ Notice was delivered on this topic.
- This training is not all inclusive. Please refer to RD Instruction 1980-D, Administrative Notices, Unnumbered Letters, and all other published guidance.

Before the training begins there are a few points to keep in mind:

- Slide titles that have a red asterick alert you that there is a published Administrative Notice on this topic. Administrative Notices provide additional clarification and guidance to RD Instruction 1980-D. Therefore, lenders are encouraged to search and review all applicable Administrative Notices.
- Slide titles that have a green asterick alert lenders that the Agency published a ListServ announcement to provide further clarification on this topic. Lenders are encouraged to sign up for free to receive ListServ announcements.
- This training is not intended to relieve lenders of their responsibility to review all published guidance pertaining to the Single Family Housing Guaranteed Loan Program. While this training does provide an intensive overview, lenders are responsible for remaining up to date on all recently published guidance as well as RD Instruction 1980-D.

Single Family Housing Guaranteed Loans

How can lenders offer Guaranteed Loans?

1. Become an approved lender*

- Form RD 1980-16 Approved Lender Agreement
- Be an approved lender with Fannie Mae, Freddie Mac, HUD, VA, State Housing Finance Agency, Farm Credit Service, or participate in other guaranteed loan programs (i.e. Rural Business, Utilities, and/or Farm Service Agency)
- National or state approved status available

How can lenders offer Guaranteed loans? There are two ways to participate:

#1: Become an approved lender!

Lenders may apply directly with Rural Development to become an approved lender. Potential approved lenders must submit an executed Form RD 1980-16 "Approved Lender Agreement" along with documentation to support their approval status with either Fannie Mae, Freddie Mac, HUD, VA, a State Housing Finance Agency, Farm Credit Service, or approval and participation with other USDA guaranteed loan programs such as Rural Business and Industry, Rural Utilities, and/or the Farm Service Agency. There are specific approval types that must be met in order to qualify as an approved lender with the Single Family Housing Guaranteed Loan Program.

Lenders may also decide if they wish to achieve National Lender approval, meaning they will be eligible to participate in the Guaranteed Loan Program across all states nationwide, or if they only wish to be approved in one state. If a lender does business in more than one state, National approval is encouraged.

Single Family Housing Guaranteed Loans

How can lenders offer Guaranteed Loans?

2. Work with an approved lender

- Submit originated loan files to an approved lender for underwriting
- Refer to the approved lender for potential overlays/guidelines (i.e. minimum FICO scores, documentation requirements, property type restrictions, etc.)

Single Family Housing Guaranteed Loans

Who is not eligible to become an approved lender?*

- HUD Loan Correspondents
- VA Agents
- Freddie Mac Third Party Originators (TPO)
- Mortgage Brokers

These lenders must find an approved lender to work with in order to originate Guaranteed loans.

#2: Work with an approved lender!

For lenders who do not meet the eligibility requirements to become an approved lender, they may work with an approved lender to offer Guaranteed loans to their clients. Lenders who are ineligible for consideration may submit their originated loan files to an approved lender who will conduct the underwriting and approval of Guaranteed loan files.

Please refer to all internal guidelines approved lenders may have above and beyond the guidelines of the Rural Development Guaranteed Loan Program.

Lenders who are NOT eligible for approved lender consideration include but are not limited to:

- HUD Loan Correspondents
- VA Agents
- Freddie Mac Third Party Originators (TPO's) and
- Mortgage Brokers

These lenders should contact an approved lender that they wish to work with in order to utilize the Guaranteed loan program.

Key Guaranteed Loan Benefits



Single Family Housing Guaranteed Loans offer applicants many tremendous benefits in their quest to become successful homeowners.

Key Guaranteed Benefits!

Maximum Loan Amount:

- Up to 100% of appraised value, plus one time guarantee fee



Guaranteed loans allow lenders to loan up to 100% of the APPRAISED VALUE, plus the one time guarantee fee may be rolled into the loan ABOVE the appraised value. This advantage may allow lenders to include eligible closing costs, lender fees, repairs, etc. in order to keep the out of pocket costs to a minimum for the applicant.

Key Guaranteed Benefits!

Maximum Loan Amount

Example:

- **Purchase price: \$150,000**
- **Appraised Value: \$153,000**

Lender has \$3,000 available between the appraised value and the purchase price amount to include eligible items if they choose.



•If the appraised value is higher than the purchase price of the home, the difference between the two may be utilized to include eligible closing costs, lender fees, repairs, etc. into the loan amount.

In this example, the purchase price is \$150,000 and the appraised value is \$153,000. There is a \$3,000 difference between the purchase price and the appraised value, therefore the lender has the ability to include up to \$3,000 of eligible closing costs, fees, repairs, etc. into the loan amount. The one time guarantee fee may still be included in the loan amount ABOVE the \$153,000 appraised value.

Key Guaranteed Benefits!

Maximum Purchase Price:

- **No maximum purchase price**
- **Repayment ratios determine purchasing power and affordability.**



- There is no maximum purchase price for a home in the Guaranteed Loan Program.
- Housing and Debt ratios will determine repayment ability and the price of a home for which the applicant may qualify.

Key Guaranteed Benefits!

No monthly mortgage insurance:

- **More affordable payments**



There is no monthly mortgage insurance added to the monthly payments, therefore Guaranteed Loan payments are more affordable.

Key Guaranteed Benefits!

Qualifying Ratios*

- **29% Housing**
- **41% Total debt**
- **Ratio waiver requests may be approved by Rural Development with strong compensating factors supported with documentation submitted by the approved lender**



- Repayment Ratios are 29 percent for the proposed housing payment which consists of the principal, interest, real estate taxes, and homeowners insurance, and 41 percent for the total debt ratio.
- If the applicant's total debt ratio and/or PITI ratio exceed the maximum authorized ratios of 29/41, the approved lender may request Rural Development concurrence in exceeding these ratios by submitting a debt ratio waiver request. The debt ratio waiver request must be documented with strong compensating factors to support the higher ratios.
- Rural Development will review and approve or deny ratio waiver requests.

Key Guaranteed Benefits!

Fixed Interest Rates:

- 30 year fixed rates
- Added stability



- Guaranteed loans may only be made for 30 year amortizations with fixed interest rates.
- Fixed interest rates allow applicants to have a stable payment they can budget for and expect in the future.

Key Guaranteed Benefits!

No reserve requirements:

- No reserve minimum
- No asset limit
- Income derived from liquid assets will be considered in the annual income calculation to ensure program eligibility.



- There are no reserve minimums to meet.
- Applicants are not required to have checking or savings accounts, thereby assisting lenders to serve more of the emerging market populations that typically do not maintain formal banking relationships.
- There is also no asset limitation placed on the amount of liquid assets an applicant may retain. Lenders must calculate any interest or dividend income derived from large liquid assets (those with a balance of \$5,000 or greater) disclosed by the applicants, to ensure they are not over the adjusted annual income limitation for program eligibility. There will be more on this topic later in the training.

Key Guaranteed Benefits!

Flexible Credit Guidelines*

- **No minimum FICO score**
- **Nontraditional credit allowed**

- **Applicants must display an ability and willingness to repay debts in a timely manner.**



- There is no minimum FICO score determined by Rural Development.
- Nontraditional credit is accepted.
- Applicants must display an ability and a willingness to repay their debts in a timely manner to demonstrate their intentions to maintain their financial obligations as they become due.
- Many investors and lenders do have minimum FICO scores that loan applicants must meet. It is important to be aware of the guidelines that will apply to loans you may originate.

Key Guaranteed Benefits!

Assistance Programs Allowed:

- **Gift/Grant programs**
- **Downpayment assistance**
- **Seller concessions**
- **Mortgage Credit Certificates (MCC's)**
- **Temporary or permanent buydowns**



- Lenders are allowed to use all assistance programs available to enhance the affordability of the loan for the applicant.
- Rural Development has no limitations on the amount of gift or grant funds, downpayment assistance, or seller concessions that may be used. Rural Development also welcomes the use of Mortgage Credit Certificates and temporary or permanent interest rate buydowns.
- Lenders should check with their own companies and investors to ensure there are no internal overlays that may set specific limitations on these programs.

Key Guaranteed Benefits!

NOT limited to first time homebuyers



The Guaranteed Loan Program is NOT limited to only first time homebuyers. The loan is available to assist eligible homebuyers regardless of whether or not they currently or have previously owned a home.

Key Guaranteed Benefits!

Loans are GUARANTEED up to 90% of the original loan amount in the event of a loss

Example:

Loan Amount: \$100,000

Guaranteed Amount: \$90,000



•Rural Development offers lenders the tremendous benefit of having the loan guaranteed up to 90% of the original loan amount in the event of a foreclosure or loss.

•For example, a \$100,000 total loan amount will have a loan note guarantee issued to guarantee the loan up to \$90,000 in the event of a loss. A 90 percent guarantee greatly reduces the risk to approved lenders who choose Guaranteed loans for their clients.

Eligible Housing

Now let's review the types of housing that are eligible for Guaranteed loans.

Eligible Housing

- **Existing homes**

Must meet HUD Handbooks 4150.2 and 4905.1



- Existing homes are eligible for the Guaranteed Loan Program.
- All existing homes must meet HUD Handbooks 4150.2 and 4905.1 minimum property standards.

Eligible Housing

- **Condominiums***

**Lenders must certify on the 1008 or similar document
They have retained documented evidence the project
is approved by:**

- **Fannie Mae or**
- **Freddie Mac or**
- **HUD or**
- **VA**



Eligible Housing

- **Townhouses/(PUD's)**

**All PUD's (attached and detached) are eligible for
Guaranteed financing**



- Condominiums are eligible IF the approved lender can document their permanent case file and certify to Rural Development that the project is approved by either Fannie Mae, Freddie Mac, HUD, or VA.
- The project only needs to be eligible or approved with one of those four entities in order to be eligible for a Guaranteed loan.
- There is more information regarding condominiums later in the training.

- Townhouses are typically classified as Planned Unit Development's or "PUD's."
- All PUD's are eligible whether they are attached or detached as Rural Development follows the guidance issued by HUD in Mortgagee Letter 2003-02 which announced the elimination of PUD approval requirements.

Eligible Housing

- **Modular homes**

New and existing modular homes are eligible



- Modular homes are built to the applicable building code of their destination. Therefore all modular homes, new or existing, are eligible for financing.
- Existing modular homes must meet HUD Handbooks 4150.2 and 4905.1 minimum property standards.
- New construction modular homes must meet the Guaranteed loan program requirements for newly constructed dwellings. New construction requirements are covered in depth later in this training.

Eligible Housing

- **New Construction***



- New Construction is welcome in the Guaranteed loan program.
- Guaranteed loans may not be utilized during a construction process. Guaranteed loans are "end loans" when lenders are seeking to roll an interim construction loan into a permanent financing product.
- More details specific to new construction requirements will be discussed later in the training.

Eligible Housing

- **Manufactured homes***

New units: 1980.313(i)

- purchase agreement must be dated within one year of the date displayed on the manufacture date of the unit
- Built by an approved dealer-contractor (each state maintains a list)

Existing units: 1980.313(i)(2)(i)

- Must be originally built and financed with a Direct or Guaranteed loan
- Original owner must be seller



- Manufactured homes are eligible if they meet specific guidelines.
- New units are eligible for Guaranteed financing when they are built by approved dealer contractors, and the purchase agreement is dated within one year of the date the unit was manufactured.
- An existing manufactured home is only eligible if it was originally built and financed with a Direct or Guaranteed loan, AND the original owner is the seller. Greater details will be discussed later in the training regarding eligible manufactured homes.

No Income Producing Property

- **Rental Homes/Second Homes**

Guaranteed loans are for single family primary residences only.



- Income producing properties are not eligible to be financed with a Guaranteed loan.
- Guaranteed loans are only to be used in order to assist homebuyers to purchase their primary residence.
- Applicants who will be purchasing a home specifically for rental purposes, or to utilize as a second home will not be eligible.

No Income Producing Property

- **Grain bins, silos, dairy farms, hog barns, multiple equestrian stables**

Any appurtenances that have specific income producing abilities/purposes are ineligible.

1980.311(a)(4) and 1980.313(a).



- Properties that have buildings or equipment for specific income producing purposes will be ineligible for a Guaranteed loan.
- Examples of buildings or equipment may include but is not limited to: grain bins, silos, dairy farm equipment and buildings, hog barns, and large/multiple horse stables.

No Income Producing Property

- **Farm service buildings**

Large farm service buildings are non-essential for RD purposes. 1980.311(a)(4) and 1980.313(a).



- Properties with large farm service buildings that are non-essential to the goal of achieving homeownership are not eligible for a Guaranteed loan.
- An example of a large farm service building would include those capable of housing farm service equipment such as combines, tractors, trailers, harvesters, etc.

No Income Producing Property

- Windmills, Cell phone towers

Typically these structures generate income as the company is "renting" the land where these are located.



• Properties that have wind mills/wind turbines or cell phone towers located on the property will be ineligible for a Guaranteed loan due to the rental payments homeowners receive for allowing these structures to be present on the property.

No Income Producing Property

- Acreage: non-tillable (farm), no "limit," 30% site value

30% or more: If typical for area (as verified by appraisal and comps) and the site cannot be subdivided into two or more sites, the 30% limitation may be exceeded. 1980.313(e)



- Rural Development does not have a defined number of acres of land that would make a property ineligible for a Guaranteed loan, however Rural Development does have a site value limit.
- Site values that exceed 30 percent will require further explanation from the appraiser.
- The appraiser must determine if the site is typical for the area. A site that is typical for the area must include comparable properties that have similar acreage thereby supporting the appraisers comments.
- The appraiser must also ensure the site can not be subdivided into two or more separate parcels.
- Acreage must also be non-tillable or income producing. Land that can be utilized for income producing purposes will be ineligible for a Guaranteed loan.
- For site values that are 30% or less, no further action or comments are required by the appraiser or the lender as the site meets RD Instruction 1980-D.

In-Ground Swimming Pools*

States may approve requests:

- No loan funds for contributory value of pool
- Appraiser must provide accurate value
- No ARRA Funds may be used
- Above ground pools are non-issues



In the past, in ground swimming pools would render properties ineligible for a Guaranteed loan per section 1980.311(a).

- However recent guidance has been issued to allow State Directors or their designees to approve the purchase of dwellings which include an in-ground swimming pool as long as any contributory value of the swimming pool is not financed in the loan amount.
- Rural Development staff should ensure that the contributory value of the pool is not included in the final loan amount.
- The value of the in-ground pool should be deducted from the maximum loan amount before the guarantee fee is added back into the loan if financed.
- Typically a swimming pool has value and adjustments are made for comparable sales that do not have swimming pools.
- It is possible that a swimming pool does not have a contributory value.
- The appraiser is responsible to address such scenarios in their appraisal report.
- An appraiser must not indicate that a swimming pool has no value simply because "this is a Rural Development guaranteed loan." Under USPAP, the appraiser should address the swimming pool under local market conditions.
- Appraisals that do not meet minimum standards may be rejected by the Agency.
- Rural Development may not obligate properties with in-ground swimming pools with loan funds provided to the Agency through the American Reinvestment and Recovery Act of 2009 or ARRA.
- Above ground swimming pools, hot tubs, saunas, etc. will not affect the eligibility of the property. Rural Development considers these personal property items.

Example: Maximum Loan Amount Calculation w/ In-Ground Pool

Appraised Value:	\$175,000
Pool Value:	- \$2,500
Maximum loan amount:	\$172,500 + g fee

$\$172,500 \div .98 = \$176,020.41$ loan amount w/ guarantee fee



This is an example of how the Agency will calculate the appropriate maximum loan amount Rural Development may guarantee when an in-ground swimming pool is part of the property.

- In this example the appraised value is \$175,000.
- Rural Development will subtract the appraisers reported opinion of the contributory value of the in-ground swimming pool, which is \$2,500 in this example.
- \$175,000 minus \$2,500 is \$172,500 plus the one time guarantee fee may be rolled into the loan above this amount.
- If the guarantee fee will be financed the final loan amount is calculated by dividing the maximum loan amount of \$172,500 by .98 to arrive at a maximum loan amount of \$176,020.41. This figure includes the one time guarantee fee.

Property and Income Eligibility

In order to be eligible for a Guaranteed loan, property and income eligibility parameters must be met.

2 Program “Rurals”

- Eligible area
- Eligible adjusted household income



There are two primary rules that must be met for Guaranteed loan eligibility.

- First, primary residences must be located in an eligible rural area as defined by Rural Development.
- Second, the household must not exceed the adjusted income limit for their household size, based upon the number of people who will occupy the home as their primary residence

Nationwide Eligibility Web Site

<http://eligibility.sc.egov.usda.gov>

- Property Eligibility
- Income Eligibility
- Income Limit pdf by state

Rural Development has a nationwide eligibility website available for lenders to access to determine property and income eligibility. Many valuable resources are available on this website.

Property Eligibility

USDA United States Department of Agriculture
Rural Development

Committed to the Future of Rural Communities

You are here: [eligibility / Home](#)

Eligibility

You must use [Internet Explorer 5.0](#) and higher or [Firefox 1.0](#) and higher in order to view this site. (Best viewed using screen resolution of 1024 X 768)

Welcome to the USDA Income and Property Eligibility Site

This site is used to determine eligibility for certain USDA home loan programs. In order to be eligible for many USDA loans, household income must meet certain guidelines. Also, the home to be purchased must be located in an eligible rural area as defined by USDA.

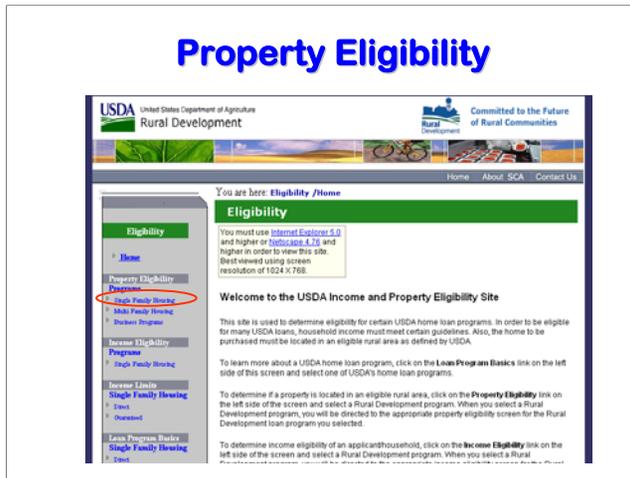
To learn more about a USDA home loan program, click on the [Loan Program Basics](#) link on the left side of this screen and select one of USDA's home loan programs.

To determine if a property is located in an eligible rural area, click on the [Property Eligibility](#) link on the left side of the screen and select a Rural Development program. When you select a Rural Development program, you will be directed to the appropriate property-eligibility screen for the Rural Development loan program you selected.

To determine income eligibility of an applicant/household, click on the [Income Eligibility](#) link on the left side of the screen and select a Rural Development program. When you select a Rural Development program, you will be directed to the appropriate income-eligibility screen for the Rural Development loan program you selected.

Bookmark as a Favorite

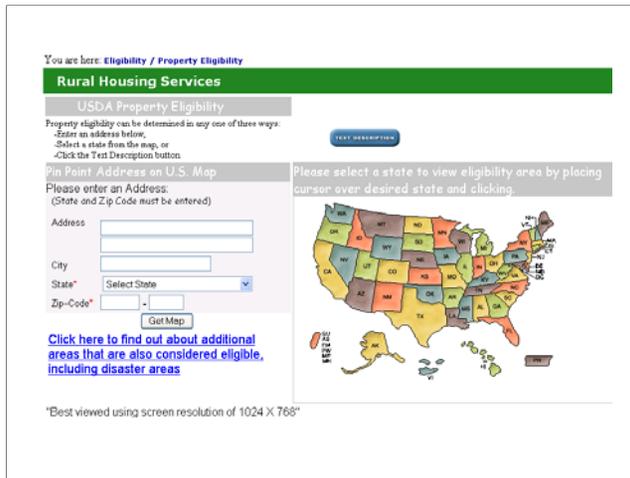
When you log into the website be sure to bookmark it as a "favorite" for future reference.



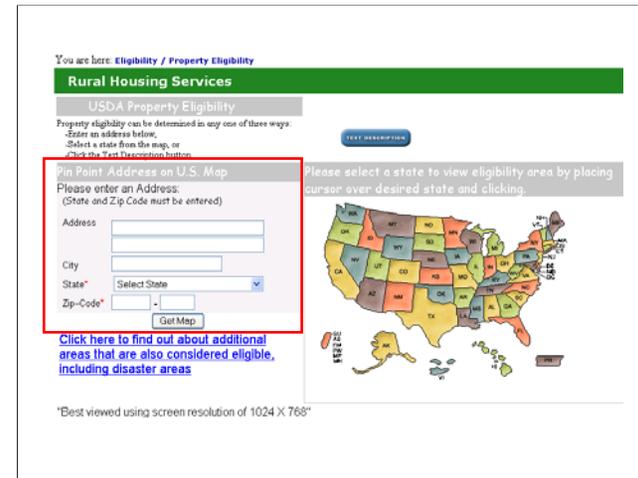
- On the left side of the website is the “Eligibility” menu.
- Under “Property Eligibility” click on “Single Family Housing” to ensure properties are eligible for a Guaranteed loan.



- A “Property Eligibility Disclaimer” will display.
- Read the disclaimer. It states that every effort is made to provide accurate and complete eligibility maps. There is a chance that you could receive an incorrect eligibility determination. This is rare, but may occur.
- Final determination of property eligibility must be made by Rural Development. Click on “Accept” to move forward on the site.



The USDA Property Eligibility site will appear. The user will have two options available to verify property eligibility.



The first option is to "Pin Point Address on U.S. Map." The user can enter the exact address, city, state, and zip code of the property. Once entered the system will map this address to its exact location and provide an eligibility determination.

You are here: [Eligibility / Property Eligibility](#)

Rural Housing Services

USDA Property Eligibility

Property eligibility can be determined in any one of three ways:

- Enter an address below.
- Select a state from the map, or
- Click the Text Description button.

[Text Description](#)

Pin Point Address on U.S. Map

Please enter an Address:
(State and Zip Code must be entered)

Address

City

State*

Zip-Code*

[Click Maps](#)

[Click here to find out about additional areas that are also considered eligible, including disaster areas](#)

Please select a state to view eligibility area by placing cursor over desired state and clicking.

*Best viewed using screen resolution of 1024 X 768"

Sometimes areas that have been declared "Disaster Areas" may under normal circumstances be ineligible for Guaranteed loan consideration. However, by virtue of their "Disaster Area" designation they are temporarily eligible for Guaranteed loans. Click on this link to see if there are any disaster areas in your state that are now eligible.

Eligibility

- Home
- Property Eligibility Programs
 - Single Family Housing
 - Multi Family Housing
 - Business Programs
- Income Eligibility Programs
 - Single Family Housing
- Income Limits
 - Single Family Housing
- Loan Program Basics
 - Single Family Housing
- Contact Us
 - Single Family Housing
 - Direct
 - Overseas
 - Business Programs
 - Direct and Overseas

The following areas may also be considered as meeting the eligibility requirements for Single Family Housing programs in the Rural Development mission area due to Hurricane Katrina and/or Hurricane Rita for a period of three years from the declared disaster date. Please contact your local Rural Development office for more information concerning property eligibility in these areas.

[Previous](#)

Alabama

- Decatur/Hartselle incorporated areas in Morgan County (expires 8/29/08)
- Quad Cities Florence, Tuscumbia, Sheffield, and Muscle Shoals incorporated areas in Lauderdale/Colbert Counties (expires 8/29/08)

Louisiana

- East Baton Rouge Parish excluding the incorporated area of Baton Rouge (expires 8/29/08)
- Houma (Terrebonne Parish) (expires 9/24/08)
- Jefferson Parish excluding the unincorporated areas of the East Bank of the Mississippi River (Metairie and River Ridge are not eligible) (expires 9/24/08)
- New Iberia (Iberia Parish) (expires 9/24/08)
- Slidell (St. Tammany Parish) (expires 9/24/08)
- St. Bernard Parish (expires 8/29/08)
- Sulphur (Calcasieu Parish) (expires 9/24/08)

- When you click on the link to view eligible disaster areas, you will notice they are listed by state and contain an expiration date.
- Utilize the right scroll bar to view all states and areas listed. Contact Rural Development if you wish to verify if a disaster area is still eligible.

You are here: [Eligibility / Property Eligibility](#)

Rural Housing Services

USDA Property Eligibility

Property eligibility can be determined in any one of three ways:

- Enter an address below.
- Select a state from the map, or
- Click the Text Description button.

[TEXT DESCRIPTION](#)

Pin Point Address on U.S. Map

Please enter an Address:
(State and Zip Code must be entered)

Address

City

State*

Zip-Code*

[Click here to find out about additional areas that are also considered eligible, including disaster areas](#)

Please select a state to view eligibility area by placing cursor over desired state and clicking.



*Best viewed using screen resolution of 1024 X 768"

The second option to check eligibility is to click on a specific state on the U.S. Map and then drill down within the state to the county where the property is located. This option is also excellent to use when lenders need an idea of what areas are or are not eligible within their lending footprint.

You are here: [Eligibility / Property Eligibility](#)

Rural Housing Services

USDA Property Eligibility

Property eligibility can be determined in any one of three ways:

- Enter an address below.
- Select a state from the map, or
- Click the Text Description button.

[TEXT DESCRIPTION](#)

Pin Point Address on U.S. Map

Please enter an Address:
(State and Zip Code must be entered)

Address

City

State*

Zip-Code*

[Click here to find out about additional areas that are also considered eligible, including disaster areas](#)

Please select a state to view eligibility area by placing cursor over desired state and clicking.



*Best viewed using screen resolution of 1024 X 768"

Let's review the potential outcomes when users pin point an exact address.

Map an exact address: Eligible

The screenshot shows the 'Iowa Property Eligibility' web application. On the left, a form titled 'Pin Point Address on U.S. Map' contains the following fields: 'Address' with '879 E Iowa', 'City' with 'Eldridge', 'State*' with 'Iowa', and 'Zip-Code*' with '52748'. A 'Get Map' button is located below the form. The main map area, titled 'Iowa Property Eligibility', shows a yellow-shaded region with a red pin at the location of 879 E Iowa, Eldridge, IA 52748. A blue text box at the bottom of the map reads 'This address IS eligible.' The map includes a compass rose and a scale bar.

This is an example of mapping an exact address. Enter the address and click on "Get Map." The property determination will map the address to its exact location and deliver an eligibility determination message. In this example the property is eligible.

Map an exact address: Ineligible

The screenshot shows the 'Illinois Property Eligibility' web application. On the left, a form titled 'Pin Point Address on U.S. Map' contains the following fields: 'Address' with '1436 Whitefield', 'City' with 'Normal', 'State*' with 'Illinois', and 'Zip-Code*' with '61761'. A 'Get Map' button is located below the form. The main map area, titled 'Illinois Property Eligibility', shows a yellow-shaded region with a red pin at the location of 1436 Whitefield, Normal, IL 61761. A red text box at the bottom of the map reads 'This address is not located in an eligible area.' The map includes a compass rose and a scale bar.

In this example the address has been determined to be located in an ineligible area. Please confirm this determination with your state Guaranteed loan coordinator if you have questions regarding this determination. Also recall that disaster areas will appear as "ineligible" when they are indeed eligible.

Map an exact address: Unable to Determine

Vermont Property Eligibility

Pin Point Address on U.S. Map
Please enter an Address.
(State and Zip Code must be entered)

Address:

City:

State*:

Zip-Code*:



UNABLE TO DETERMINE ADDRESS

In this example, the address could not be determined if it was eligible or ineligible. Please refer to your state Guaranteed loan coordinator to confirm property eligibility. The address could be new construction, it could be misspelled, or contain incorrect information. These scenarios may all contribute to an "Unable to Determine Address" determination.

You are here: [Eligibility / Property Eligibility](#)

Rural Housing Services

USDA Property Eligibility

Property eligibility can be determined in any one of three ways:
-Enter an address below,
-Select a state from the map, or
-Click the Test Description button.

Pin Point Address on U.S. Map
Please enter an Address.
(State and Zip Code must be entered)

Address:

City:

State*:

Zip-Code*:

Please select a state to view eligibility area by placing cursor over desired state and clicking.



[Click here to find out about additional areas that are also considered eligible, including disaster areas](#)

*Best viewed using screen resolution of 1024 X 768"

The second option of determining property eligibility is to select a state and drill down further to explore eligible and ineligible property areas. Users could utilize this option when they receive an "Unable to Determine" message after attempting to "pin point address of U.S. Map."

You are here: [Eligibility / Property Eligibility](#)

Rural Housing Services

USDA Property Eligibility

Property eligibility can be determined in any one of three ways:

- Enter an address below.
- Select a state from the map, or
- Click the Text Description button.

[TEXT DESCRIPTION](#)

Pin Point Address on U.S. Map

Please enter an Address:
(State and Zip Code must be entered)

Address

City

State*

Zip-Code*

[Click here to find out about additional areas that are also considered eligible, including disaster areas](#)

Please select a state to view eligibility area by placing cursor over desired state and clicking.



*Best viewed using screen resolution of 1024 X 768"

For this example we will select "Illinois." Click on "Illinois" on the U.S. Map.

[TEXT DESCRIPTION](#)

Quick list of Counties containing ineligible areas

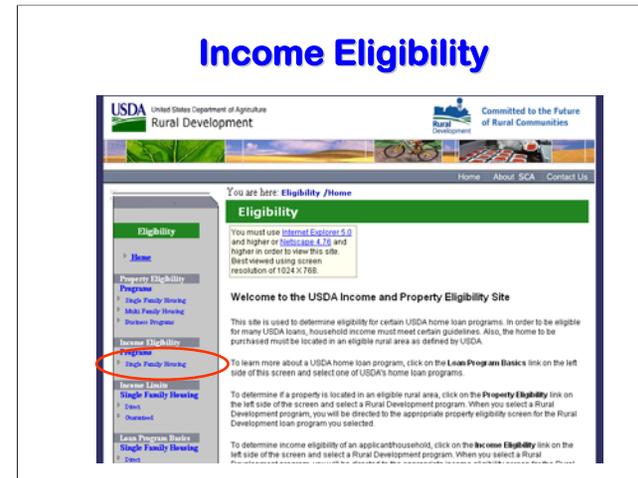
- Adams
- Boone
- Champaign
- Cook
- DeKalb
- DuPage
- Grundy
- Kane
- Kankakee
- Kendall
- Knox
- Lake
- McHenry
- McLean
- Macon
- Madison
- Peoria
- Rock Island
- St. Clair
- Sangamon
- Tazewell
- Vermilion
- Will



- The state of Illinois will appear.
- On the right hand side of the webpage there will be a "Quick list of counties containing ineligible areas." This means that there are parts of these counties where Guaranteed loans are ineligible. If the user does not see a specific county listed it means that this county is 100% eligible for Guaranteed loans.
- For example, "Saline" county is not listed at the right. Therefore, users know that Saline county contains no ineligible areas for Guaranteed loans.
- Counties that are listed do contain ineligible areas. "McLean" county may be viewed in greater detail by either clicking on the county in the map of Illinois, or by clicking on "McLean" in the quick list.



- An eligibility map of McLean county will appear. Areas highlighted in dark orange are ineligible for Guaranteed loans. All other areas are eligible.
- The icons on the left side of the map allow users to zoom in, zoom out, and even move the map around to view other areas.
- The “Legend” will assist users to identify ineligible areas from eligible ones, as well as view cities, interstates and highways. Lenders may wish to make screen prints of the counties where they originate loans to use as a quick reference tool when meeting with clients when a computer may not be available to log onto the eligibility website.



Once property eligibility has been determined the second component for program eligibility is Income Eligibility. Return to the eligibility homepage and under “Income Eligibility” click on “Single Family Housing.”

The screenshot shows the USDA Rural Development website interface. At the top, there is a navigation bar with the USDA logo and the text 'United States Department of Agriculture Rural Development' and 'Committed to the Future of Rural Communities'. Below this is a breadcrumb trail: 'You are here: Eligibility / Income Eligibility'. The main content area is titled 'Single Family Housing Income Eligibility'. It is divided into several sections:

- Property Location:** State: Illinois, County: McLean, Metropolitan Area: Bloomington Normal. A blue question mark icon is next to the Metropolitan Area field.
- Household Members Information:**
 - Number of People in Household: [input field]
 - Number of Residents Under 18 Years Old, Disabled or Full Time Students: [input field]
 - Is Loan Applicant or Co-Applicant age 62 or older?: [dropdown menu with 'No' selected]
 - Are there any Disabled Persons Living in the Household?: [dropdown menu with 'No' selected]

 At the bottom of the form are three buttons: '<< Previous', 'Next >>', and 'Reset'.

- The user will be prompted to select the “State” where the property is located.
- The user will be prompted to select the “County” where the property is located.
- When the state and county have been selected the “Metropolitan Area” will automatically pre-fill. To view more information about the “Metropolitan Area” please click on the blue circle with the white question mark inside. These are help icons that will provide more information to assist the user to complete questions, or to further explain what the data field represents.



MSA

Metropolitan Statistical Area (MSA):

MSA is a county or group of counties of 50,000 people or more, or “twin cities” with a combined population of at least 50,000. In addition to the county such a city, contiguous counties are included in a metro area according to commuting patterns. In New England states, metro areas consist of towns and cities instead of counties, otherwise the rules are similar.

If the blue help icon was selected the user will be directed to a help page that contains the following information. The icon for Metropolitan Statistical Areas or MSA’s provides the Rural Development definition of a MSA.

You are here: [Eligibility / Income Eligibility](#)

Single Family Housing Income Eligibility

Property Location
 State : Illinois
 County : McLean
 Metropolitan Area : Bloomington-Normal ?

Household Members Information

Number of People in Household : ?
(Include all persons living in the household except foster adults and foster children.)

Number of Residents Under 18 Years Old, Disabled or Full Time Students : ?
(Do not include the applicant, spouse, or co-applicant)

Is Loan Applicant or Co-Applicant age 62 or older? : ?

Are there any Disabled Persons Living in the Household? : ?

<< Prev Next >> Reset

The "Household Members Information" section consists of four questions that will assist the user in determining the income eligibility of the household.

You are here: [Eligibility / Income Eligibility](#)

Single Family Housing Income Eligibility

Property Location
 State : Illinois
 County : McLean
 Metropolitan Area : Bloomington-Normal ?

Household Members Information

Number of People in Household : ?
(Include all persons living in the household except foster adults and foster children.)

Number of Residents Under 18 Years Old, Disabled or Full Time Students : ?
(Do not include the applicant, spouse, or co-applicant)

Is Loan Applicant or Co-Applicant age 62 or older? : ?

Are there any Disabled Persons Living in the Household? : ?

<< Prev Next >> Reset

The first question is "Number of People in the Household." The user should enter the number of people who will make that home their primary residence for all or part of the next 12 months. Notice the red note: Include all persons living in the household EXCEPT foster adults and foster children.



Number of People In the Household

The applicant, co-applicant, and all other persons who will make the applicant's dwelling their primary residence for all or part of the next 12 months. The temporary absence of a child from the home due to placement in foster care shall not be taken into account in considering family composition and size. Foster children placed in the borrower's home and live-in aides shall not be counted as members of the household.

Example: Family of four could consist of the following: John Doe (applicant), Mary Doe (co-applicant), Kaitlyn Doe (daughter), and Juanita Sweat (John Doe's mother)

The blue help icon will provide additional information to assist the user in determining the household number.

You are here: [Eligibility](#) / [Income Eligibility](#)

Single Family Housing Income Eligibility

Property Location

State : Illinois
County : McLean

Metropolitan Area : Bloomington-Normal ?

Household Members Information

Number of People in Household :

(Do not include persons living in the household except foster care and foster children)

Number of Residents Under 18 Years Old, Disabled or Full Time Students :

(Do not include the applicant, spouse, or co-applicant)

Is Loan Applicant or Co-Applicant age 62 or older? :

Are there any Disabled Persons Living in the Household? :

<< Prev Next >> Reset

The second question is "Number of Residents Under 18 Years Old, Disabled or Full Time Students."

The user must enter the number of residents that are under 18 years of age, are 18 years of age or older "and" are disabled, or are 18 years of age or older and are full time students. Notice the red note: Do not include the applicant, spouse, or co-applicant.



Dependents

Residents Under 18 Years Old, Disabled, or Full Time Students:

A deduction of \$480 for each member of the family residing in the household, other than the applicant, spouse, or co-applicant, who is:

1. Under 18 years of age **or**
2. 18 years of age or older "and" is disabled per RD Instruction 1980-D, section 1980.302(a) **or**
3. A full time student age 18 year or older

The blue help icon will provide additional information regarding the deduction allowed per household dependent.

You are here: [Eligibility / Income Eligibility](#)

Single Family Housing Income Eligibility

Property Location

State : Illinois
County : McLean
Metropolitan Area : Bloomington-Normal ?

Household Members Information

Number of People in Household : ?
(Include all persons living in the household except foster adults and foster children.)
Number of Residents Under 18 Years Old, Disabled or Full Time Students : ?
(Do not include the applicant, spouse, or co-applicant)

Is Loan Applicant or Co-Applicant age 62 or older? : No ?
 Yes ?

<< Prev Next >> Reset

"Is Loan Applicant or Co-Applicant age 62 or older?" The responses are either "No" or "Yes."



Elderly Household

An elderly family consists of one of the following:

1. A person who is the head, spouse, or sole member of a family who is 62 years of age or older, or who is disabled, and is an applicant or borrower; **or**
2. Two or more persons who are living together, at least one of whom is age 62 years of age or older, or disabled, and who is an applicant or borrower, **or**

The blue help icon has more information to assist the user to understand the definition of “elderly household.” Households that meet the elderly household definition receive a \$400 deduction from their gross annual income to assist in qualifying for the Guaranteed loan program.



Elderly Household

3. In the case of a family where the deceased borrower or spouse was at least 62 years old or disabled, surviving household members shall continue to be classified as an elderly family for the purpose of determining adjusted income, even though the surviving members may not meet the definition of elderly family on their own, provided:
 - A. They occupied the dwelling with the deceased family member at the time of death;
 - B. If one of the surviving family members is the spouse of the deceased family member, the family shall be classified as an elderly family only until the remarriage of the surviving spouse;
 - C. At the time of the death of the deceased family member, the dwelling was financed under title V of the Housing Act of 1949

This slide continues to explain the elderly household definition.

You are here: [Eligibility / Income Eligibility](#)

Single Family Housing Income Eligibility

Property Location
 State : Illinois
 County : McLean
 Metropolitan Area : Bloomington-Normal ?

Household Members Information

Number of People in Household : ?
(include all persons living in the household except foster adults and foster children.)

Number of Residents Under 18 Years Old, Disabled or Full Time Students : ?
(Do not include the applicant, spouse, or co-applicant)

Is Loan Applicant or Co-Applicant age 62 or older? : No ?

Are there any Disabled Persons Living in the Household? : No ?
 No
 Yes

<< Prev Next >> Reset

“Are there any Disabled Persons Living in the Household?” The responses are “No” or “Yes.”



Disabled person

Please see section 1980.302(a) of RD Instruction 1980-D for a full definition of “Disabled Person.”

A person who is unable to engage in any substantially gainful activity by reason of any medically determinable physical or mental impairment expected to result in death or which has lasted or is expected to last for a continuous period of not less than 12 months.

The blue icon will provide additional information to assist the user in making a proper determination as to whether or not the household member meets the Rural Development definition of disabled person.

You are here: [Eligibility / Income Eligibility](#)

Single Family Housing Income Eligibility

Property Location
 State : Illinois
 County : McLean
 Metropolitan Area : Bloomington-Normal ?

Household Members Information
 Number of People in Household : ?
(Include all persons living in the household except foster adults and foster children.)
 Number of Residents Under 18 Years Old, Disabled or Full Time Students : ?
(Do not include the applicant, spouse, or co-applicant)
 Is Loan Applicant or Co-Applicant age 62 or older? : Yes ▾ ?
 Are there any Disabled Persons Living in the Household? : Yes ▾ ?

<< Prev **Next >>** Reset

This is an example of a completed screen for "Single Family Housing Income Eligibility." When completed click on "Next" to advance to the next eligibility screen.

You are here: [Eligibility / Income Eligibility](#)

Single Family Housing Income Eligibility

Property Location
 State : Illinois
 County : McLean
 Metropolitan Area : Bloomington-Normal ?

Expenses and Deductions
 Annual Child Care Expenses : ?
 Annual Medical Expenses : ?
(Enter amount of medical expenses, that when combined with eligible disability expenses, exceed 3% of the Gross Annual Income of the Applicant and Co-Applicant)
 Annual Disability Expenses : ?
(Enter amount of disability expenses, that when combined with eligible medical expenses, exceed 3% of the Gross Annual Income of the Applicant and Co-Applicant)

The next screen will display "Expense and Deductions" which gives the user the opportunity to record any eligible deductions the household may qualify for based upon the responses entered on the previous screen. Therefore, in the event the applicants do not have any eligible dependents, are not elderly, or disabled, then no "Expenses and Deductions" will appear for completion.

You are here: [Eligibility / Income Eligibility](#)

Single Family Housing Income Eligibility

Property Location
 State : Illinois
 County : McLean
 Metropolitan Area : Bloomington-Normal ?

Expenses and Deductions

Annual Child Care Expenses : ?

Annual Medical Expenses : ?
(Enter amount of medical expenses, that when combined with eligible disability expenses, exceed 3% of the Gross Annual Income of the Applicant and Co-Applicant)

Annual Disability Expenses : ?
(Enter amount of disability expenses, that when combined with eligible medical expenses, exceed 3% of the Gross Annual Income of the Applicant and Co-Applicant)

The first eligible deduction is “Annual Child Care Expenses.” This deduction will only appear if there are dependents entered on the previous screen. Eligible child care expenses are expenses that the applicants pay to care for minor children age 12 and younger in order for them to be employed or complete their education. To document annual child care expenses lenders must secure evidence of:

1. Who is paid
2. How much they are paid
3. How often they are paid

Lenders may retain this documentation in the form of receipts or letters from providers, or tax returns. Lenders must calculate the annual child care expenses based upon the documentation submitted by the applicants.

Private school tuition is not an eligible child care deduction. Child Support is also not an eligible deduction. Child Support is a court ordered debt that must be considered as a monthly liability for debt ratio calculations, but it does not qualify as a child care expense.

Lenders should be aware that any annual child care expenses entered DO NOT count as liabilities when calculating debt ratios. These expenses are actually valuable deductions to gross annual income that assist the applicant to qualify for a Guaranteed loan.



Child Care Deduction

A deduction for the care of minors 12 years of age or under, to the extent necessary to enable a member of the applicant/borrower's family to be gainfully employed or to further his or her education.

Payment for these services may not be made to persons whom the applicant/borrower is entitled to claim as dependents for income tax purposes.

A full “written” justification for this deduction must be recorded in detail in the loan docket.

The blue icon will provide additional information to assist the user in determining annual childcare expenses, as well as documentation requirements.

You are here: [Eligibility / Income Eligibility](#)

Single Family Housing Income Eligibility

Property Location
 State : Illinois
 County : McLean
 Metropolitan Area : Bloomington-Normal ?

Expenses and Deductions

Annual Child Care Expenses : ?

Annual Medical Expenses : ?
 (Enter amount of medical expenses, that when combined with eligible disability expenses, exceed 3% of the Gross Annual Income of the Applicant and Co-Applicant)

Annual Disability Expenses : ?
 (Enter amount of disability expenses, that when combined with eligible medical expenses, exceed 3% of the Gross Annual Income of the Applicant and Co-Applicant)

The next deduction is "Annual Medical Expenses." This deduction will only appear if the household qualifies as an "Elderly Household" based upon responses entered on the previous screen. Notice the red message: "Enter the amount of medical expenses, that when combined with eligible disability expenses, exceed 3% of the Gross Annual Income of the Applicant and Co-Applicant."
 Annual Medical Expenses DO NOT count as liabilities when calculating debt ratios unless there is a reported monthly debt by a creditor.



Medical Expense Deduction

Medical expenses for any "Elderly Family" as defined in RD Instruction 1980-D, section 1980.302(a). This includes medical expenses for any household member the applicant/borrower anticipates incurring over the ensuing 12 months "and" which are not covered by medical insurance. Examples of said expenses are: dental expenses, prescription medications, medical insurance premiums, eyeglasses, hearing aids, home nursing care, monthly payments on accumulated major medical bills and full time nursing or institutional care which "cannot" be provided in the home for the member of the household.

The help icon for medical expense deduction will assist lenders in identifying eligible medical expenses paid out of pocket such as dental expenses, prescription medications, medical insurance premiums, eyeglasses, hearing aids, etc.



Medical Expense Deduction

The deduction is the amount by which the aggregate allowable medical expenses of the household, combined with eligible disability expenses of the household, exceeds 3 percent of the qualifying household members Gross Annual Income (GAI).

Example: Qualifying household medical expenses are \$3,200. The Gross Annual Income is \$15,500. 3% of annual income is \$465. Allowable deduction is \$2,735 (\$3,200 - \$465)

The help icon also provides a more detailed description of how to accurately calculate the allowable medical deduction. Lenders may only deduct the amount of expenses which EXCEED 3 percent of the applicants gross annual income.

In the example provided the applicant earns a gross annual income of \$15,500.

$$\$15,500 \times 3\% = \$465$$

The qualifying household medical expenses verified by the lender are \$3,200, therefore the lender may calculate the allowable deduction as:

$$\$3,200 - \$465 = \$2,735$$

The lender may deduct \$2,735 from the \$15,500 annual gross income to determine if the applicant qualifies for a Guaranteed loan.

You are here: [Eligibility / Income Eligibility](#)

Single Family Housing Income Eligibility

Property Location

State : Illinois
County : McLean

Metropolitan Area : Bloomington-Normal ?

Expenses and Deductions

Annual Child Care Expenses : ?

Annual Medical Expenses : ?

(Enter amount of medical expenses, that when combined with eligible disability expenses, exceed 3% of the Gross Annual Income of the Applicant and Co-Applicant)

Annual Disability Expenses : ?
(Enter amount of disability expenses, that when combined with eligible medical expenses, exceed 3% of the Gross Annual Income of the Applicant and Co-Applicant)

The next deduction is "Annual Disability Expenses." This deduction will only appear if the household has any disabled household members based upon responses entered on the previous screen. Notice the red message: "Enter the amount of disability expenses, that when combined with eligible medical expenses, exceed 3% of the Gross Annual Income of the Applicant and Co-Applicant."

Annual Disability expenses DO NOT count as liabilities when calculating debt ratios.



Disability Expense

Reasonable expenses for the care of an individual with disabilities in excess of 3% of the annual income, when combined with eligible medical expenses, may be deducted from annual income if the expenses:

- Enable the individual with disabilities or another family member to work
- Are not reimbursable from insurance or any other source; and
- Do not exceed the amount of earned income included in annual income by the person who is able to work as a result of the expenses.

The blue help icon will assist the lender in identifying eligible disability expenses.



Disability Expense

Typical disability expenses include:

- Care attendant to assist an individual with disabilities with daily activities of daily living directly related to permitting the individual or another family member to work;
- Special apparatus, such as wheelchairs, ramps, adaptations to vehicles or work place equipment, if directly related to permitting the individual with disabilities or another family member to work.

Typical disability expenses are outlined and may include care attendant and special apparatus such as wheelchairs, ramps, etc.

The final section allows the user to enter the Gross Monthly Income for each adult member of the household. There will be a column for each adult member of the household based upon the responses entered on the previous screen. Let' review each income type.

- “Base Employment Income” includes a projected income anticipated for the next 12 months including full and part-time employment and seasonal work. Historical data based on the past 12 months or previous fiscal year may be used if a determination cannot be logically made.
- “Overtime Income,” “Bonus Income,” and “Commission Income” is income that is more than the base wages. These income types for Rural Development eligibility purposes should be verifiable and dependable. The applicant should have a history of receiving these types of income in order for them to be considered. Typically a 12 month history of receiving these income types would be a good indicator that they will continue unless the employer indicates they will not continue. Averaging overtime, bonus, or commissions over the last 12 – 24 months would be an acceptable method to determining projected income.
- “Self Employed Income” is described as net income from self-employment shall be based on the previous two years Federal income tax returns in addition to, if available, current years income and expenses. Acceptable self-employment income calculations may vary depending upon the type of business structure. More information on self-employed income verifications and calculations are included in this training
- “Dividend / Interest Income” are also included in determining eligibility. This includes interest from checking and savings accounts, dividends, income received by adult members of the household from a trust fund, etc. See RD Instruction 1980-D, section 1980.347(d)(3) for further clarification.
- “Net Rental Income” is the net amount of income derived from rental property. This is calculated by taking 75% of the gross rent received from the lease agreements and subtracting the monthly payment (principal, interest, real estate taxes, and insurance). If this yields a positive number, it is included as monthly income. If is negative, do not include as monthly income for eligibility determination. The additional 25% of the gross rent is considered as being absorbed by vacancy losses and ongoing maintenance expenses.
- “Other Income” would include types of income such as tips, unemployment income, seasonal employment, part-time employment, National Guard pay, supplemental income (i.e. coaching contract), child support, alimony, social security, pensions, annuities, insurance policies, etc.

Other income needs to be verifiable and dependable.
 NOTE: Do not include income from minors, food stamps, care of foster children, lump-sum payments, inheritances, insurance payments or other types of income that are typically not received on a routine basis.

Expenses and Deductions

Annual Child Care Expenses: 5200
(Enter amount of medical expenses, that when combined with eligible disability expenses, exceed 2% of the Gross Annual Income of the Applicant and Co-Applicant.)

Annual Medical Expenses: 2420
(Enter amount of medical expenses, that when combined with eligible disability expenses, exceed 2% of the Gross Annual Income of the Applicant and Co-Applicant.)

Annual Disability Expenses: 500
(Enter amount of disability expenses, that when combined with eligible medical expenses, exceed 2% of the Gross Annual Income of the Applicant and Co-Applicant.)

Gross Monthly Income

	Applicant	Other Household Member
Base Employment Income	4500	3000
Overtime Income	0	100
Bonus Income	0	100
Commissions Income	0	0
Self-Employment Income	0	0
Dividend/Interest Income	0	0
Net Rental Income	0	0
Other Income	0	0

All Other Income Received by Adult Members of the Household:

[\(See help for further explanation\)](#)

Navigation:

This is an example of a completed screen. Once all data fields have been completed, click on "Finish" to receive an income eligibility determination.

**Single Family Housing Program
Income Eligibility Determination Summary**

Applicant is **ELIGIBLE** for the Section 502 Guaranteed Rural Housing Loan Program and **INELIGIBLE** for the Section 502 Direct Rural Housing Loan Program based on income entered and Program Income Guidelines in effect as of 10-14-2009. (Applicant must show repayment ability, have a reasonable credit history for the loan requested, and must meet other program requirements.)

[Contact Us](#) for further details on the Guaranteed Loan Program.
[Contact Us](#) for further details on the Direct Loan Program.

Summary of Adjusted Annual Household Income

Annual Household Income: **\$92,400.00**
 Total Deductions: **\$9,480.00**
 Household Adjusted Annual Income: **\$82,920.00**

Section 502 Guaranteed Rural Housing Loan Program

Maximum Adjusted Household Income for Selected State and County: **\$86,860.00**

Section 502 Direct Rural Housing Loan Program

Maximum Adjusted Household Income for Selected State and County: **\$60,400.00**
 Adjusted Household Income Exceeds Maximum Income by: **\$22,520.00**

- The income eligibility determination summary will appear and may be printed for the loan file.
- The determination that lenders want to see is the "Applicant is ELIGIBLE for the Section 502 Guaranteed Rural Housing Loan." This validates that your clients meet the income eligibility requirements for the Guaranteed loan program based upon the data entered on the previous screens.
- You may notice that the applicants could be eligible or ineligible for the Section 502 Direct Rural Housing Loan program. The Direct loan program is for very low and low income applicants. Many of these applicants have good credit but lack the income to afford a home in the local area. When lenders can not qualify applicants within the Guaranteed loan program guidelines, they may consider referring applicants that are eligible for Direct loans to Rural Development for loan consideration.
- To find a Guaranteed loan coordinator in your state, or the state where a property is located, click on "Contact Us" for further details on the Guaranteed Loan Program.

USDA Rural Housing Single Family Housing Guaranteed Loan Contacts

If you are an individual interested in learning how to apply for a USDA Rural Housing Single Family Housing Guaranteed Loan, please contact an Agency representative in your State from the table below. Our representative can provide you with information on the USDA, Single Family Housing Guaranteed Loan Program and inform you of local lenders participating in the Single Family Housing Guaranteed Loan Program.

If you are a lender interested in participating in the Single Family Housing Guaranteed Loan Program, you may also contact an Agency representative in your State from the table below. Our representative will provide you with information on how to participate in the USDA, Single Family Housing Guaranteed Loan Program.

STATE	CONTACT	PHONE #	EXT.	FAX #	E-MAIL ADDRESS
AK	Karen LaMour	(907)761-7732		(907)761-7794	klamou@ak.usda.gov
AL	Al Butler	(256)532-1677		(256)532-1931	al.butler@al.usda.gov
AR	Linda McCaslin	(501)301-3235		(501)301-3290	linda.mccaslin@ar.usda.gov
AS	Stephanie Taketa	(808)933-8308		(808)933-8327	stephanie.taketa@hi.usda.gov
AZ	Earl Taflov	(602)280-8769		(602)280-8879	earl.taflov@az.usda.gov
CA	Azucete Joyer	(916)714-1104	107	(916)714-1118	azucete.joyer@ca.usda.gov
CA	Bil Amem	(530)226-2589		(530)226-2567	ed.amem@ca.usda.gov
CA	Helen Nantz	(559)734-8732	110	(559)732-3481	helen.nantz@ca.usda.gov
CA	Robert Gomez	(831)757-5294	106	(831)424-7289	robert.gomez@ca.usda.gov
CO	James A Spakover	(720)544-2918		(720)544-2970	james.spakover@co.usda.gov
CT	Arlene Nantz	(413)253-4300	4333	(413)253-4347	arlene.nantz@ct.usda.gov
DE	Stacey Stancan	(302)857-3603		(302)857-3611	stacey.stancan@de.usda.gov
FL	Bob Coordens	(352)338-3435		(352)338-3437	bob.coordens@fl.usda.gov
FL	Roger Taylor	(352)338-3435		(352)338-3437	roger.taylor@fl.usda.gov

This link will take you to a spreadsheet where a Guaranteed Loan Coordinator will be listed for each state. Their name, phone number, fax number, and email addresses are listed for your reference.

**Single Family Housing Program
Income Eligibility Determination Summary**

Applicant is **ELIGIBLE** for the Section 502 Guaranteed Rural Housing Loan Program and **INELIGIBLE** for the Section 502 Direct Rural Housing Loan Program based on income entered and Program Income Guidelines in effect as of 10-14-2009. (Applicant must show repayment ability, have a reasonable credit history for the loan requested, and must meet other program requirements.)
[Contact Us for further details on the Guaranteed Loan Program.](#)
[Contact Us](#) for further details on the Direct Loan Program.

Summary of Adjusted Annual Household Income

Annual Household Income : **\$92,400.00**
 Total Deductions : **\$9,480.00**
 Household Adjusted Annual Income : **\$82,920.00**

Section 502 Guaranteed Rural Housing Loan Program

Maximum Adjusted Household Income for Selected State and **\$86,860.00**
 County :

Section 502 Direct Rural Housing Loan Program

Maximum Adjusted Household Income for Selected State and **\$60,400.00**
 County :
 Adjusted Household Income Exceeds Maximum Income by : **\$22,520.00**

If you wish to contact a Direct Loan Coordinator for a state where a client is located for more information click on "Contact Us" for further details on the Direct Loan Program.

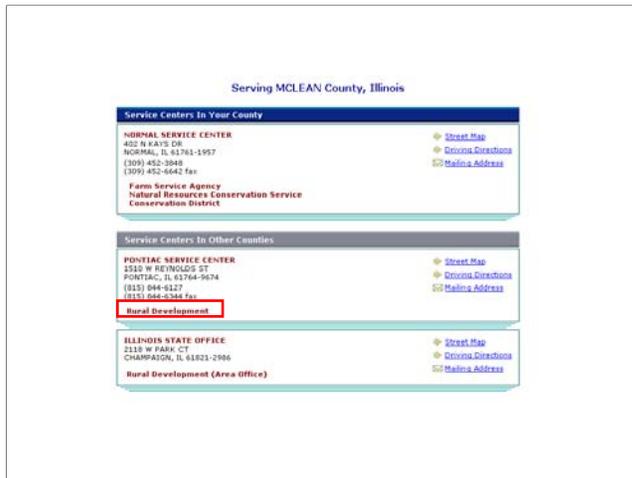
USDA Service Centers are designed to be a single location where customers can access the services provided by the Farm Service Agency, Natural Resources Conservation Service, and the Rural Development agencies. This web site will provide the address of a USDA Service Center and other Agency offices serving your area along with information on how to contact them.



A map of the U.S. will appear. Select the state where the applicant wishes to purchase a home. For this example we will select the state of "Illinois."



When the state selected appears, select the county where the property is located. In this example we will select "McLean" county.



Be sure to contact an office where Rural Development is located. This example has two options for contacts. Select the contact with the phone number.



- The next section is "Summary of Adjusted Annual Household Income."
- The total "Annual Household Income" will be calculated. This would be all of the income received by all adult household members who will make the home their primary residence. In this example the gross annual household income is \$92,400.
- The "Total Deductions" will also be calculated and the total will be displayed. This is the total of all deductions the household is eligible to deduct for qualifying purposes and may include dependents, elderly household family, medical and disability expenses, and child care expenses. These deductions do NOT count as debts against the applicants on the loan application. These deductions are only utilized to assist more individuals and families qualify for Guaranteed loans.
- The "Household Adjusted Annual Income" will be calculated by deducting the total deductions from the gross annual household income. It is this ADJUSTED annual income that determines if the applicants meet the income guidelines in order to qualify for Guaranteed loan benefits. In this example the adjusted annual income is \$82,920.
- The maximum adjusted household income limit for the selected state and county that the user chose on the first screen is \$86,850. This works out very well for the applicants as their adjusted annual income of \$82,920 is below the maximum allowable income of \$86,850. If it were not for the eligible total deductions that the applicants qualified for, they may not have been income eligible, as their annual household income is \$92,400. The eligible deductions have assisted these applicants to qualify for a Guaranteed loan.
- When qualifying the applicant's for the home, meaning calculating housing and debt ratios, the lender may utilize the full income of all household members who will be a party to the note or on the loan. As long as both of our applicants in this example will be on the loan, then the lender may utilize \$92,400 when calculating ratios. This also assumes that all income may be deemed stable and dependable and therefore eligible for repayment income purposes. It is not unusual for the gross annual income to be more than the eligible repayment income calculated by the lender.

**Single Family Housing Program
Income Eligibility Determination Summary**

Applicant is **ELIGIBLE** for the Section 502 Guaranteed Rural Housing Loan Program and **INELIGIBLE** for the Section 502 Direct Rural Housing Loan Program based on income entered and Program Income Guidelines in effect as of 10-14-2009. *(Applicant must show repayment ability, have a reasonable credit history for the loan requested, and must meet other program requirements.)*
[Contact Us](#) for further details on the Guaranteed Loan Program.
[Contact Us](#) for further details on the Direct Loan Program.

Summary of Adjusted Annual Household Income

Annual Household Income : **\$92,400.00**
 Total Deductions : **\$9,480.00**
 Household Adjusted Annual Income : **\$82,920.00**

Section 502 Guaranteed Rural Housing Loan Program

Maximum Adjusted Household Income for Selected State and County : **\$86,860.00**

Section 502 Direct Rural Housing Loan Program

Maximum Adjusted Household Income for Selected State and County : **\$60,400.00**
 Adjusted Household Income Exceeds Maximum Income by : **\$22,520.00**

The Section 502 Direct Rural Housing Loan Program maximum adjusted household income limits for the selected state and county will also be displayed. This will give users an idea of the difference between the very low and low income Direct program income limits as opposed to the maximum adjusted household income limits for Guaranteed loans, which are for moderate income applicants.

You are here: [Eligibility / Home](#)

Eligibility

You must use Internet Explorer 5.0 and higher or Netscape 4.75 and higher in order to view this site. Best viewed using screen resolution of 1024 X 768.

Welcome to the USDA Income and Property Eligibility Site

This site is used to determine eligibility for certain USDA home loan programs. In order to be eligible for many USDA loans, household income must meet certain guidelines. Also, the home to be purchased must be located in an eligible rural area as defined by USDA.

To learn more about a USDA home loan program, click on the **Loan Program Basics** link on the left side of this screen and select one of USDA's home loan programs.

To determine if a property is located in an eligible rural area, click on the **Property Eligibility** link on the left side of the screen and select a Rural Development program. When you select a Rural Development program, you will be directed to the appropriate property eligibility screen for the Rural Development loan program you selected.

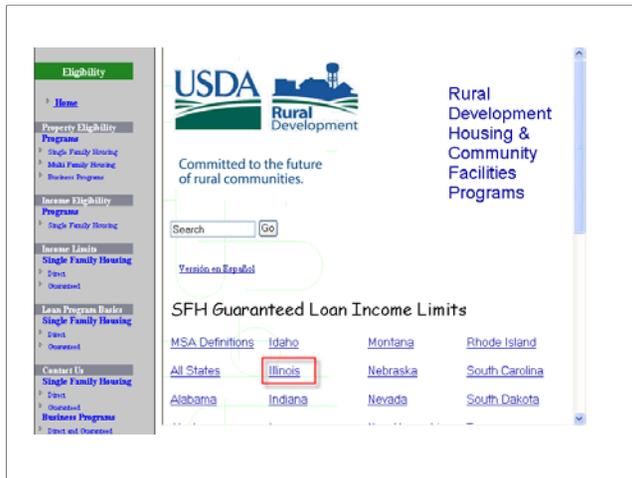
To determine income eligibility of an applicant/household, click on the **Income Eligibility** link on the left side of the screen and select a Rural Development program. When you select a Rural Development program, you will be directed to the appropriate income eligibility screen for the Rural Development loan program you selected.

To find out how to apply for a Rural Development Loan, click on the **Contact Us** link on the left side of the screen and then select a Rural Development Loan program.

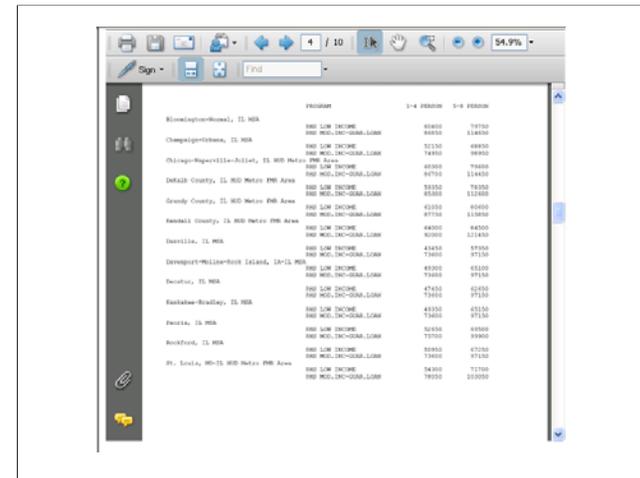
Eligibility

- Home
- Property Eligibility
 - Programs
 - Single Family Housing
 - Multi Family Housing
 - Disaster Programs
- Income Eligibility
 - Programs
 - Single Family Housing
- Income Limits
 - Single Family Housing
 - Direct
 - Guaranteed
- Loan Program Basics
 - Single Family Housing
 - Direct
 - Guaranteed
- Contact Us
 - Single Family Housing
 - Direct
 - Guaranteed

- Lenders may want a list of the income limits for reference, rather than utilize the online property eligibility determination summary.
- Return to the nationwide eligibility home page, on the eligibility menu under "Income Limits" and click on "Guaranteed."



Next, select the state you wish to view or print the income limits.



A pdf for the state will appear. You may view or print these income limits for future reference.

Guarantee Fee Calculation and Maximum Loan Amount

GUARANTEE FEE BENEFITS!

- **Include in loan amount above appraised value**
- **Lower monthly payments**
- **Guaranteed up to 90%**



- Lenders have the option to include the one time guarantee fee into the loan amount ABOVE the appraised value. Please note that it is NOT required to finance the guarantee fee. This fee may be paid at closing by the borrower, seller, builder, or with gift/grant funds, or seller concessions.
- Monthly mortgage insurance premiums increase monthly housing payment amounts. Guaranteed loans have NO monthly mortgage insurance premiums, therefore lenders can offer their clients lower monthly payments.
- Guaranteed loans are “guaranteed” by the federal government up to 90% of the original loan amount. Mortgage insurance may provide 18%, 25%, 30%, or 35% coverage in the event of a foreclosure or loss. Rural Development is offering lenders the opportunity to have the loan guaranteed up to 90%! There truly is no comparison when considering the health and safety of a lender’s portfolio and risk reduction benefits.

Maximum Loan Amount

100% of the appraised value plus the one time guarantee fee

Example:

Appraised Value: \$180,000

Appraised value + guarantee fee ($\$180,000 \div .98$) = **\$183,673.47**

\$183,673.47 is the maximum loan amount RD will guarantee

Maximum CLTV

- No max CLTV
- RD only guarantees the maximum loan amount
- Grant funds/closing cost assistance, etc. is allowed but will NOT be guaranteed

The maximum loan amount is 100% of the appraised value plus the one time guarantee fee may be included in the loan ABOVE the appraised value.

In this example, the appraised value is \$180,000. To determine the maximum loan amount Rural Development may guarantee the lender may divide the appraised value by .98 to arrive at \$183,673.47. This is the maximum loan amount Rural Development can guarantee for the lender, and this figure includes the one time guarantee fee.

Lenders may wish to include assistance programs in order to help applicants take advantage of grant programs or closing cost assistance. Rural Development does not object to the applicant utilizing these programs in conjunction with Guaranteed loans.

- There is no maximum combined loan to value or CLTV.
- Rural Development will only guarantee the eligible maximum loan amount, which is 100% of the appraised value plus the one time guarantee fee.
- Any grant funds or closing cost assistance layered above the maximum loan amount (roughly 102% LTV) will NOT be part of the guarantee issued to the approved lender.
- All assistance programs must be in a second lien position.

Calculate the Guarantee Fee

FIRST DETERMINE:

Will the fee be financed into the loan?

OR

Will the fee be paid at closing and not be part of the loan amount?

Before the guarantee may be accurately calculated, please determine if you will:

1. Finance the fee into the loan amount. OR
2. Pay the fee at the closing table, thereby not including it into the loan amount.

Calculate the Guarantee Fee:
FINANCED into the loan

Finance the Guarantee Fee

Purchase: 2%

Fee **financed** into the loan

Appraised Value: \$175,000

Purchase Price: \$172,000

Closing Costs: \$3,000

$$\$175,000 \div .98 = \$178,571.43$$

Disclose the g-fee: $\$178,571.43 \times .02 = \$3,571.43$

- The current guarantee fee for purchase transactions is 2% of the total loan amount.
- To calculate the guarantee fee please follow this example.
- The appraised value is \$175,000 with a purchase price of \$172,000.
- Closing costs (not including the guarantee fee) of \$3,000 will be included. We can do this because the appraised value is \$175,000. The difference between the appraised value and the purchase price allows for up to \$3,000 of additional eligible fees, costs, or repairs.
- The \$172,000 purchase price plus the \$3,000 closing costs equals a loan amount of \$175,000.
- Now calculate the one time guarantee into the loan amount. Take the \$175,000 appraised value and DIVIDE it by .98. This will equal a TOTAL loan amount of \$178,571.43.
- This total loan amount includes the guarantee fee. \$178,571.43 is the total loan amount the lender should request from Rural Development for loan guarantee.
- To disclose the correct guarantee fee to the client, take the total loan amount of \$178,571.43 and MULTIPLY it by .02. This will allow the lender to tell the applicant that \$3,571.43 has been included in their loan amount to pay for the one time guarantee fee.

Finance the Guarantee Fee

Refinance: .5%

Fee **financed** into the loan

Appraised Value: \$175,000

Purchase Price: \$172,000

Closing Costs: \$3,000

$$\$175,000 \div .995 = \$175,879.39$$

Disclose the g-fee: $\$175,879.39 \times .005 = \879.39

- For refinance transactions the guarantee fee is only .5%.
- When financing the fee into a refinance transaction the same principals apply. Calculate the total loan amount, in this example it is \$175,000 and DIVIDE it by .995 to arrive at the total loan amount to request from Rural Development of \$175,879.39. This total loan amount includes the .5% guarantee fee.
- To disclose the correct guarantee fee to the applicant, lenders may take the total loan amount of \$175,879.39 and MULTIPLY it by .005 to arrive at \$879.39. This is the amount financed into the loan for the guarantee fee.
- More details regarding refinance transactions will be covered later in this training.

**Calculating the Guarantee
Fee: NOT Financed**

No Finance the Guarantee Fee

Purchase: 2%

Fee NOT financed into the loan

Appraised Value: \$175,000

Purchase Price: \$172,000

Closing Costs: \$3,000

$$\boxed{\$175,000 \times .02 \text{ (or 2\%)} = \$3,500}$$

Borrower, Seller, Builder, Gift, Grant, etc. may pay for g-fee at closing.

- When the guarantee fee will NOT be financed into the loan amount, the lender will calculate the base loan amount, in this example it is \$175,000.
- Since the guarantee fee will NOT be financed the lender will MULTIPLY \$175,000 by .02 or 2%. This equals a guarantee fee payable at loan closing of \$3,500.
- The fee may be paid by the borrower, seller, builder, or with gift or grants funds, or seller concessions.

No Finance the Guarantee Fee

Refinance: .50%
Fee **NOT** financed into the loan
Appraised Value: \$175,000

Purchase Price: \$172,000
Closing Costs: \$3,000

$$\boxed{\$175,000 \times .005 \text{ (or } .5\%) = \$875}$$

- When the guarantee fee is NOT financed into the loan amount for a refinance transaction, the lender may take the base loan amount and MULTIPLY it by .005 or .5% to arrive at \$875 for the guarantee fee.
- \$875 will be payable at the closing table by the borrower.

Calculate the Guarantee Fee

What if the appraised value is equal to the purchase price?

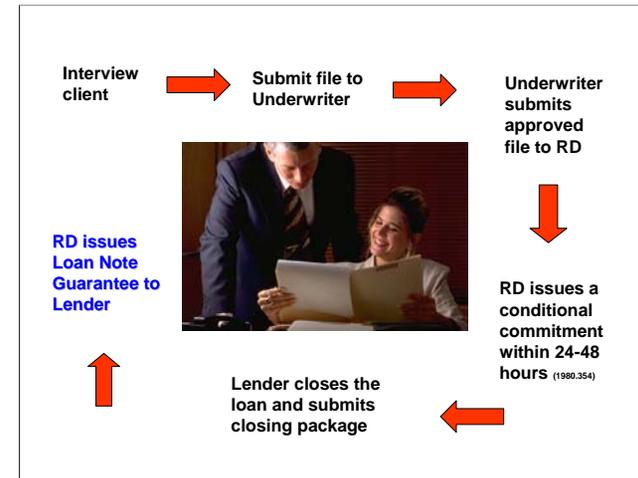
Lender may only include the guarantee fee into the loan amount.

Appraised Value: \$175,000
Purchase Price: \$175,000

Maximum loan amount: $\$175,000 \div .98 = \$178,571.43$

When the appraised value is equal to the purchase price, then there is no room to include closing costs, lender fees, repairs, etc. into the loan amount. The guarantee fee is the only item that may be included ABOVE the appraised value. Therefore the correct maximum loan amount when financing the guarantee fee would be \$175,000 DIVIDED by .98 = \$178,571.43.

Loan Process



- Lenders will interview the client and prepare the loan application, pull a credit report, gather income verification documents, etc.
- Submit the loan to an approved lender for underwriting. The underwriter is responsible for reviewing all documentation and determining if they will approve the loan file and determine if the file meets Rural Development guidelines.
- If the underwriter approves the loan, they will submit the loan package to Rural Development and request a Conditional Commitment for Loan Note Guarantee.
- Rural Development will perform a cursory review of the loan file. Rural Development DOES NOT underwrite or re-underwrite loan files. If Rural Development approves the loan file we will issue a Conditional Commitment for Loan Note Guarantee to the approved lender. The Conditional Commitment is the lender's "clear to close." Normally conditional commitments are issued with 24-48 hours of receipt of a complete and underwritten loan package.
- The lender will close the loan and submit a closing package to Rural Development. The items needed for submission back to Rural Development will be noted on the Conditional Commitment.
- Upon receipt of a complete closing package, Rural Development will issue a Loan Note Guarantee to the approved lender. This will guarantee the loan up to 90% of the original loan amount in the event of a loss or foreclosure.

Loan Processing Timeframes*

“Record High Volume May Impact Approval Turnaround”

- 24-48 hour turnaround may increase
- States should keep lenders informed
- Submit complete packages ASAP
- Watch your lock expirations / closing dates



- The Guaranteed loan program exploded with loan volume in 2009 and continues to grow nationwide.
- Due to this additional loan volume many states have been unable to support a 24-48 hour turnaround time on processing complete loan packages.
- Therefore lenders should contact the state GRH loan coordinator for accurate estimates of loan processing timeframes.
- Lenders are also encouraged to submit complete loan packages as soon as possible.
- Be sure to monitor rate locks, purchase agreement dates, and closing date expirations as these may be impacted with the increased loan volume.

Complete Loan Application

RD Instruction 1980-D, section 1980.353(c):

- Form RD 1980-21 executed by lender and applicant(s)
- 1003 Uniform Residential Loan Application (URLA), signed by the applicant(s) and lender
- Appraisal report and evidence minimum property standards are met
- 1008 Uniform Underwriting Transmittal Summary or similar underwriting document executed by the lender
- Credit report
- Income verifications
- Purchase agreement
- Flood determination certificate
- Debt ratio waiver request, if applicable

A complete loan package includes the following items as noted in section 1980.353(c) of RD Instruction 1980-D. If additional items are needed Rural Development will notify the lender, however the above represents a complete application.

Form RD 1980-21
“Request for Single Family Housing Loan Guarantee”

There is one form that is required for lenders to submit with their approved loan packages to Rural Development and it is Form RD 1980-21, the “Request for Single Family Housing Loan Guarantee.”

UNITED STATES DEPARTMENT OF AGRICULTURE
 RURAL DEVELOPMENT
 RURAL HOUSING SERVICE

Form Approved
 OMB No. 1615-0048

REQUEST FOR SINGLE FAMILY HOUSING LOAN GUARANTEE

Form RD 1980-21
Page 1 of 4

To: Rural Development
 Rural Housing Service

Lender ID No. _____
 Lender Name _____
 Lender Contact Person _____
 Lender Phone Number _____
 Lender Fax Number _____

Please use a Conditional Commitment for Single Family Housing Loan Guarantee in the following case:

Applicant's Name, Address, and County _____ Social Security No. _____
 _____ Date of Birth _____
 _____ Telephone Number _____

- The applicant Yes No has not been a relationship with any current Rural Development employees.
- The applicant is a (check applicable): US citizen qualified alien U.S. Non-citizen National alien resident.
- The applicant is a (check applicable): married single first time homebuyer.
- Number of persons in the household: _____
- The applicant's credit report indicates: satisfactory unsatisfactory.
- The applicant has no credit history Yes No.
- The applicant has no adverse credit history Yes No.
- The applicant has experienced adverse credit history but we have determined that it is beyond the applicant's control Yes No.
- Other (specify) _____
- The current annual income for the household is: \$ _____
- TOTAL DEBT ratio: _____ FTY ratio: _____
- We propose to loan _____ for _____ years at _____% per annum with payments of \$ _____ per month.
- The interest rate is locked at _____ Annual Rate Variable VA rate on _____
 The interest rate will float until loan closing.
 If the option is checked and the interest rate increases at loan closing, the loan must be re-underwritten and this notification must be updated.
- The applicant is unable to secure the necessary conventional credit without a Rural Development guarantee upon terms and conditions which the applicant could reasonably be expected to obtain.
- The applicant understands that Rural Development approval of the guarantee is required and is subject to the availability of funds.
- Housing and Urban Development's Credit Alert Incentive Voucher Response System (CAIVRS) was checked for outstanding delinquent Federal debts and confirmation No. _____ was obtained.
- Loan funds will be used for the following purpose(s): _____

Purpose	Amount
_____	_____
_____	_____
Total Loan = \$	\$ _____ 0.00

Printing on Recycled Paper. For the purpose of this form, an applicant is required to submit a credit history report if a credit history report is available.

This is the first page of Form RD 1980-21 “Request for Single Family Housing Loan Guarantee.” The 1980-21 form has 4 pages. This is the ONLY form required by Rural Development for a Conditional Commitment request and is available online in a fillable pdf format.

Form RD 1980-21
(Rev. 6-06)

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
RURAL HOUSING SERVICE

Form Approved
OMB No. 0575-0076

REQUEST FOR SINGLE FAMILY HOUSING LOAN GUARANTEE

TO: Rural Development Rural Housing Service	Lender ID No.
	Lender Name
	Lender Contact Person
	Lender Phone Number
	Lender Fax Number

Please issue a Conditional Commitment for Single Family Housing Loan Guarantee in the following case:

Applicant's Name, Address, and County	Social Security No.
	Date of Birth
	Telephone Number

- In the upper left hand corner of the form is the RD form number. Lenders must ensure they are using the latest revision of 1980-21 which is 6-06.
- The 1980-21 will request information regarding the approved lender that is submitting the request. The "Lender ID No." is simply the approved lender's Tax ID.
- Information regarding the applicant or applicant(s) will be requested.

- The applicant has does not have a relationship with any current Rural Development employee.
- The applicant is a (check applicable) U.S. citizen qualified alien U.S. Non-citizen National
 other (explain) _____
- The applicant is a (check applicable) veteran first time homebuyer
- Number of persons in the household: _____
- The applicant's credit report indicates (check one):
 - The applicant has no credit history
 - The applicant has no adverse credit history
 - The applicant has experienced adverse credit history but we have determined that it is beyond the applicant's control
 - Other (explain) _____
- The current annual income for the household is: \$ _____
- The current adjusted income for the household is: \$ _____
- TOTAL DEBT ratio _____ PITI ratio _____
- We propose to loan \$ _____ for 30 years at _____ % per annum with payments of \$ _____ per month.
- The interest rate is based on the Fannie Mae VA rate on ____/____/____
The interest rate is locked in until ____/____/____
The interest rate will float until loan closing.
(If this option is checked and the interest rate increases at loan closing, the loan must be re-underwritten and this certification must be updated.)
- The applicant is unable to secure the necessary conventional credit without a Rural Development guarantee upon terms and conditions which the applicant could reasonably be expected to fulfill.
- The applicant understands that Rural Development approval of the guarantee is required and is subject to the availability of funds.
- Housing and Urban Development's Credit Alert Interactive Voice Response System (CAIVRS) was checked for outstanding delinquent Federal debts and confirmation No. _____ was obtained.
- Loan funds will be used for the following purpose(s):

Purpose	Amount
_____	\$ _____
_____	\$ _____
Total Loan = _____ 0.00	

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0076. The time required to complete this information collection is estimated to average 30 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

Page 1 of 4

The body of the 1980-21 includes 14 questions about the loan application. Let's review each question.

- The applicant has or does not have a relationship with any current Rural Development employee. In the event the applicant is related, married, is dating, or is friends with a current RD employee the state ensures that the loan file is reviewed by an employee who has no relationship with the applicant.
- The applicant is a: U.S. Citizen, qualified alien, U.S. Non-citizen National, or Other. Please check the appropriate box. Lenders must establish that all applicants who are not U.S. Citizens have been legally and permanently admitted into the U.S.
- The applicant is a Veteran or first time homebuyer? Please check one or both of these boxes if they apply. This does not affect loan eligibility.
- Number of persons in the household: Please enter the number of people who will make this home their primary residence for all or part of the next 12 months.
- The applicant's credit report indicates (check one): Please check the box next to the most accurate description of the applicant's credit history.
- The current annual income for the household is \$. Enter the amount of the annual income. This is all of the income of all adult household members who will live in the home.
- The current adjusted income for the household is \$. Enter this figure. The adjusted income is the annual income minus any deductions for child care, dependents, medical or disability expenses which the applicant is eligible to deduct.
- TOTAL DEBT ratio is ____ PITI ratio _____. Enter the total debt and PITI ratios.
- We propose to loan \$ _____ for 30 years at _____ % per annum with payments of \$ _____ per month. Enter the loan amount (the TOTAL loan amount which will include all closing costs and guarantee fee if financed). Enter the interest rate that was utilized to underwrite the loan. Enter the P&I payments.
- The interest rate is based on the Fannie Mae or VA rate on xx/xx/xx. Select if you based the interest rate on the Fannie Mae rate, or the VA rate, as well as the date you selected the interest rate.
If the interest rate is locked, check this option and enter the date the of the lock expiration.
If the interest rate is floating until loan closing, check this option. Also take note of the following message:
"If this option (floating) is checked and the interest rate increases at loan closing (from what you disclosed on this form) the loan must be re-underwritten (as the increase in interest rate may adversely affect the loan eligibility) and this certification must be updated (a new 1980-21 executed by the lender and applicant's must be submitted to RD.)
A good best practice is to always use a maximum interest rate if the rate will float to close. This way, if the lender locks the loan for a lower amount than noted on the 1980-21 no updates or new underwriting must be obtained. Re-underwriting loans and updating certifications may adversely impact a loan closing date, therefore lenders must plan appropriately.
- The applicant is unable to secure the necessary conventional credit without a Rural Development guarantee upon terms and conditions which the applicant could reasonably be expected to fulfill.
This is a statement that the lender will certify to Rural Development when they sign page 2 of the 1980-21 form. If the lender can make this loan for the same rate and terms (including no mortgage insurance) then they should utilize that program. Otherwise the lender may choose the Guaranteed loan program.
Rural Development will accept the signature of the approved lender's representative on page 2 of this 1980-21 as evidence of their certification.
#12: The applicant understands that Rural Development approval of the guarantee is required and is subject to the availability of funds.
Rural Development must ensure the loan does meet all Agency guidelines including property and income eligibility, therefore a cursory review of the loan file is performed. In order to obligate the loan, there must be funding available. Rural Development operates from a Congressional allocation of funding distributed to the Agency each fiscal year. The fiscal year ends on September 30th. At this that time or before if funds are exhausted or a new budget or continuing resolution has not been implemented by the President Rural Development will issue Conditional Commitments. Subject to Congressionally appropriated funding. Some lenders will cease to offer Guaranteed loans until more funds are received. Some lenders will continue to do business as usual. Lenders should check with their companies or investors to see if their business will be impacted.
- Housing and Urban Development's Credit Alert Interactive Voice Response System (CAIVRS) was checked for outstanding delinquent Federal debts and confirmation No. _____ was obtained.
Please check CAIVRS for all applicants that will be a party to the loan note. In the event a claim was discovered, Rural Development can not continue processing the loan until the applicant provides the lender with official documentation that the delinquency has been paid in full or otherwise resolved. This is per section 1980.345(f).

1. The applicant has does not have a relationship with any current Rural Development employee.

2. The applicant is a (check applicable) U.S. citizen qualified alien U.S. Non-citizen National

3. The applicant is a (check applicable) other (explain) _____

4. Number of persons in the household: veteran first time homebuyer

5. The applicant's credit report indicates (check one):

a. The applicant has no credit history

b. The applicant has no adverse credit history

c. The applicant has experienced adverse credit history but we have determined that it is beyond the applicant's control

d. Other (explain): _____

6. The current annual income for the household is: \$ _____

7. The current adjusted income for the household is: \$ _____

8. TOTAL DEBT ratio _____ PITI ratio _____

9. We propose to loan \$ _____ for 30 years at _____ % per annum with payments of \$ _____ per month.

10. The interest rate is based on the Prime Rate VA rate on ____/____/____

_____ The interest rate is locked in until ____/____/____

_____ The interest rate will float until loan closing.

(If this option is checked and the interest rate increases at loan closing, the loan must be re-underwritten and this certification must be updated.)

11. The applicant is unable to secure the necessary conventional credit without a Rural Development guarantee upon terms and conditions which the applicant could reasonably be expected to fulfill.

12. The applicant understands that Rural Development approval of the guarantee is required and is subject to the availability of funds.

13. Housing and Urban Development's Credit Alert Interactive Voice Response System (CAIVRS) was checked for outstanding _____ was obtained.

14. Loan funds will be used for the following purpose(s):

Purpose	Amount
Purchase home	\$ 175,000
Closing costs \$3,000 + g-fee \$3,632.65	\$ 6,632.65
Total Loan =	\$181,632.65

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0070. The time required to complete this information collection is estimated to average 30 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

Page 1 of 4

#14: Loan funds will be used for the following purpose(s): Enter the purposes for which the loan funds will be utilized. In this example the home will be purchased for \$175,000, and closing costs of \$3,000 will be included along with the guarantee fee of \$3,632.65 for a total loan amount request of \$181,632.65.

Do lenders have to separate out their individual costs (i.e closing costs, guarantee fee, etc.)? No—but it is useful for processing a loan package, but not required.

Approved Lender Certification

Certifications

In order to induce the Agency to issue the requested guarantee, we certify that we have originated and underwritten the loan in compliance with all Agency loan requirements. This form contains or is supplemented with all information required by 7 CFR 1990.353(c).

Date _____ Lender's Authorized Representative Signature _____

At the top of the second page of the 1980-21 is the approved lender certification. All of the information entered by the approved lender on page one must be confirmed. The certification states that the loan has been originated and underwritten in compliance with all Agency guidelines. The 1980-21 must be signed or executed by the approved lender when received by Rural Development, otherwise a Conditional Commitment can not be issued. Original signatures are not required on the 1980-21. Rural Development accepts copies by scan, email, photocopy, fax, and image.

Applicants Certification

Applicant(s) Acknowledgments and Certifications

CERTIFICATION: As the applicant, I certify to the best of my knowledge and belief: (1) I am not presently debarred, suspended, declared ineligible, or voluntarily excluded from covered transactions by any Federal department or agency; (2) I have not within a three year period preceding the proposal been convicted or had a civil judgment rendered against me for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, state or local) transaction or contract under a public transaction; or commission of embezzlement, theft, forgery, bribery, falsification, or destruction of records, making false statement, or receiving stolen property; (3) I do not have an outstanding judgment lien on any property for a debt in favor of the United States which was obtained in any Federal court other than the United States Tax Court; and (4) I am not delinquent on any outstanding debt to the Federal Government (excluding and Federal tax debt).

I (We) certify and acknowledge that if the Agency pays a loss claim on the requested loan to the lender, I (We) will reimburse the Agency for that amount. If I (We) do not, the Agency will use all remedies available to it, including those under the Debt Collection Improvement Act, to recover on the Federal debt directly from me (us). The Agency's right to collect is independent of the lender's right to collect under the guaranteed note and will not be affected by any release by the lender of my (our) obligation to repay the loan. Any Agency collection under this paragraph will not be shared with the lender.

I AM (WE ARE) unable to provide the housing I (we) need on my (our) own account, and I am (we are) unable to secure the credit necessary for this purpose from other sources upon terms and conditions which I (we) can reasonably fulfill. I (we) certify that the statements made by me (us) in this application are true, complete and correct to the best of my (our) knowledge and belief and are made in good faith to obtain a loan.

Warning: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any Department or Agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both."

Applicant's Certification

Applicant(s) Acknowledgments and Certifications

CERTIFICATION: As the applicant, I certify to the best of my knowledge and belief: (1) I am not presently debarred, suspended, declared ineligible, or voluntarily excluded from covered transactions by any Federal department or agency; (2) I have not within a three year period preceding the proposal been convicted or had a civil judgment rendered against me for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, state or local) transaction or contract under a public transaction; or commission of embezzlement, theft, forgery, bribery, falsification, or destruction of records, making false statement, or receiving stolen property; (3) I do not have an outstanding judgment lien on any property for a debt in favor of the United States which was obtained in any Federal court other than the United States Tax Court; and (4) I am not delinquent on any outstanding debt to the Federal Government (excluding and Federal tax debt).

I (We) certify and acknowledge that if the Agency pays a loss claim on the requested loan to the lender, I (We) will reimburse the Agency for that amount. If I (We) do not, the Agency will use all remedies available to it, including those under the Debt Collection Improvement Act, to recover on the Federal debt directly from me (us). The Agency's right to collect is independent of the lender's right to collect under the guaranteed note and will not be affected by any release by the lender of my (our) obligation to repay the loan. Any Agency collection under this paragraph will not be shared with the lender.

I AM (WE ARE) unable to provide the housing I (we) need on my (our) own account, and I am (we are) unable to secure the credit necessary for this purpose from other sources upon terms and conditions which I (we) can reasonably fulfill. I (we) certify that the statements made by me (us) in this application are true, complete and correct to the best of my (our) knowledge and belief and are made in good faith to obtain a loan.

Warning: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any Department or Agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both."

Borrower Co-Borrower Lender

- At the bottom of page 2 is the applicant's acknowledgments and certifications. It is important that the applicant's read all of this information.
- They are certifying that they are not debarred from doing business with the federal government, they have not been convicted of fraud against the federal government, and no federal liens on property have been obtained against them.
- The second paragraph discusses the Debt Collection and Improvement Act. In the event the applicant's default on the loan obligation the approved lender may foreclose and could potentially suffer a loss. The approved lender would submit a loss claim to Rural Development which could result in a maximum payout of 90% of the original loan amount per the Loan Note Guarantee. When the approved lender receives their reimbursement of loss from Rural Development they will normally release the applicants of any future liability. However, Rural Development may pursue reimbursement for the loss we paid the approved lender directly from the applicants. This is normally accomplished with federal income tax return amounts that normally would be collected by the applicants. Instead, these refunds would go to Rural Development until the loss amount is paid in full. All government loans may utilize the Debt Collection and Improvement Act in order to recover paid losses.
- The third paragraph is the applicant's certification that they were unable to obtain a conventional loan with the same rates and terms offered to them under the Guaranteed loan program.
- The "Warning" statement outlines the penalties for willingly falsifying information to the U.S. Government.

- The applicant's must sign the certification in order for a Conditional Commitment to be issued.
- Original signatures are not required on the 1980-21. Rural Development accepts copies by scan, email, photocopy, fax, and image

**Annual Income
Adjusted Income
Repayment Income**

There are three types of income that Rural Development that Rural Development considers for Guaranteed loan applicants.

Annual Income

The income of all adult household members.

RD Instruction 1980-D, section 1980.347

- **Current verified income**, either part time or full time, received by the applicant/borrower and all adult household members of the household.
- **Includes income of less than 12 months duration** (i.e. seasonal income, commissions, overtime, bonuses, and unemployment computed as the estimated annual amount of such income for the upcoming 12 months.) Consideration should be given as to whether the income is dependable based on verification by the employer and the applicant's history of such income over the previous 24 months.

Annual income is the income of all adult household members. Adult household members include those who are 18 years of age or older and are NOT full time college students. Annual income includes:

- All current verified income, including part time and full time positions, and includes
- Income of less than 12 months duration, such as seasonal income, commissions, overtime, bonuses, and unemployment computed as the estimated annual amount of such income for the upcoming 12 months. The lender is responsible for considering all types of income, length of employment, and history of the applicant receiving this income over the previous 24 months.

Annual Income

RD Instruction 1980-D, section 1980.347

- The gross amount before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips, bonuses, and other compensation for personal services of all adult members of the household.
- Interest/Dividend income from liquid assets in excess of \$5,000.
- Social Security (including payments received on behalf of minors), annuities, retirement funds, pensions, etc.
- Alimony, child support, maintenance (unless payments have not been received and documented efforts have been made to collect)

Annual income also includes:

- The gross amount of all wages, salaries, overtime pay, commissions, fees, tips, bonuses, and other compensation prior to any payroll deductions.
- Interest and dividend income received on liquid assets with balances in excess of \$5,000.
- Social security income, including benefits received on behalf of minors, annuities, retirement funds, pensions, etc.
- And Alimony, child support or court ordered maintenance, unless the payments have not been received consistently and efforts have been made to collect those due.

Adjusted Income

The household's annual income minus eligible household deductions.

RD Instruction 1980-D, section 1980.348

- Dependents (\$480 each)
- Child care expenses
- Elderly household: 62 years of age (\$400 flat deduction)

Deduction of the following expenses that exceed 3% of the gross annual income:

- Medical expenses (elderly families/disabled only)
- Attendant care/apparatus expenses for disabled members

The Adjusted Income is the annual income minus eligible deductions for which the household qualifies. Eligible deductions include:

- Dependents: Those household members who are under the age of 18, are over the age of 18 and are disabled, or are 18 years of age or older and are full time college students. Each dependent is a \$480 deduction from the annual income.
- Childcare expenses, any expenses the applicant or co-applicant pays for the care of minor children age 12 or younger so they may be employed or complete their education. Recall that private school tuition and child support are NOT eligible childcare expenses.
- If the applicant or co-applicant are age 62 years of age or older, the household will qualify for a flat \$400 deduction.
- Medical and disability expenses in excess of 3% of the annual income may be deducted.

All of these deductions were reviewed in the income eligibility section presented earlier in the training.

Adjusted Income

Adjusted income compared to maximum adjusted income limits determines Guaranteed [program](#) eligibility.

Summary of Adjusted Annual Household Income

Annual Household Income: **\$90,480.00**

Total Deductions: ~~**\$6,160.00**~~

Household Adjusted Annual Income: **\$84,320.00**

Section 502 Guaranteed Rural Housing Loan Program

Maximum Adjusted Household Income for Selected State and County: **\$84,550.00**

Remember that the importance of the adjusted income is that it is the adjusted income calculation that determines if the applicants qualify for a Guaranteed loan for income eligibility when compared to the maximum adjusted income limit for the selected state and county.

Repayment Income

Adequate and dependable income of the applicant's who are on the loan.

RD Instruction 1980-D, section 1980.345(c)(2)

- Repayment income may differ from annual income. Lender must determine there is a historical basis to conclude that the income is likely to continue.
- Typically income of less than 24 months should not be included.
- Tax exempt income may be grossed up in the amount of tax savings attributable to the nontaxable income. Adjustments for other than the applicable tax rate are not authorized.

Repayment income is the stable and dependable income of all applicant's that will be a party to the note. It is the repayment income that will be utilized to calculate repayment ratios.

Repayment income may differ from annual income, as some employed household members may not be a party to the note, or some income sources may not be deemed stable and dependable by the underwriter, and therefore not utilized to calculate debt ratios. It is not unusual to have higher annual income than repayment income.

Lenders are responsible for determining if the income is stable and dependable. Typically income received less than 24 months should not be considered (i.e. overtime and bonus income that does not have a history of receipt, or applicant's who have recently started a position with no prior work history, or applicant's who have significant gaps between positions with no documented explanation.)

Tax exempt income such as social security benefits, child support, alimony, etc. is allowed to be grossed up for repayment income purposes, in the amount of tax savings attributable to the nontaxable income. Rural Development does not authorize a flat 20 or 25% margin for grossing up nontaxable income. Rural Development does allow lenders to determine the tax bracket and tax savings for which the applicant qualifies and then gross up the income as appropriate per 1980.347(c)(2)(ii).

Repayment Income

RD Instruction 1980-D, section 1980.347(e): Income that is not considered for annual income, but may be considered for repayment:

- Income from employment of minors
- Value of allotment of food stamps
- Payments received for care of foster children
- Lump-sum additions to assets such as inheritances, capital gains, insurance payments, etc.
- Reimbursements of medical expenses
- Remainder of funds from VA/educational benefits (minus books tuition, fees, and equipment.) Student loans are not income.
- Hazardous duty pay for exposure to hostile fire
- Federal benefits received as assistance

There are many types of income that are NOT considered for annual income, but may be considered for repayment purposes. These income types include:

- Income from employment of minors
- Value of allotment of food stamps
- Payments received for the care of foster children
- Lump-sum additions to assets such as inheritances, capital gains, insurance payments, etc.
- Reimbursement of medical expenses
- Remainder of funds from VA/educational benefits (minus books, tuition, fees, and equipment). Student loans are not income.
- Hazardous duty pay for exposure to hostile fire, and
- Federal benefits received as assistance (such as Section 8 vouchers).

Income Verification

Basic Income Verification*

For household members who are applicants and party to the note:

OPTION #1:

- Written verification of employment (VOE) **and**
- One recent paystub with a YTD figure



For all household members who will be applicants, meaning they are on the loan, there are three options for verifying their income.

Option #1: Lenders may request a written verification of employment from the lender AND include one recent paystub with a year to date (YTD) figure.

Basic Income Verification*

For household members who are applicants and party to the note:

OPTION #2:

- 30 days of paystubs with YTD figure **and**
- 2 years of W-2's **and**
- Telephone verification of employment (VOE)



Option #2 is what every loan officer has on the back of their business card:

Lenders may retain the most recent 30 days of paystubs with a YTD figure, AND the previous two years of W-2's AND document a telephone verification of employment.

Basic Income Verification*

For household members who are applicants and party to the note:

OPTION #3:

- Electronic print outs of 30 days of paystubs with YTD figure **and**
- 2 years of W-2's **and**
- Telephone verification of employment (VOE)



Option #3:

Lenders may retain electronic print outs of paystubs covering the most recent 30 day period with YTD figures listed AND 2 years of W-2's, AND a telephone verification of employment.

Basic Income Verification*

For household members who are not applicants, and therefore not party to the note:

- Most recent paystub with YTD figure required



For those adult household members who are not a party to the loan note but their income must be considered to determine program eligibility, they may only submit a most recent paystub with a YTD figure. This paystub will allow Lenders to calculate the annual income for the household to determine program eligibility.

Self Employed Income*

25% or greater ownership interest: industry standard

Is the SE income stable and dependable?

- 2 + years = yes
- 1-2 years = maybe, does the applicant have:
 - a. two years previous successful employment **or**
 - b. one year employment and formal education or training in related occupation or profession
- Less than 1 year = no

The mortgage industry recognizes applicants as self employed if they have a 25% or greater ownership interest in the business. When reviewing self employed documentation the lender must determine if it is stable and dependable income. Has the applicant been at this position producing a reliable income stream for an acceptable timeframe?

If the applicant has 2 years or more in a self-employed position the income may be considered stable and dependable.

If the applicant only has 1-2 years as self-employed then they may be considered as having stable and dependable income if they have two years of previous employment, or they have one year employment and formal education or training in their related self employed occupation or profession.

If the applicant has less than 1 year in a self-employed position the income may NOT be considered as stable and dependable. In fact, it would be quite hard for a lender to make an income determination.

Self Employed Income*

Self-employed income verification:

OPTION #1:

- 2 years of income tax returns (signed and dated) with all applicable schedules **and**
- YTD Profit and Loss (P&L) and balance statements



Self employed applicants will require different documentation as compared to those with salary or hourly paid wages. There are few different documentation options available include:

OPTION #1:

Two years of income tax returns that are signed and dated, and include all applicable schedules AND Year To Date Profit and Loss and balance statements. It is not necessary for these statements to be audited.

Self Employed Income*

Self-employed income verification:

OPTION #2:

- IRS-issued transcripts with appropriate schedules **and**
- YTD Profit and Loss (P&L) and balance statements



OPTION #2 includes:

IRS issued tax transcripts that include all appropriate schedules AND Year to Date Profit and Loss and balance statements. It is not necessary to have these statements audited.

Self Employed Income*

For quality assurance purposes, lenders should have the applicant sign at loan application:

- IRS Form 4506 "Request for Copy or Transcript of Tax Form" **or**
- IRS Form 8821 "Tax Information Authorization"

It is not necessary for the lender to have the information returned from the IRS prior to closing. Retain correspondence in permanent case file.



Regardless of which documentation option is selected, for quality assurance purposes lenders should have the applicant sign IRS Form 4506 "Request for Copy or Transcript of Tax Form" OR IRS Form 8821 "Tax Information Authorization." The lender must retain a copy of these signed documents in their permanent case file and they must submit them to the IRS during the loan application process. However, it is not required that the lender receive IRS documentation in return prior to closing. The request for IRS documentation is utilized as a safety net for the lender to ensure they did not receive fraudulent tax returns or information.

Self Employed Income*

Rural Development recommends but does not require:

- Fannie Mae form 1084 “Cash Flow Analysis”
- Fannie Mae form 1088 “Comparative Income Analysis”



Rural Development encourages lenders to utilize Fannie Mae form 1084 “Cash Flow Analysis” and/or Fannie Mae form 1088 “Comparative Income Analysis” when analyzing self employment income. These resources are encouraged but are not required. Lenders and Rural Development alike have found that these forms offer helpful direction on adding or deducting expenses from net income in order to determine eligible income that may be used for repayment consideration.

Self Employed Income*

Determining repayment income for sole proprietorship:

- Net Profit +
- Depreciation +
- Depletion =
- **Repayment Income**



Traditionally, the primary business structure that many Rural Development self-employed applicants engage in is a sole proprietorship. When determining repayment income for sole proprietorships Rural Development allows the lender to add the depreciation and depletion deductions back into the net profit.

Self Employed Income*

How to treat business debts:

Remove from debt ratio calculations if:

- **Documentation is provided to prove the debt is paid by the business**
- **12 months of canceled checks/bank statements from business account are provided**



If a debt such as a car loan is paid through the business, the debt does not need to be included in the debt ratio calculations as long as documentation is provided that the debt is paid by the business. Documentation to support that the debt payments are made by the business may include 12 months of cancelled business checks or bank statements.

Part time, Second Job, & Seasonal Income*

Lender must evaluate the stability and expected continuance of income types other than wages and salaries.

- **2 year or more history of receipt = stable and dependable**
- **Less 2 year history: verify with employer likelihood of continuance**
- **No history and no verification? = use as compensating factor only not repayment purposes**



Income from part-time, second, or seasonal income may be counted, if the applicant has worked this position uninterrupted for the past two years and will continue to do so.

Seasonal employment may include positions such as umpiring baseball games, working holidays at a department store, harvesting produce, etc.

The lender may consider income received for less than two years if they can determine through employer verification the likelihood of continuance. If the employer can not concur, income received less than two years may be utilized as a compensating factor for exceeding the debt ratios.

Commission Income*

Lender must evaluate the stability and expected continuance of income types other than wages and salaries.

- **Average previous 2 years of receipt**
- **Receipt less than one year = do not use for repayment purposes**
- **Significant compensating factors may be considered for special circumstances**
- **Non-reimbursed expenses are subtracted from the gross income**



Commission income should be averaged over the previous two years from the same employer. Commission income earned less than one year should not be considered as repayment income absent significant compensating factors. Exceptions may be made in those situations where the applicant's compensation was changed from a salary to commissions, within a similar position, with the same employer. If the commission income shows a decrease from one year to the next, significant compensating factors must be documented to include this income towards repayment ability.

Non-reimbursed expenses, if any, should be subtracted from the gross income reported on the borrower's tax returns.

Overtime & Bonus Income*

Lender must evaluate the stability and expected continuance of income types other than wages and salaries.

- **2 year history of receipt = stable and dependable**
- **Less than 2 years = underwriter must justify use**
- **Employer verification of continuance**
- **Declining income? Sound rationale must be provided if used**



Income for overtime and bonus income should be received for two years from the same employer in order to be considered stable and dependable. Averages from periods of less than two years may be acceptable provided the underwriter adequately justifies and documents their reason for including the income. When a lender verifies income, the employer must indicate that the overtime and bonus income has a probability to continue. If either type of income shows a continual decline, the lender must provide a sound rationale for the amount included as repayment income. If income from these sources seem to vary significantly from year to year, a period of more than two years should be used in calculating average income.

Tax-Exempt Income*

Lender must evaluate the stability and expected continuance of income types other than wages and salaries.

- **Social Security, retirement, disability, child support, worker's compensation, military allowances, public assistance benefits, etc.**
- **Lender verifies non-taxable status and continuance**
- **"Gross up" amounts for repayment purposes are limited to the tax savings attributable to the non-tax status**



The standard debt to income ratios are based on an assumption the income is taxable. Income sources that are tax-exempt include, but are not limited to, social security, retirement, disability, child support, worker's compensation benefits, certain public assistance payments, military allowances, etc.

The amount of continued tax savings attributable to the nontaxable income source may be added to the applicant's repayment income.

The lender must verify that the particular source of income is non-taxable AND that the non-taxable status are likely to continue. Section 1980.345(c)(2)(ii) of RD Instruction 1980-D, allows non-taxable income to be "grossed up" by the amount of federal tax savings attributable (the amount of tax that would normally be paid by a wage earner in a similar tax bracket) to the nontaxable income for repayment purposes only. No other adjustments for tax-exempt income are authorized. Therefore Rural Development does not endorse a straight 20% or 25% gross up guideline. The lender must determine the applicant's tax bracket in order to calculate the appropriate tax benefit that may be added.

Child Support, Alimony, or Maintenance Income*

Lender must evaluate the stability and expected continuance of income types other than wages and salaries.

- **Receipt of payments for 12 months documented**
- **Receipt less than 12 months acceptable if lender can document justification**
- **Verify three year continuance into mortgage**



For this category of income the lender must secure evidence that payments have already been received for 12 months. Payment periods of less than 12 months may be acceptable, if the lender can document the payer's ability and willingness to make timely payments.

If income in this category is counted, such payments must be confirmed to continue for at least three years into the mortgage obligation.

Retirement & Social Security Income*

Lender must evaluate the stability and expected continuance of income types other than wages and salaries.

- **Verify three year continuance into mortgage**
- **Benefits that expire within three years should be utilized as a compensating factor**



Income should be verified by the lender to continue for at least the first three years of the mortgage obligation. If any benefits will expire within the first three years of the proposed loan, the income source may only be considered as a compensating factor.

Automobile Allowance & Expense Account Income*

Lender must evaluate the stability and expected continuance of income types other than wages and salaries.

- **Amount that exceeds actual expenditure may be used for repayment income**
- **Receipt for two years and verification from employer for continuance**
- **Include the debt for the allowance is provided**



The amount by which an applicant's automobile allowance or expense account payments exceed actual expenditures may be considered as repayment income. Income should be received for two years, along with verification from the employer that these payments will continue. The applicant's monthly car payment must be treated as a recurring debt and must not be offset by the car allowance.

Military Income*

Lender must evaluate the stability and expected continuance of income types other than wages and salaries.

- Variable housing allowances, clothing allowances, flight or hazard pay, rations, proficiency pay, etc.
- Eligible for repayment purposes



In addition to base pay, military personnel may be entitled to additional forms of pay. Income from variable housing allowances, clothing allowances, flight or hazard pay, rations, and proficiency pay may be used for repayment income provided it is verified as stable and likely to continue.

An additional consideration may be the tax-exempt nature of some of these payments.

Section 8 Vouchers*

Do not count in annual income.

1. Add to Repayment Income
(may be grossed up 25%) or
2. Offset PITI (only if benefit is paid directly to lender)



As part of the Qualify Housing and Work Responsibility Act of 1999 (QHWRA), Congress sought to provide more low income families nationwide with an opportunity to become homeowners by creating a new homeownership option for families receiving Federal Section 8 tenant-based assistance.

Section 8 income is NOT included in the annual income calculation to determine program eligibility. For repayment purposes the subsidy may be treated in either of the following manners:

1. Add the subsidy to repayment income when calculating debt ratios. The amount of this nontaxable subsidy may be "grossed up" 25%. This is the only tax exempt income source that Rural Development may specifically "gross up" 25%.
OR
2. Lenders may treat the monthly homeownership assistance payment as an "offset" to the monthly PITI, therefore reducing the monthly payment by the amount of homeownership assistance, prior to calculating qualifying ratios. This method may only be used IF the benefit is paid directly to the lender. If the benefits are paid to the applicant, then the lender may only use the Section 8 amounts in repayment income.

Liquid Asset Types and Documentation*

- Depository: (checking, savings, etc.)
- Earnest Money
- Gift funds
- Sale proceeds from currently owned property
- 401k/retirement accounts
- Stocks and bonds
- Cash on hand



When liquid assets are entered on the loan application or considered in the underwriting analysis, the asset must be verified and documented in the lender's permanent case file. Documentation standards support the mortgage industry's anticipated level of quality when processing mortgage loan applications. This is not an all-inclusive list.

The presence of accumulated liquid assets considered in the credit and risk evaluation can strengthen and influence a manual or automated underwriting decision due to remaining cash reserves post closing. The Guaranteed loan program does NOT require cash reserves; however the presence of cash reserves formulated from liquid assets can affect the strength of the loan application. Therefore proper documentation is imperative.

Liquid Asset Types and Documentation*

Depository: (checking, savings, etc.)

- **Verification of deposit with the average 2 month balance or;**
- **Two consecutive monthly bank statements dated within 45 days of the initial loan application date**



For depository accounts such as checking, savings, etc. the account balances can fluctuate depending upon the time of the month when the statement cut off date occurs. When utilizing depository assets on the loan application lenders must consider and document:

- Verification of deposit with the average 2 months balance or
- Two consecutive monthly bank statements dated within 45 days of the initial loan application date

It is incorrect to enter the account balance on these statements as the true verification of the assets available.

Liquid Asset Types and Documentation*

Earnest Money

- Reflected in a liquid asset account (i.e. checking or savings)
- Funds cleared borrower's account and verified by lender: Enter as "Other Credit" in Section VII of the 1004



Earnest money or cash deposit on the sales contract may be considered an asset if:

- The deposit is not already reflected in a liquid asset account, such as a checking or savings account
- If the funds have cleared the borrower's account, then the lender may place this amount in the "Other Credit" portion of Section VII of the 1003 loan application, where it will be assumed the lender verified these funds.

Liquid Asset Types and Documentation*

Gift Funds

- Identified separately, even if the funds are deposited in a liquid asset such as checking or savings
- Should NOT be reflected in depository accounts verified. Balance of these accounts should reflect the balance less the deposited gift funds
- May assist with available funds for closing costs, voluntary downpayments or guarantee fees
- May NOT be considered as cash reserves for compensating factors
- Documented gift letter signed by donor and applicant



Gift funds should be identified separately, as a gift, even if the funds have already been deposited in a liquid asset account owned by the borrower such as a checking or savings account.

- Gift funds should not be reflected in the depository accounts verified. If gift funds are in the borrower's bank account, the account balance should reflect the balance less the gift funds deposited.
- Gift funds may assist with available funds for closing costs, voluntary down payments or guarantee fees, but will not be considered as cash reserves for the purpose of compensating factors when waiving credit or requesting repayment ratio waivers under section 1980.345(c)(5).
- Gift funds may be documented by obtaining a gift letter signed by the donor and borrower.

Liquid Asset Types and Documentation*

Sale Proceeds from Currently Owned Property

- Final HUD-1 Settlement Statement documenting actual cash proceeds
- Proceeds may be used as a liquid asset (i.e. checking or savings)



When applicant's are selling a property prior to loan closing on a new Guaranteed Loan, the sale proceeds from the property may be used as an asset when documented accordingly.

- A Final HUD-1 Settlement Statement indicating cash sale proceeds actually realized by the applicant.
- Proceeds from the sale of the property should be included in the applicant's liquid assets, such as a checking or savings account.

Liquid Asset Types and Documentation*

Retirement Accounts, IRA's, Thrift Savings, etc.

- Only 60% of vested amount may be used
- Obtain the most recent statement



Retirement accounts may be utilized as assets per the following guidelines:

- Up to 60% of the vested amount may be considered in the underwriting analysis, this is to account for federal income tax and any withdrawal penalties.
- The lender must obtain the most recent account statement to verify the account balance and vested amounts for the permanent loan case file.

Liquid Asset Types and Documentation*

Stocks and Bonds

- The monthly or quarterly statement



Stocks and bonds may be considered as a liquid asset when the lender retains a monthly or quarterly statement provided by the stockbroker or financial institution managing the portfolio.

Liquid Asset Types and Documentation*

Cash on Hand

- Defined as cash accumulated outside of a depository account, such as a checking or savings account.
- Borrower explains in writing accumulation of funds and timeframe
- Lender determines reasonableness based upon borrower's income and timeframe
- Can not be used as a compensating factor for credit or debt ratio waivers



Typically individuals that accumulate and keep cash savings on hand are less likely to save money through a savings or checking account as would an individual with a history of these accounts. Therefore lenders should be diligent when considering cash on hand from applicant's who do have checking and savings accounts. Cash on hand may be used as an asset when:

- The borrower can explain in writing how the funds were accumulated and the amount of time taken to do so.
- The lender must determine the reasonableness based on the borrower's income stream and the time frame in which they were saved.
- Cash on hand can not be used as a compensating factor for credit or debt ratio waivers.

Assets & Income

Cash Value Over \$5,000 1980.347(d)(3)(iii)

Include in annual income the **greater** of

- Actual income derived from asset **or**
- Imputed income: **Asset value X local passbook savings rate**



Example:

\$25,000 CD x 4% interest = \$1,000 annual interest
Add \$1,000 to the applicant's annual income calculation and confirm program eligibility

Per RD Instruction 1980-D, section 1980.347(d)(3)(iii) the income derived through assets or dividends for all liquid assets with a cash value of \$5,000 or more when disclosed by the applicants, must be calculated and considered for eligibility purposes. Lenders must calculate the income based upon the actual income derived from the asset, or consider the imputed income. Lenders may calculate this imputed income by multiplying the asset value by the local passbook savings rate.

For example, if the applicant has a \$25,000 certificate of deposit (CD) that is accruing 4% interest annually, the lender may calculate the actual income derived as $\$25,000 \times 4\% = \$1,000$ annual interest.

The lender will add \$1,000 to the annual income calculation to ensure the applicant is still income eligible for the Guaranteed Loan Program.

Assets & Income

Exclude downpayment and/or closing cost use:

Example:

\$25,000 CD - \$10,000 toward home purchase =
\$15,000 x 4% interest = \$600 annual interest

Add \$600 to the applicant's annual income calculation and confirm program eligibility



Per RD Instruction 1980-D, section 1980.302(a) under "Net Family Assets" (1)(iii): lenders should exclude "cash on hand which will be used to reduce the amount of the loan."

Therefore in our current example, if the applicant's wish to use any portion of their assets towards a voluntary downpayment, or to pay closing costs, lender fees, repairs, or the guarantee fee, deduct that amount from the asset prior to calculating the annual interest that must be added to the annual income calculation to ensure program eligibility.

Example: \$25,000 CD earning 4% interest annually, but applicant wishes to use \$10,000 towards the purchase of the home.

Lenders should deduct the \$10,000 from the CD, leaving a balance of \$15,000 at 4% interest annually which is \$600. \$600 should be added to the annual income calculation to determine applicant eligibility for a Guaranteed loan.

Retirement Assets*

- Eligible types include: 401k, IRA, Roth IRA, Thrift Savings Plans
- Retain documentation of account
- **Include only 60% of vested amount**
- Only include as cash reserves and a compensating factor if withdrawals are currently allowable
- **If access to funds is only granted upon death, employment separation, or retirement, they are not eligible to be use**



Retirement accounts can be liquid, illiquid, or both. Verification documentation and special calculation instructions are necessary to correctly consider a retirement account asset. If an underwriter uses any assets, including retirement assets, when considering a loan application, they should verify and document that the asset exists as represented.

Retirement accounts include Individual Retirement Accounts (IRA's), Roth IRA's, 401(k) accounts, Thrift Savings Plans, and other accounts whose purpose is to be accessed at or after retirement.

Documentation of retirement assets utilized to support the loan application should be retained and may include a recent depository or brokerage account statement.

In order to account for withdrawal penalties and taxes, utilize 60% of the vested amount of the account as the value of the retirement asset.

Utilize retirement accounts as compensating factors and as cash reserves only if the account allows for withdrawals by the borrower(s). Retirement accounts that restrict withdrawals only in connection with the borrower's employment separation, retirement or death should not be considered.

Retaining A Property *

**RD Instruction 1980-D, section 1980.346(a)
MUST BE MET!**

The applicant must:

*Be a person who does not own a dwelling in the local commuting area **or** owns a dwelling which is not structurally sound, functionally adequate.*

Applicants who will be purchasing a new primary residence with a Guaranteed loan but currently own a property may qualify to retain the current property IF they meet RD Instruction 1980-D, section 1980.346(a) which states:

"The applicant must be a person who does not own a dwelling in the local commuting area, OR owns a dwelling which is not structurally sound, functionally adequate.

Retaining A Property*

Break it down:

Be a person who does not own a dwelling in the local commuting area

- Rural Development shall determine local commuting area (typically an hour or more commute time)

This gives applicants three options under which to qualify in order to retain a current dwelling. Option one allows the applicant to retain a dwelling that is not located within the local commuting area of the new dwelling. Rural Development does not have a definite mileage radius for local commuting area. Therefore, lenders must work with the local Rural Development office for the state where the new property is located in order to determine if the dwellings qualify under this option.

Retaining A Property*

Break it down:

or owns a dwelling which is not structurally sound, functionally adequate.

- Dwellings that are not structurally sound must have documented evidence of these issues
- Examples of not functionally adequate may include:
 - *applicants whose current homes are not handicap accessible
 - *applicants merging households and the current home will not accommodate all household members

- The second option allows the applicant to retain a dwelling that is within the local commuting area of the new home IF their current dwelling is not structurally sound. Applicants must provide the lender with documented evidence of the structural issues of the home. This documentation must be from a structural engineer, licensed home inspector, appraiser, local code or county official, etc. **OR**
- Option three, the applicant may retain a current dwelling if it is functionally inadequate to meet their needs. Examples of functional inadequacy may include a disabled applicant whose current home lacks the handicap accessible features and amenities necessary to accommodate their needs. Sometimes applicants own a home that fits their current family, but due to a marriage more bedrooms, bathrooms, etc. become necessary (i.e. a family of 8 can not comfortably live in a two bedroom home.) The applicant must provide the lender with documented evidence of why the current home is no longer functionally adequate. Manufactured homes that are not anchored on a permanent foundation are considered functionally inadequate.

Retaining A Dwelling*

Applicants may retain only ONE dwelling in addition to the new property financed with a GRH loan.



It is important to note that Rural Development only allows applicants to retain one dwelling in addition to the new property they wish to finance with a Guaranteed loan. Applicants that retain more than one dwelling in addition to the new guaranteed loan will not be eligible for a Guaranteed loan.

Liabilities

Installment debts:

6 months or less; underwriter does not have to count in debt ratios*

***Underwriter may include any debts regardless of months left to pay if the debt is considered to have an impact on repayment ability per RD Instruction 1980-D, section 1980.345(c)(1).**



When lenders analyze the credit reports of applicant's and they have installment debts with 6 payments or less remaining, the lender may omit the installment debt payment from the total debt ratio calculation.

1. Lenders may only omit **INSTALLMENT** debts with 6 months or less remaining repayment. Revolving accounts are not eligible for omission.
2. If the debt is considered to have an impact on repayment ability (i.e. the monthly debt is sizable), the underwriter may include it in the ratios regardless if there are only 6 months of repayment remaining per section 1980.345(c)(1).

Liabilities

Revolving debts: No payment listed on credit report

- 5% of balance reported on credit report **or**
- Payment from current statement showing lower monthly payment due



Revolving debts that do not have a monthly payment listed on the credit report must still have a monthly payment entered in order to calculate the debt ratios. Lenders may estimate the monthly payment by utilizing 5% of the balance reported on the credit report (i.e. an account with a \$4000 balance would equal an estimated monthly payment of \$200.) OR

The lender may obtain a current statement from the applicant to prove a lower monthly payment is actually due and then utilize that payment in the ratios.

Liabilities

Child Support / Alimony /Garnishments:

- Must be included in debt ratios



If the applicant is obligated to pay child support, alimony, or has garnishments appearing on their paystubs, these payments must be included in the debt ratio calculations. The only way to not include these debts would be for the applicant to provide the lender with documented evidence of their release of liability from these obligations.

Liabilities

401k loans/loans against personal liquid assets:

- Not counted in debts or ratios



If the applicant has a loan against their 401k, retirement funds, or other personal liquid asset, payments for these debts are NOT counted in the debt ratios. The applicant has effectively borrowed their own money, therefore no monthly payment is necessary.

Deferred Student Loans*

RD Instruction 1980-D, section 1980.345(c)(1):

- Include payment listed on credit report **OR**
- Include payment verified through loan servicer **OR**
- Estimate payment as 1% of loan balance shown on credit report



All deferred student loans must be counted in the debt ratios, regardless of deferment period. The lender has three options for entering a payment for these deferred debts:

1. Include the payment listed on the credit report (if one is reported) OR
2. Include a payment verified through the loan servicer and retain the documentation in the loan file, OR
3. Estimate the anticipated payment as 1% of the loan balance shown on the credit report (i.e. a loan balance of \$5,000 would equal a monthly payment of \$50.)

Co-Signed Liabilities

RD Instruction 1980-D, section 1980.345(c)(1)(i)

Lender must include in debt ratios **unless**

- Lender can secure documented evidence payments have been made on time by primary obligor or other third party for 12 months.
- Evidence includes 12 months canceled checks, money order receipts, or bank statements.
- Any late payments in the last 12 months means the debt must be counted.
- Credit reports showing 12 months paid as agreed is not acceptable to exclude a debt.



Debts which have been cosigned by the applicant for another party must be considered unless the applicant provides evidence that it has not been necessary to make payments over the last 12 months.

Documented evidence the payments have been made by a third party for the previous 12 months includes canceled checks, money order receipts, bank statements, etc.

If there are any late payments within the past 12 months, the lender must include this debt in the ratio calculations.

Lenders can not accept the credit report alone as acceptable evidence to prove the debt has been paid on time by a third party. Lenders must retain evidence of WHO has been paying the debt for the previous 12 months, and how they have been paying it.

Previous Mtg./Court Assignment of Debts

RD Instruction 1980-D, section 1980.345(c)(1)(ii)

Lenders must include in debt ratios **unless**

- Lender can secure documented evidence payments have been made on time by a third party for 12 months.
- Evidence includes 12 months canceled checks, money order receipts, or bank statements.
- Lender can secure documented evidence applicant has received a **release of liability** from creditor
- Court order/quit claim deed is **not** acceptable evidence



When the applicant has disposed of a property through a sale, trade, or transfer without a release of liability, the debt must be considered unless the applicant provides evidence that the new owners have successfully made payments over the last 12 months.

Acceptable evidence includes:

- 12 months of canceled checks, money order receipts, bank statements, etc. to verify that the payments have been made on time by a third party for the previous 12 months. OR
- The lender can secure documented evidence that the applicant has received a full release of liability from the mortgage debt. Lenders should note that a court order awarding the property to someone else, or a quit claim deed filed by the applicant is NOT acceptable evidence. The applicant is still very much obligated on this debt until a refinance transaction is completed by the party awarded the property, the property is sold to a third party, or the lender releases the applicant from liability.
- A credit report showing the liability paid on time for the last 12 months alone is not acceptable evidence.

Previous Agency Loan

RD Instruction 1980-D, section 1980.345(d)(e)

Applicant has suffered a loss on a previous RD loan that is settled or is subject to settlement:

- RD must determine that the loss was beyond the applicants control, and any identifiable reasons for the loss no longer exist.
- Lender is responsible for submitting evidence to support RD's review.



Federal Debts

RD Instruction 1980-D, section 1980.345(f)

One or more applicant's have open federal debts or federal judgments, or have a claim reported via CAIVRS:

- All federal debts and federal judgments must be satisfied (paid in full) or otherwise resolved and have supporting documentation
- CAIVRS claims: Applicant must provide the lender with official documentation that the delinquency has been paid in full or otherwise resolved, then processing of the application will continue.



Applicants who have had previous Rural Development Direct or Guaranteed loans that went into default and therefore the Agency suffered a loss that is now settled or is subject to settlement may or may not be eligible for a new Guaranteed loan.

Rural Development shall determine whether the applicant has had a previous debt which was settled, or is subject to settlement, or where Rural Development otherwise suffered a loss on a loan to the applicant.

If Rural Development suffered any loss related to a previous loan, a loan guarantee shall not be issued unless Rural Development determines the RD loss was beyond the applicant's control, and any identifiable reasons for the loss no longer exist.

The lender and applicant are responsible for researching and documenting the evidence that may help Rural Development make this determination, as well as determine if any identifiable reasons for the previous loss no longer exist.

Lenders must review the credit report and order a CAIVRS number for all applicants who are a party to the note. In the event open federal debts or judgments are identified these must be paid in full or otherwise resolved before the Agency may process the loan request. If the CAIVRS number retrieved is reporting a filed claim, it is the applicant's responsibility to provide the lender with OFFICIAL DOCUMENTATION that proves the delinquency has been paid in full, or otherwise resolved, meaning the applicant is no longer liable for repayment of the claim. Once this documentation is submitted to Rural Development then the loan may continue to be processed.

The Agency understands that a "clear" CAIVRS can not be retrieved even when the official documentation is presented to the Agency. Rural Development should never condition for a "clear CAIVRS number" as CAIVRS does not update these numbers. The official documentation provided by the applicant that determines they are no longer liable for any federal debt is the documentation required for the Agency to continue processing the loan.

Ratios*

RD Instruction 1980-D, section 1980.345(c)(5)

- **PITI: 29%**
- **Total Debt: 41%**
- Ratios may be exceeded with strong documented compensating factors by the lender



Debt Ratio Waivers*

- No minimum FICO to request waiver
- Lender must request in writing (1008) w/ documented compensating factors
- **RD must concur**, issue approval in writing



- The qualifying ratios for a Guaranteed Loan are:
- 29% for Housing which includes the PITI (Principle, Interest, Real estate Taxes, and homeowners Insurance)
- 41% for Total Debt, which includes all monthly liabilities and the PITI payment
- The 29/41 ratios may be exceeded when the lender submits a debt ratio waiver request along with strong documented compensating factors to support the request to exceed the ratios. Debt ratio waiver requests will be discussed in greater detail later in the training.

- When lenders wish to exceed the baseline ratio thresholds of 29% and 41%, they must submit a documented debt ratio waiver request to Rural Development.
- There is no minimum FICO score required to request a debt ratio waiver.
- The lender must request the debt ratio waiver in writing, preferably on the 1008 Underwriting Transmittal Summary, or similar underwriting document. The lender must document the strong compensating factors to support the debt ratio waiver request.
- Rural Development will either approve or deny the debt ratio waiver request upon review of the documented compensating factors identified by the lender. Rural Development must issue the approval or denial in writing to the approved lender.

Debt Ratio Waivers*

Examples of compensating factors may include:

- 660 FICO: can standalone IF no additional risk layers are present (i.e. credit waivers and payment shock)
- No or low payment shock
- Conservative attitude toward credit
- Cash reserves
- Previous housing history verifies ability to devote a greater portion of income to expenses
- 2 or more years of continuous employment history
- Additional compensation/income not counted in ratios
- Potential for increased earnings due to education/profession
- Trailing spouse income
- Low total debt ratio

LENDER IS RESPONSIBLE FOR DOCUMENTING!



- It is the LENDER'S responsibility to document and retain evidence of the strong compensating factors listed to support a debt ratio waiver request.
- It is not enough to state the applicant has 5 months of cash reserves. There must be supporting evidence in the permanent loan file to prove there are 5 months of cash reserves available at that time.
- There is no minimum number of compensating factors that must be identified by the lender, however when trying to support rising above the baseline qualifying ratios of 29/41 there is no such thing as too many compensating factors. The debt ratio waiver request is more likely to be approved by Rural Development when the approval official can quickly and clearly review the supporting evidence.
- Please review the examples of compensating factors that lenders may document. This list does not have all compensating factors listed, just the most common ones.

Documentation of Debt Ratio Waivers*

Debt Ratio Waiver Requests are:

Issued by: Approved Lender

Documented by: Approved Lender

Approved by: Rural Development



Approved lender is responsible for documenting the compensating factors to support the debt ratio waiver request.

- When the underwriter wishes to approve a loan file and the ratios are above the baseline 29/41, they must submit a documented debt ratio waiver request to Rural Development.
- The approved lender is responsible for issuing and documenting the request, BUT Rural Development is responsible for approving or denying the request.
- Successful debt ratio waiver requests will list the strong compensating factors of the loan file that support the request to exceed the baseline ratios. Successful requests will also submit the supporting documentation that the underwriter considered when approving the loan file with higher ratios.

Documentation of Debt Ratio Waivers*

The image shows a screenshot of a mortgage underwriting form. The form is divided into several sections: 'Underwriting Information', 'Income', 'Qualifying Rates', 'Risk Assessment', and 'Underwriter Comments'. A blue starburst callout points to the 'Underwriter's Name' field with the text 'Underwriter's signature as 1008 or similar'. Another blue starburst callout points to the 'Document 1008 or similar with basis for credit waiver and/or compensating factors for ratio waiver' field with the text 'Document 1008 or similar with basis for credit waiver and/or compensating factors for ratio waiver'.

- Underwriters are directed to document their debt ratio waiver requests on the 1008 Underwriting Transmittal Summary, or similar underwriting document.
- There is NO official "Debt Ratio Waiver" form that has been developed, published, nor approved by the Single Family Housing Guaranteed Loan Division. Many states may have their own internal forms, however these are not endorsed nor recognized by the National Office Guaranteed Loan Division. Their use is optional and may not be mandated by the states as a condition toward receiving a Conditional Commitment for Loan Note Guarantee.
- Please note that the underwriter must be identified on the 1008 under "Underwriter's Name." The underwriter must also execute the 1008 by signing it.
- In the "Underwriter Comments" section, the underwriter may document the strong compensating factors that support the request to exceed the baseline ratios of 29/41. The underwriter must also submit evidence of the supporting documentation cited as a compensating factor. For example, if the applicant has 11 months of reserves, then corresponding evidence to support the 11 months of reserves must be in the loan file.
- If there is not enough room on the 1008 the underwriter may submit any additional notes or documentation to support their decision. The lender is responsible for listing the compensating factors and including evidence of them in the loan file.

Temporary Buydowns*

RD Instruction 1980-D, section 1980.392(b)

Lenders must:

- Qualify applicant at the **full note** interest rate
- Document compensating factors that full note rate will not adversely effect borrower
- Initial interest rate is no more than 2% below the full note rate, and increases no more than 1% each year
- Only seller, builder, or other third party may contribute
- Funds must be escrowed with a state or federally funded supervised lender



Temporary interest rate buydowns are a financing tool designed to reduce the borrower's monthly mortgage payment during the early years of repayment. The most common temporary interest rate buydown is a 2-1-0 buydown. Lenders must follow these guidelines when utilizing a temporary interest rate buydown:

1. Lenders must qualify the applicant at the FULL NOTE INTEREST RATE. Lenders may not utilize the first year start rate.
2. The lender must establish that the eventual increase in mortgage payments will not affect the borrower adversely and lead to default. The underwriter must document the compensating factors which indicate the borrower's ability to meet the expected increases in loan payments such as: potential for increased income, demonstrated ability to devote a greater portion of income towards housing expenses, or substantial assets available to cushion the effect of increased payments.
3. The first year or initial interest rate can be no more than 2 percentage points below the full note rate, and it may not increase more than 1 percent each year.
4. Buydown funds may come from the seller, lender, or other third party.
5. Buydown funds may NOT come from the borrower.
6. Funds for a temporary interest rate buydown must be escrowed with a state or federally supervised lender and be fully funded for the buydown period.

Permanent Buydowns

- Permanent buydowns are forever!
- Borrower or other third party may contribute

RD Instruction 1980-D, section 1980.310(d) for low income applicants only (80% HUD Median Income and below):

- Maximum of two discount points may be financed into the loan
- Permanent buydowns only
- Appraised value must provide room to include the discount points



Interest Rates

Maximum rate determined on day of lock

RD Instruction 1980-D, section 1980.320

OPTION #1:

Fannie 90 day delivery, plus 60 basis points, rounded up to the nearest quarter of one percent.



- Permanent interest rate buydowns are allowed since the interest rate is permanent, and it will not change for the life of the loan. Borrowers are allowed to contribute to a permanent interest rate buydown if they wish, or another third party may pay for it.
- Applicant's with adjusted income at or below the low income adjusted income limits, as determined by 1980-D Exhibit C, may qualify to finance the cost of a permanent buydown into their loan. The benefit to financing this cost is to secure a much lower interest rate for the life of the loan. To determine if the applicant is eligible to finance this cost lenders must ensure the following:
 1. The applicant is considered low income per the Rural Development adjusted income limits for low income applicants.
 2. The buydown is permanent. Temporary buydowns are NOT allowed to be financed into the loan.
 3. A maximum of two discount points may be financed IF there is room between the appraised value and the purchase price. Example: The appraised value is \$135,000, and the purchase price is \$130,000. There is room to finance \$2,600 (two discount points) into the loan amount based upon the appraised value. If the home appraised for \$130,000 and the purchase price is \$130,000 then there is NOT room to finance any additional costs into the loan other than the one time guarantee fee.

RD Instruction 1980-D, section 1980.320 outlines the maximum interest rate that may be charged for Guaranteed loans. The maximum interest rate is determined on the date the rate is LOCKED. Rates that are floating to close must not exceed the maximum interest rate on the date the rate is locked prior to loan closing. Rural Development offers two options for determining the maximum interest rate:

OPTION #1:

Lenders may calculate the maximum interest rate based on the Fannie Mae 90 day delivery rate, plus 60 basis points, rounded up to the nearest quarter of one percent.

Interest Rate Example

www.efanniemae.com/sf/refmaterials/hrny/index.jsp

MANDATORY DELIVERY COMMITMENT — 30-YEAR FIXED RATE A / A

DATE	TIME	15-DAY	30-DAY	60-DAY	90-DAY
11/03/2009	08:15	04.62300	04.67261	04.74694	04.83081
11/03/2009	08:15	04.65147	04.69886	04.77134	04.85281

4.85 + 60 basis points = 5.45 round up to nearest ¼% = **5.50%**
Maximum rate if locked on 11/03/2009

Interest Rates

Maximum rate determined on day of lock

RD Instruction 1980-D, section 1980.320

OPTION #2:

Lender's published VA rate, no discount points (par rate)

Submit VA rate sheet on date locked to verify 1980.320 is met



Fannie Mae interest rates may be accessed online at the website noted. Lenders may view the 30 year fixed interest rates. Once displayed, select the date the rate will be locked. Identify the 90 day delivery column, and locate the 30 year fixed rate for this date.

In this example, a rate locked on November 3, 2009 could have a MAXIMUM interest rate charged to the applicant of 5.50%. As the calculation of a maximum interest rate is as follows:

90 day delivery rate of 4.85 plus 60 basis points is 5.45% then we round up to the nearest quarter of one percent which is 5.50%. Therefore the MAXIMUM interest rate a lender may charge on 11/3/2009 is 5.50% if locked per Fannie Mae rates.

Lenders do not have to charge the maximum interest rate, they may charge the maximum rate or below.

OPTION #2:

Lenders may select the interest rate based on their published VA rates. The correct maximum VA rate will be the "par rate." Par rate is defined as no yield spread premium paid, and no discount points are required from the borrower in order to secure the rate. Since VA no longer publishes their own rates, the rate sheet for the date the loan is locked must be submitted to Rural Development with the loan package in order to verify 1980.320 is upheld.

Floating Interest Rates*

- Maximum interest rate allowable is determined the date the rate is locked
- VA rates must have rate sheet submitted for the date the rate was locked



Interest rates that are floating must adhere to the maximum interest rate parameters on the date the rate is locked. Rates locked per VA rate sheets must have this evidence submitted to verify 1980.320 is upheld.

Interest Rate/Loan Amount Reminder!

Interest rate or Loan Amount increasing prior to closing?

When 1980-18 Conditional Commitment has been issued submit the following:

- Revised 1980-21, executed by lender and applicant(s)
- Revised 1008, executed by underwriter
- Revised 1003, final signed at closing will comply

Processing time for a new Conditional Commitment may take 3 or more business days.



In the event RD Form 1980-18 "Conditional Commitment for Loan Note Guarantee" has already been issued to the lender by Rural Development, and the interest rate or loan amount will increase from the approved amounts submitted by the lender and approved by Rural Development, the lender must submit the following items:

- A revised Form RD 1980-21 with the new interest rate or loan amount updated. The form must be executed by the applicants and the lender.
- A revised 1008 Underwriting Transmittal Summary with updated figures executed by the underwriter who approved the loan file.
- A revised 1003 Uniform Residential Loan Application with updated figures, executed by the applicants and lender. The lender may submit the final 1003 signed at the loan closing table as part of the closing package submitted to Rural Development.

Lenders should note that increases for amounts of \$500 or less will not be processed by the Agency. Lenders should not close loans for interest rates or loan amounts higher than those approved by Rural Development and listed on the issued Conditional Commitments. Lenders who do close for higher interest rates and/or loan amounts do so at their own risk, as the Agency is only obligated to honor Loan Note Guarantees for the amounts previously approved and documented on the 1980-18 Conditional Commitment.

Lender Charges & Fees*

RD Instruction 1980-D, section 1980.342(a)

- Lenders may establish the charges and fees for the loan, provided they are the same as those charged other applicants for similar types of transactions
- Similar transaction include FHA and VA (fellow government loans)



Rural Development allows lenders to establish charges and fees for Guaranteed loan applicants provided they are the same as those the lenders charge other applicants for similar types of loan transactions. Lenders should ensure their charges and fees for Rural Development loans mirror their charges and fees for FHA and VA loans, as these fellow government loans are comparable loan transactions.

Non-U.S. Citizen Eligibility*

RD Instruction 1980-D, section 1980.346(c)

The applicant must be:

- A U.S. Citizen
- A person legally admitted to the U.S. for permanent residence
- A person legally admitted to the U.S. on indefinite parole

Rural Development can assist lender's in determining applicant eligibility of non U.S. Citizens

Lenders must be able to verify and document that applicants who are not U.S. Citizens are:

1. Legally admitted to the U.S. for permanent residency or are
2. Legally admitted non-permanent residents on indefinite parole

Lenders may work with Rural Development local offices and utilize published resources that provide more specific information and documentation that the lender may obtain from the applicant to ensure they are eligible for guaranteed loan benefits.

Credit*

RD Instruction 1980-D, section 1980.345(d)

The applicant must have a credit history which indicates a reasonable ability and willingness to meet obligations as they become due.

The cardinal rule for lenders to consider when making eligible credit determinations includes this statement: *"The applicant must have a credit history which indicates a reasonable ability and willingness to meet obligations as they become due."*

Credit*

RD Instruction 1980-D, section 1980.345(d)(i)-(viii)

Indicators of unacceptable credit:

- More than one 30 day late payments in the last 12 months
- Foreclosure within the last 36 months
- Outstanding tax liens or delinquent government debts, regardless of age as long as they are currently due and payable
- Judgments caused by nonpayment within the last 12 months or currently outstanding
- Accounts converted into collections in the last 12 months
- Collection accounts outstanding, with no payment arrangements, regardless of age if they are currently due and payable
- Any debts written off within the last 36 months

Per section 1980.345(d) the following are indicators of unacceptable credit that the underwriter must consider when making a credit decision on a loan file:

- More than one 30 day late payment in the last 12 months
- A foreclosure has been incurred within the last 36 months
- Does the applicant have any outstanding tax liens or delinquent state or local government debts, regardless of age as long as they are currently due and payable. This citation is NOT referring to federal debts or federal judgments.
- Does the applicant have any judgments caused by nonpayment within the last 12 months or that are currently outstanding? This citation is not referring to federal judgments.
- Does the applicant have any accounts that have been converted into collections within the last 12 months?
- Does the applicant have any collection accounts that are currently outstanding with no payment arrangements regardless of age that are currently due and payable?
- Does the applicant have any debts that have been written off, such as through a bankruptcy in the last 36 months?

All of these indicators of unacceptable credit must be considered by the underwriter when determining if the applicant has an acceptable credit history.

Credit*

RD Instruction 1980-D, section 1980.345(d)(3)(i)-(ii)

The lender may consider mitigating circumstances to establish the borrower's intent for good credit when the **applicant provides documentation** that:

- The circumstances were of a temporary nature, **and** were beyond the applicant's control, **and** have been removed (e.g. loss of job, delay or reduction in government benefits or other loss of income, increased expenses due to illness, death, etc.) **or**
- The adverse action or delinquency is result of refusal to make payments due to defective goods or services, or justifiable dispute related to such goods or services.

Documentation of Credit Waivers*

Adverse credit waivers are:

Issued by: Approved Lender

Documented by: Approved Lender

Approved by: **Approved Lender**



Approved lender is responsible for retaining the documentation provided by the applicant to support the credit waiver.

In the event the applicant displays indicators of unacceptable credit, but the underwriter has identified mitigating circumstances surrounding the adverse credit and wishes to approve the loan file, the underwriter may issue a credit waiver when the applicant provides the lender with documentation to support that:

The circumstances surrounding the adverse credit were:

1. Temporary in nature (explanation/documentation as to why they were temporary in nature must be documented) AND
2. Were beyond the applicant's control (explanation/documentation as to why they were beyond the applicant's control must be documented) AND
3. These circumstances contributing to the adverse credit have been removed (explanation/documentation as to how the circumstances have been removed must be documented.)

OR

The applicant must supply the lender with documentation of their efforts to dispute payments due to defective goods or services, thereby causing the adverse credit.

When the lender has reviewed the official documentation and circumstances provided by the applicant they may determine if they wish to issue a documented credit waiver for the loan file.

Please refer to applicable Administrative Notices that address FICO score thresholds and credit waivers.

•Credit waivers are the responsibility of the approved lender's underwriter. They are issued by the approved lender. They are documented by the approved lender, and they are ultimately approved by the approved lender!

•When the underwriter has the ability to waive adverse credit instances AND they have supporting documentation to retain in the permanent case file, they may document their waiver of the adverse credit. This will include explaining all **three** mitigating circumstances as outlined in the previous slide (temporary in nature AND beyond the applicant's control AND circumstances have been removed.)

Documentation of Credit Waivers*

The image shows a portion of a credit application form. A blue starburst callout points to the 'Underwriter's Name' field, stating 'Underwriter's signature on 1008 or similar'. Another blue starburst callout points to the 'Adverse Credit Waiver' section, stating 'Document 1008 or similar with basis for credit waiver and/or compensating factors for credit waiver'. The form includes sections for 'Underwriting Information', 'Income', 'Assets', 'Liabilities', and 'Risk Assessment'.

- Underwriters are directed to document their adverse credit waivers on the 1008 Underwriting Transmittal Summary, or similar underwriting document.
- There is NO official “Credit Waiver” form that has been developed, published, nor approved by the Single Family Housing Guaranteed Loan Division. Many states may have their own internal forms, however these are not endorsed nor recognized by the National Office Guaranteed Loan Division. Their use is optional and may not be mandated by the states as a condition toward receiving a Conditional Commitment for Loan Note Guarantee.
- Please note that the underwriter must be identified on the 1008 under “Underwriter’s Name.” The underwriter must also execute the 1008 by signing it.
- In the “Underwriter Comments” section, the underwriter may document their adverse credit waiver circumstances and justify why they waived the adverse credit.
- If there is not enough room on the 1008, the underwriter may submit any additional notes or documentation to support their decision.
- The underwriter is responsible for making credit determinations and issuing credit waivers, however the loan file must provide a clear explanation for Rural Development to view.

Credit*

RD Instruction 1980-D, section 1980.345(d)(2)(i)-(iii)

The following are **not indicators of unacceptable credit:**

- “No history” of credit transactions by the applicant
- A bankruptcy in which applicant was discharged more than 36 months before application
- A satisfied judgment or foreclosure with no loss of security which was completed more than 12 months before the date of application

The following items are NOT indicators of unacceptable credit:

- The applicant has no history of credit transactions. When no reported credit data is available from the credit bureaus, Rural Development allows non-traditional credit histories to be considered in order to establish the applicant’s intent for good credit.
- A bankruptcy that has been discharged more than 36 months prior to application will not be considered an indicator of unacceptable credit.
- A satisfied judgment or foreclosure with no loss of security which was completed more than 12 months prior to the date of loan application. A “satisfied” judgment would be paid in full, or the applicant would have official documentation to support a full release of liability from the creditor. “Satisfied” means no payments are due and the applicant has been released of all liability.

Credit*

Selecting the FICO score for underwriting:

- Tri-merged credit reports or an in-file report with a minimum of 2 reported credit bureaus
- 3 scores: middle
- 2 scores: lowest
- 1 score: can not use, must prepare non-traditional credit report
- No score: must prepare non-traditional credit report

Tri-merged credit reports which have all three credit bureaus reporting are required for the Guaranteed loan program, or an in-file credit report that has a minimum of 2 credit bureaus reporting. In-file credit reports with only one credit bureau reporting are not acceptable.

Lenders should select the following FICO scores for underwriting purposes:

If three scores are reported select the middle score.

If two scores are reported select the lower of the two scores.

If only one FICO score is reported this score may not be used for underwriting. The applicant and lender must prepare a nontraditional credit report.

When no FICO score is reported the applicant and lender must prepare a nontraditional credit report.

Credit*

- **Lenders only have to review the credit of the applicants (those on the loan)**
- **Lenders must review each applicants credit history separately**

Lenders need only to consider the credit of the applicants, which is those who will be a party to the note and are listed on the loan application.

Lenders must review the entire credit profile of each applicant on the loan. Meaning, if applicant A has a FICO score of 750 and applicant B has a FICO score of 580, the lender can not underwrite the loan file based upon applicant A's FICO of 750. The underwriter must review and consider the credit profile of each individual applicant.

Nontraditional Credit*

Lenders may only create nontraditional credit histories for applicants that have: No reported credit or only one FICO score

Rent/Housing history is available:
3 tradelines (including rent/housing) with a 12 month history

Rent/Housing history is not available:
4 tradelines, 12 month history

All tradelines must have a recent 12 month history (i.e. accounts from 2004 with a 12 mo. history are not acceptable.)



When preparing nontraditional credit histories, again these tradelines are only eligible for use if the applicant has only one reported FICO score, or no reported FICO score.

When the applicant has a history paying rent or housing then only 3 tradelines with a 12 month history must be verified and documented. One of the three tradelines may be evidence of rent or housing payments.

If the applicant does not have a history of paying rent or housing, then 4 tradelines must be verified and documented with a 12 month history.

The 12 month history should be verified for tradelines that are currently active and open. Evidence of accounts that were open for 12 months or more, but are now closed are not acceptable. The lender must provide evidence of the applicant's ability to meet obligations that are currently due.

Nontraditional Credit*

- Nontraditional credit may NOT be used to offset derogatory references found in traditional credit information (i.e. late pays, collections, and judgments)
- Reported derogatory credit must be paid or otherwise resolved for the applicant to be eligible.



Again, nontraditional credit may NOT be used to offset derogatory credit that appears on the issued credit report.

Applicants with only one reported FICO score or no reported FICO score on a traditional credit report, BUT they do exhibit open collections, judgments, or public records that are still due and payable, will be ineligible for Guaranteed loan consideration until these items are paid in full or otherwise satisfied.

Nontraditional Credit*

- Additional layers of risk are not advised (i.e. exceeding debt ratios, waiving adverse credit)
- Payments made to relatives are not eligible tradelines



Additional layers of risk (i.e. payment shock, adverse credit waivers, debt ratio waiver requests) are not advised to be utilized for nontraditional credit applicants. Payments made to relatives are not eligible to be considered for establishing intent for good credit.

Nontraditional Credit*

12 month payment record from the following are acceptable sources:

- Utility payment records (if not included in rent/housing) including gas, electricity, water, land line home telephone service, cable TV, etc.
- Insurance payments (excluding those paid through payroll deductions) including medical, automobile, life, household, or renter's insurance
- School tuition
- Payments to retail stores (i.e. department, furniture, appliance stores, specialty stores, etc.)



12 month verified payment histories are acceptable when they are from such sources as:

- Utility payment records
- Insurance payments, but not those automatically deducted from the applicant's paycheck.
- School tuition and
- Retail stores

Nontraditional Credit*

Acceptable verification and proof:

- Canceled Checks or Money Order Receipts over 12 months
 - Written verification from management companies must include:
 - * Creditor Name
 - * Date account was opened
 - * Balance of account
 - * Monthly payment amount
 - * Payment history: 0x30, 0x60, 0x90 format
- No "Satisfactory" or "Acceptable" comments



The applicant must present 12 months of canceled checks or money order receipts to prove that the payments were made on time.

In the event canceled checks and money order receipts are not available, then written verification from third parties such as management companies or the store owners may be considered IF all of the following information is reported and verified by the third party:

- Creditor name
- Date the account was opened
- Current balance of the account
- The monthly payment amount due
- Payment history, reported in 0x30, 0x60, 0x90 day format

Rural Development will not accept written verifications that only cite "Satisfactory" or "Acceptable" as timely payment verifications.

Nontraditional Credit*

- Only one 30 day DQ on one nontraditional credit reference within the last 12 months
- 60 and 90 day DQ, and reports of disconnect notices are not allowed

Alternate Tradeline:

Steady periodic savings deposits over 12 month period to accumulate a cash reserve of 2 months PITI



Rural Development allows only one 30 day delinquency on 1 nontraditional credit reference within the last 12 months.

If there are 60 and 90 day delinquencies reported, or disconnect notices have been issued by some creditors then the applicant will be ineligible.

When the applicants can provide documentation to support their steady periodic deposits into a savings account that equal 2 months of principal, interest, taxes, and insurance, these reserves may be considered as a credit history tradeline.

Payment Shock*

Payment Shock as a risk layer is:

- Proposed PITI is **100% or higher** than current rent/housing
- Applicant has **no** housing history (i.e. lives with parents)

Payment Shock is **NOT** a risk layer when:

- Payment shock is the **ONLY** risk factor associated with the loan file
- Payment shock is 100% or lower: \$850 Rent vs. \$1200 PITI= **41% NOT a risk layer!**

Payment Shock is approved by the LENDER.



Appraisals*

RD Instruction 1980-D, section 1980.334

- **Completed within 6 months of the date the request for a conditional commitment is submitted to RD**
- **Licensed or certified residential appraiser or a HUD Roster Appraiser**
- **Use appropriate appraisal forms for property type**
- **Clear photographs of front, rear, and street scene of subject and front view of each comparable. (color photographs are not required)**

1004MC "Market Conditions Addendum to the Appraisal" required with all appraisals as of July 1, 2009

Payment shock is a potential risk layer to a loan application. Payment shock should be considered in the underwriting analysis when:

1. The proposed PITI payment is 100% or higher than the applicant's current rent or housing expenses OR
2. The applicant has no history of paying rent or housing

It is important to note that payment shock is **NOT** considered a risk layer for the loan file when:

1. Payment shock is the **ONLY** risk layer. If the ratios are within 29/41, and no adverse credit has been waived by the underwriter, then payment shock **ALONE** does not contribute to the risk of the loan file. No consideration is necessary by the underwriter. OR
2. Payment shock is below 100%. Most applicant's who are moving into a home from renting **WILL** experience an increase in their housing expenses, as this is normal and customary. When the proposed PITI will increase 99.9% and below, payment shock is **NOT** a risk layer.

Payment shock is not up to Rural Development to approve. The approved lender is responsible for determining if payment shock will affect their approval of the loan file.

Approved lenders must order an acceptable appraisal for all Guaranteed loans. Per RD Instruction 1980-D, section 1980.334 the appraisal must:

- Be completed within 6 months of the date the request for a Conditional Commitment is submitted to Rural Development
- Be completed by a licensed or certified residential appraiser or a HUD Roster appraiser
- Use the appropriate and current appraisal form for the property type, and
- Have clear photographs of the subject, including the front, rear, and street scene. There must also be at least one photograph of the front of each comparable property. Color photographs are not required, however the photographs submitted should be clear. A fax of a fax copy is usually not viewable.

As of July 1, 2009 all appraisals submitted to Rural Development for review must include the 1004 MC "Market Conditions Addendum to the Appraisal."

Appraisals*

RD Instruction 1980-D, section 1980.341(b)(1)

- Existing homes must meet HUD Handbooks 4150.2 and 4905.1

HUD Handbook determinations may be made by a:

- HUD Roster appraiser **or**
- Lender certified appraiser deemed qualified to complete HUD Handbook determinations or provide a home inspection

Appraiser must note on the appraisal (page 3, addendum, or elsewhere on the appraisal) that the home meets HUD Handbooks 4150.2 and 4905.1 standards.

Rural Development follows HUD Handbooks 4150.2 and 4905.1 minimum property standards for all existing homes. Therefore HUD Handbook determinations may be performed by:

1. A HUD Roster Appraiser OR
2. A licensed or residential appraiser that the approved lender deems qualified to complete HUD Handbook determinations or provide a home inspection report.

The appraiser must note on the appraisal that the home meets HUD Handbooks 4105.2 and 4905.1 standards. They may do so on page three of the appraisal, on the addendum, or elsewhere on the appraisal.

Additional Inspections*

- **Septic Inspection:** **Only** if the appraiser or inspector requests an additional inspection 1980.341(c)
- **Well Water:** **ALWAYS** test well water county/state health dept. or lab 1980.341(c)
- **Termite Inspection:** **Only** if appraiser or inspector requests inspection, **or** state law requirement



When are additional inspections required?

- If the property is located on a private septic system, and the appraiser or inspector who visits the property notes that there is observable evidence of system failure and orders a third party inspection, then the lender must have an additional inspection of the septic completed. The lender does not have to submit the septic inspection report to Rural Development. The 1980-D Instruction states the lender will ensure the system is acceptable and will retain evidence in their permanent case file.
- If the property is served by a private well there must be a water test conducted to ensure the water meets acceptable local, county, or state health codes. This determination may be made by a local, county, or state health department, or a third party lab. The lender does not have to submit the well test to Rural Development. The 1980-D Instruction states the lender will obtain an acceptable water test and retain it in their permanent case file.
- If the appraiser or inspector who visits the property notes active infestation, or determines previous infestation and requests a third party termite inspection then the lender must comply and order the inspection. If the state where the property is located has a state law that requires all homes sold to undergo pest inspections, then the lender must comply and order the inspection. These are the only two instances where a termite inspection would be required by Rural Development. The 1980-D Instruction does not require the lender to submit the termite report to Rural Development, they must receive an acceptable inspection and retain it in the permanent case file.

Repairs

- Repairs may be included in the loan amount when there is room between the purchase price and the appraised value
- HUD Handbook noted repairs must be completed
- Additional repairs may also be included
- Repairs must be completed at the time of Loan Note Guarantee request, unless exterior weather delayed
- All repairs that effect the safety, soundness, or sanitation of the home must be completed prior to loan closing and occupancy

Applicant's may wish to finance the cost of necessary and elective repairs into the Guaranteed loan. This is acceptable with the following guidelines in mind:

- Repairs may only be included in the loan IF there is room between the purchase price and the appraised value to accommodate the cost. For example: An appraised value of \$154,000 and a purchase price of \$150,000 allows for \$4,000 of eligible closing costs, eligible lender fees, repairs, etc. to be financed into the loan, plus the one time guarantee fee may be rolled in above the appraised value.
- All repairs noted by the appraiser in order for the home to meet HUD Handbook standards 4150.2 and 4905.1 must be completed. If there is not room to include the cost of these repairs into the loan then the applicant, seller, or other third party must pay for the repairs.
- There are no restrictions on the types of repairs that may be included in the loan when eligible. If the applicant wishes to include the cost of new carpet, kitchen cabinets, new appliances, etc. they may if there is room to roll these costs into the loan.
- All repairs included in the loan must be completed at the time the lender requests the Loan Note Guarantee from the Agency. If the repairs are exterior and can not be completed due to weather conditions, the lender has another option to consider.
- Any necessary repairs noted by the appraiser or inspector that directly effect the safety, soundness, or sanitation of the home must be completed prior to loan closing and occupancy of the home.

Exterior Weather Delayed Repairs

RD Instruction 1980-D, section 1980.315

- Signed contract/bid documentation is in the file
- Completion within 120 days
- Lender agrees to obtain a final inspection of work and alert RD of completion
- Escrow account is established: 150% of the cost of repairs, or higher amount as determined by lender

Loan Note Guarantee will be issued without repairs completed if these items are documented per 1980.360(2)(ii)

When proposed exterior development work can not be completed prior to the Agency issuing a Loan Note Guarantee because of weather and the work remaining to be done does not affect the livability of the home, an escrow account for exterior development only may be established by the lender if the following conditions are met:

1. A signed contract and bid schedule is in effect for the proposed exterior work
2. The contract for development work must provide for completion of the work within 120 days
3. The lender agrees to obtain a final inspection report and advise Rural Development when the work has been completed
4. The escrow account must be funded in an amount sufficient to assure the completion of the remaining work. This figure should be 150 percent of the cost of completion but may be higher if the lender determines a higher amount is needed.

Manufactured Homes: Built to HUD Code

New units: 1980.313(i)

- purchase agreement must be dated within one year of the date displayed on the manufacture date of the unit
- Built by an approved dealer-contractor (each state maintains a list)

Existing units: 1980.313(i)(2)(i)

- Must be originally built and financed with a Direct or Guaranteed loan
- Original owner must be seller



New Construction*

RD Instruction 1980-D, section 1980.341(b)(2)

Lender must retain evidence in permanent case file of:

- **Certified Plans and Specs**
- **Construction Inspections**
- **Builder Warranty**



Manufactured homes are built to HUD code and therefore vary from modular or stick built new construction homes. Rural Development may finance new units if they meet the following parameters:

1. The unit must be new, meaning it has not existed for more than 12 months. Therefore the date of the purchase agreement must be within one year of the date displayed on the plate attached to the manufactured unit.
2. The unit must be built by an approved dealer-contractor. Each state maintains a list of eligible approved dealer-contractors for their state. Dealer-Contractors approved in Indiana may not be approved in Illinois, or Ohio, or Kentucky. Therefore the dealer must become approved in each state where they wish to do business. The approval process is quite easy, but to ensure no obstacles to your loan closing, check with the Rural Development office in the state where the unit will be set up to ensure the dealer-contractor is approved.

Existing manufactured homes are only eligible for a Guaranteed loan IF:

1. They were originally built and financed with a Direct or Guaranteed loan AND
2. The original owner is the seller. If the original owner is no longer the owner of the property and another party has taken ownership with a conventional, FHA, or VA loan, then the unit is no longer eligible for a new Guaranteed loan.

For new construction properties the lender must retain evidence of the following in the permanent case file:

Evidence of:

- Certified Plans and Specs
- Construction Inspections and
- Builder's Warranty: May be a 1 year builder's warranty, or a 10 year insured builder's warranty acceptable to Rural Development

Certified Plans & Specs*

3 options to prove

- Building Permit, issued by local jurisdiction*
- OR
- Certificate of Occupancy, issued by local jurisdiction*
- OR
- Copy of certification from a qualified individual or organization that states the reviewed documents comply with applicable development standards. Form RD 1924-25 "Plan Certification" is an acceptable form but may not be required by RD.

The lender has 3 options to prove the home was built to certified plans and specs (such as International Residential, CABO, BOCA, etc.) and retain this documentation in the permanent case file.

1. A copy of an eligible building permit that has been issued by an approve local jurisdiction, OR
2. A Certificate of Occupancy or completion certificate issued by an approved local jurisdiction OR
3. A certification from a qualified individual or organization that has reviewed the plans and specs, and determines they meet all applicable building codes and development standards. If the reviewers do not have a certification form of their own, Form RD 1924-25 "Plan Certification" may be utilized. This form is NOT required by Rural Development but may be used when needed.

Certified Plans & Specs*

What local jurisdictions are eligible for building permits and/or a Certificate of Occupancy?

- The Rural Development State Director must determine whether local communities or jurisdictions qualify to use these forms of "acceptable evidence" under RD Instruction 1924-A, section 1924.5(f)(L)(iii)(c)(2).

What is an approved local jurisdiction?

In many states there are some counties that do not regulate building or developments within their communities. Therefore, a building permit or Certificate of Occupancy would be worthless, or it may not even be an available option. In counties where a building code and standards have been adopted, and a code or county official may perform inspections of the property throughout construction, these jurisdictions are normally the ones issuing building permits and Certificates of Occupancy that meet Rural Development requirements.

The State Director is responsible for making the determination of which counties or local communities qualify for lenders to accept an issued building permit or certificate of occupancy in order to meet "acceptable evidence" of RD Instruction 1924-A.

Approved lenders should contact Rural Development for an approved list of eligible jurisdictions, or to inquire of a county or communities eligibility.

Certified Plans & Specs*

Who is a qualified individual or organization to review plans and specs?

- Licensed Architects, Professional engineers, Plan Reviewers certified by a national code organization, Local building officials authorized to review and approve building plans and specifications, or National code organizations) These individuals may also sign Form RD 1924-25 "Plan Certification" which is an option RD form you may use, but it is NOT required.

For certified plan and spec reviews, qualified individuals or organizations to review plans and specs include but are not limited to:

- Licensed Architects
- Professional engineers
- Plan Reviewers, certified by a national code organization
- Local building officials authorized to review and approve building plans and specs, or
- National code organizations (International Residential, CABO, BOCA, etc.)

All of these resources would be able to review the plans and specs and determine if they comply with the applicable building code and standards. If these resources do not have their own certification to issue, Form RD 1924-25 "Plan Certification" is a simple form that the lender may ask the review official to sign and certify that the plans and specs are acceptable. The "Plan Certification" form is optional for use, and may not be mandated by Rural Development.

Evidence of Construction Inspections*

2 options to prove

- Certificate of Occupancy, issued by local jurisdiction that performs at least 3 construction inspections

OR

Copies of 3 construction inspections

1. Footings and foundation are ready to be poured, prior to backfilling
2. Shell is complete, but plumbing, electrical, and mechanical work are still exposed
3. Final inspection of completed work prior to occupancy

The second piece of evidence the lender must retain in their permanent case file is evidence of construction inspections. The lender has 2 options to prove construction inspections were performed throughout new construction:

1. If an approved local jurisdiction issues an acceptable Certificate of Occupancy following at least 3 construction inspections, this is acceptable. OR
2. The lender may retain in their permanent case file copies of 3 construction inspections which may include inspections of:
 - Footings and foundation, when they are ready to be poured, prior to backfilling
 - Plumbing, electrical, and mechanical inspections when the shell of the home is complete, but these items are still visible for inspection and
 - The final inspection when all work is completed prior to occupancy. The final inspection may be performed by the appraiser.

Builder Warranty*

2 options to prove

1. One year builder's warranty

OR

2. 10 year insured builder's warranty acceptable to Rural Development If a 10 year insured warranty is secured, the lender only needs to request the builder to sign Form RD 1924-25 "Plan Certification" and these two items are all that need to be retained per 1980.341(2)(b)(iv).

The final piece of evidence is a builder's warranty. The lender has 2 options available:

1. Retain a one year builder's warranty issued by the builder OR
2. When a 10 year insured builder's warranty is offered and is acceptable to Rural Development, the lender need only retain a signed Form RD 1924-25 "Plan Certification" by the builder themselves, and evidence of the 10 year insured warranty. These two items alone will meet Rural Development guidelines.

Homes Without Evidence*

New homes completed for less than 12 months and never occupied with no evidence:

**Maximum Loan Amount:
90% LTV plus the one time guarantee fee**

Sometimes a newly constructed home that has been completed for less than 12 months and has never been occupied will be unable to produce the required evidence of certified plans and specs, construction inspections, or a builder's warranty. When this occurs Rural Development may only allow a maximum loan amount of 90% LTV plus the one time guarantee fee.

Condominiums*

Lenders may self certify projects meet Fannie, Freddie, HUD, or VA requirements and must retain:

- Condo questionnaire
- Master hazard insurance policy

Lenders certify the project approval on the 1008 or similar form.



Condominium projects are acceptable to Rural Development when the LENDER has researched and will warrant to Rural Development that they have reviewed condominium documentation, and that the condominium meets the requirements of HUD, Fannie Mae, or Freddie Mac, and that the documentation remains available in the lender's permanent case file for verification purposes. The documentation containing the information necessary to determine if a condominium would be approved by HUD, Fannie Mae, or Freddie Mac includes:

- A condominium questionnaire, and
- The condominium's master hazard insurance policy

Lenders may simply state the project classification on the 1008 "Uniform Underwriting Transmittal Summary" or similar document that the lender certifies that the condominium unit meets the requirements.

Streamlined Refinances*

ARRA Funds

- No new appraisal required
- Pay off principal balance
- New loan amount may not exceed the original loan amount
- Interest rate of new loan must be 100 basis points below the original interest rate
- No accrued interest, closing costs, or lender fees allowed to be financed
- .5% Guarantee fee may be included only to the extent of the original loan amount



Rural Development offers two types of refinance options. Streamlined and Nonstreamlined. Rural Development may only refinance Section 502 Direct or Guaranteed loans. FHA, VA, Conventional ARM's, balloons, MyCommunity Mortgages, etc. are ineligible for refinance consideration.

When ARRA funds are utilized, streamlined refinances must meet the following guidelines:

- No new appraisal is required for streamlined refinance transactions, therefore it is a very cost effective option.
- The streamlined refinance transaction may only pay off the principal loan balance.
- The new loan amount may not exceed the original loan amount.
- The interest rate of the new loan must be 100 basis points below the original interest rate
- No accrued interest, closing costs, or lender fees may be financed into a streamlined refinance.
- The guarantee fee is .5%, and may be financed into the loan only to the extent financing does not exceed the original appraised value.
-

Nonstreamlined Refinances*

ARRA funds

- **New and current appraisal required**
- **Interest rate must be 100 basis points below the original interest rate**
- **Principal, accrued interest, closing costs, lender fees, and the .5% may be included as determined by the appraisal**
- **For low income applicants only, up to 2 discount points may be financed to permanently reduce the interest rate further**



ARRA funds utilized for nonstreamlined refinances must meet the following guidelines:

- A new and current appraisal is required when 12 months or greater from the original date of loan has expired, or whenever the refinance loan exceeds the existing principal balance of the original loan.
- The interest rate of the new loan must be 100 basis points below the original interest rate.
- The new loan amount may include the principal and interest of the existing Agency loan, closing costs, lender fees, and the guarantee fee (.5%) to the extent there is sufficient equity in the property, as determined by an appraisal.
- Discount points may be financed in connection with a non-streamlined refinance when the existing borrower's adjusted household income is at or below the low income adjusted income limits as determined by 7 CFR part 1980, subpart D. Discount points financed will not exceed two percentage points of the loan amount. There must be sufficient equity between the loan amount and the appraised value to include these discount points.

ARRA Refinances*

- **Interest rate must be 100 basis points below the original note rate**
- **Customary and reasonable closing costs include the actual cost of:**
 - *Appraisal, inspection, credit reports, imposed verification charges, title examination and title insurance fees, settlement fees, attorney fees, recording fees, taxes, test or treatment fees, and/or courier/wire/notary fees as long as the service provider is not an employee of the lender. Document preparation fees may only be charged if prepared by a third party and not the lender.
- **Origination fee of up to 1%, based on the combined total of the loan amount to be refinanced**



The following guidelines apply to ALL ARRA refinance transactions:

- The interest rate of the new loan must be at least 100 basis points below the original rate of the loan refinanced.
- Customary and reasonable closing costs and other fees may be collected from the borrower by the lender. Such charges may not exceed the cost paid by the lender or charged to the lender by the service provider. Excessive fees are not permitted. Examples of customary and reasonable fees and charges are: The actual cost of the appraisal, inspection, credit reports, imposed verification charges, title examination and title insurance fees, attorney fees, settlement fees, recording fees, taxes, test or treatment fees, and/or courier/wire/notary fees as long as the service provider is not an employee of the lender. The lender may not charge documentation preparation fees if it prepared documents itself.
- An origination fee of up to 1 percent, based upon the combined total of the loan amount to be refinanced, can be charged to the borrower.

ARRA Refinances*

- Lock in/rate lock fees may be assessed to the borrower but are not considered in closing costs.
- No discount points or broker fees may be assessed to the borrower



- Lock in/rate locks represent other fees and charges that may be assessed to the borrower, but are not considered closing costs.
- Discount points paid representing application processing fees or broker fees cannot be assessed to the borrower.

ARRA Refinances*

Borrower Qualifications:

- Borrower(s) on existing promissary note must be identical to the new note unless one or more are deceased, or divorced.
- If a borrower wishes to relinquish interest, the remaining borrower must demonstrate repayment ability
- Current on loan for 180 days prior to loan application
- Late payments in the past 36 months must be considered by the underwriter



The borrower qualifications include:

- Borrowers on the existing promissary note must be identical to the borrowers on the new promissary note, except if one or more of the borrowers have died, or if the borrowers have divorced.
- If a borrower wishes to relinquish their interest in the property, the remaining borrower(s) must be eligible for the new loan and demonstrate repayment ability without assistance of the departing/departed borrower.
- The borrower must have been current on their loan for the 180 days prior to loan application.
- Any late payments in the last 36 months must be considered in the underwriting analysis. The lender's permanent loan file must contain documented evidence that the payment history requirements have been met according to section 1980.345.

Streamlined Refinances*

Annual Funds

- No new appraisal required
- Interest rate of new loan must be the same or lower than the original interest rate
- No accrued interest, closing costs, or lender fees allowed to be financed
- .5% Guarantee fee may be included above the appraised value



Annually appropriated funding may also be used to perform refinance transactions, including streamlined and nonstreamlined. Rural Development may only refinance Section 502 Direct or Guaranteed loans. FHA, VA, Conventional ARM's, balloons, MyCommunity Mortgages, etc. are ineligible for refinance consideration.

When Annual funds are utilized, streamlined refinances must meet the following guidelines:

- No new appraisal is required for streamlined refinance transactions, therefore it is a very cost effective option.
- The streamlined refinance transaction may only pay off the principal loan balance.
- The interest rate of the new loan must be the same or lower than the original interest rate
- No accrued interest, closing costs, or lender fees may be financed into a streamlined refinance.
- The guarantee fee is .5%, and may be financed into the loan above the appraised value.

Nonstreamlined Refinances*

Annual funds

- New and current appraisal required
- Interest rate must be the same or lower than the original interest rate
- Principal, accrued interest, closing costs, lender fees, and the .5% may be included as determined by the appraisal
- For low income applicants only, up to 2 discount points may be financed to permanently reduce the interest rate further



Annual funds utilized for nonstreamlined refinances must meet the following guidelines:

- A new and current appraisal is required
- The interest rate of the new loan must be the same or lower than the original interest rate.
- The new loan amount include the principal and interest of the existing Agency loan, closing costs, lender fees, to the extent there is sufficient equity in the property, as determined by an appraisal.
- The .5% guarantee fee may be included in the loan amount above the appraised value.
- Discount points may be financed in connection with a non-streamlined refinance to permanently reduce the interest rate when the existing borrower's adjusted household income is at or below the low income adjusted income limits as determined by 7 CFR part 1980, subpart D. Discount points financed will not exceed two percentage points of the loan amount. There must be sufficient equity between the loan amount and the appraised value to include these discount points.

Form RD 1980-18
“Conditional Commitment for
Single Family Housing Loan
Guarantee”

FORM APPROVED
GARE NO. 40754475

**CONDITIONAL COMMITMENT FOR
SINGLE FAMILY HOUSING LOAN GUARANTEE**

**Form RD
1980-18**

Page 1 of 2

TO: Lender's Name and Address	Loan No. _____
From _____	City _____
State _____	Principal Amount of Loan _____

From an examination of information supplied by the Lender on the above proposed loan, and other relevant information on demand necessary, it appears that the transaction can properly be completed.

Therefore, the United States of America acting through the Rural Housing Service (RHS), or its successor therein referred to as Agency hereby agrees that, in accordance with applicable provisions of the Agency regulations published in the Federal Register and related forms, it will execute Form RD 1980-18, "Loan Note Guarantee," subject to the conditions and requirements specified in said regulations and below.

The Loan Note Guarantee fee payable by the Lender to Agency is \$ _____.

The interest rate for the loan is _____ %.

A Loan Note Guarantee will not be issued until the Lender certifies as required on FCR 1980-100 that there has been no adverse change in the borrower's financial condition, and any other adverse change in the borrower's condition during the period of time from Agency's issuance of this conditional commitment to issuance of the Loan Note Guarantee. The Lender's certification must address all adverse changes and be supported by financial statements of the borrower and its guarantors not more than 60 days old at the time of certification.

This conditional commitment becomes null and void unless the conditions set accepted by the Lender and borrower within 60 days from date of issuance by the Agency. Any regulations concerning these conditions shall be accepted by that time.

Except as set out below, the purpose for which the loan funds will be used and the proceeds to be used for such purpose are set out on Form RD 1980-2, "Receipt for Single Family Housing Loan Guarantee." Once this statement is received and returned to the Agency, no major change of conditions or approved loan purpose as listed on Form RD 1980-2 will be considered.

Additional Conditions and Requirements relating to loan and use of funds:

This conditional commitment will expire on _____ unless the time is extended in writing by the Agency, or upon the Lender's earlier notification to the Agency that it does not desire to obtain an Agency guarantee.

UNITED STATES OF AMERICA

By: _____

Date: _____ (Date)

I have read contents of _____

I have read conditions and requirements in this space or in an attachment referred to in this space, otherwise listed "FCR 1980-100"

The Agency will maintain the expiration date of this contract. This date is set forward 90 days from the date of issuance. The Agency may give me (Lender) the following information and/or give me the instructions for such in the expiration of contract. I understand in conditional commitment that all information will be maintained in the Agency.

This is the first page of Form RD 1980-18 which is the “Conditional Commitment for Single Family Housing Loan Guarantee.” This is the form that Rural Development will issue to the approved lender when a fully underwritten and complete loan package has been sent to a RD office for review. Upon Rural Development’s approval of the loan, this form will be issued. This form represents the lender’s “clear to close” from the Agency and will list all conditions the lender must meet in order to secure a Loan Note Guarantee post closing.

Form RD
1980-18

Page 2 of 2

**LENDER CERTIFICATION
FOR RFD GUARANTEED LOAN**

In connection with the request for loan note guarantee by _____, the following
certifications are made by _____ (Lender). We hereby certify that:

- 1) The major changes have occurred since the issuance of the Conditional Commitment for Guarantee that affect the subject loan request, except any that have been approved by the Agency in writing.
- 2) All planned property acquisition has been completed and all development has been completed.
- 3) The required insurance coverage is in effect.
- 4) All Title-to-Loan requirements have been met.
- 5) All equal opportunity opportunity and nondiscrimination requirements have been met at the appropriate time.
- 6) The loan has been properly closed and the required security instruments, including any required exception instruments, have been obtained.
- 7) The borrower(s) have made/able to do in the affidavit were noted by the borrower subject to the statement securing the loan with the guaranteed and any other conditions approved in writing by the Agency.
- 8) Loan priorities are consistent with the requirements of the Conditional Commitment for Guarantee.
- 9) The loan proceeds have been disbursed for purposes and in amounts consistent with the Conditional Commitment for Guarantee.
- 10) There has been no adverse change in the borrower's financial condition or any other adverse change in the borrower's situation since the Conditional Commitment for Guarantee was issued to the Agency.
- 11) All other requirements listed in the Conditional Commitment for Guarantee have been met.

12) At this time, the loan will be retained, or sold to _____
an approved _____ FIDMA _____ FIDMA _____ FIDMA lender
The Lender's position is _____
Their contact person will be _____
who can be contacted at _____
TITLE _____ LAWYER _____

LENDER'S AUTHORIZED
REPRESENTATIVE SIGNATURE

**Attachment to Form RD
1980-18:
"Conditional Commitment for
Single Family Housing Loan
Guarantee"**

- This is page 2 of the 1980-18.
- The lender must ensure all conditions listed are met prior to requesting a Loan Note Guarantee. The lender will sign this page as the certification to Rural Development that all conditions listed have been met.

Attachment to Form RD 1980-18

Page 1 of 2

ATTACHMENT TO FORM RD 1980-18 "CONDITIONAL COMMITMENT FOR SINGLE FAMILY HOUSING LOAN GUARANTEE" FOR:

Name _____
Address _____

CONDITIONS

- Lender to be secured by a first lien on the subject property.
- Provide certification that the dwelling meets HUD thermal standards and HUD minimum property standards per HUD Handbook 4150.2 and 4905.1.
- Certification that inspections, in accordance with HUD Instruction 1980-1, Section 1980.341 have been completed.
- Certification that the dwelling is structurally sound and functionally adequate.
- Certification that the dwelling has an adequate electrical system in a good state of repair and meets applicable national code.
- Certification that the dwelling's heating/cooling system(s) are working properly, are adequate and in a good state of repair.
- Certification that all defects noted on the appraisal and/or inspection report have been corrected.
- Provide certification that the individual wastewater system has been inspected by the public Department of Health or registered authority or qualified private inspector and has been determined acceptable.
- Provide certification that the private or individual water supply is adequate and meets the Department of Health or other regulatory authority's requirements.
- Dwelling must be certified as being free of termites.
- Lender to provide a completed FEMA Form 91-01, "Standard Flood Hazard Determination," evidencing that property is not located in a flood hazard area.
- Flood insurance must be obtained when the structure is in a 100-year flood plain.
- Household income will be re-verified if the loan is not closed within 120 days from the date of the original verification, (180 days for new construction).
- Certify that a one year builders warranty or a 10 year covered warranty was obtained.
- Lender to provide completed HUD Form 1980-15, "Uncompleted Loan Closing Report" together with the guarantee fee of _____ to Rural Development with the closing package.

Attachment to Form RD 1980-18

Page 2 of 2

- Provide copies of the executed Preliminary Title and Deed of Trust.
- Provide copies of the signed settlement statement.
- Provide Rural Development with a completed, executed Form RD 1980-11, "HUD Lender Record Change" if the loan is being sold or if servicing is different than the lender closing the loan.
- Other _____

Name of Lender

Signature of Lender

Date

Telephone Number

The 1980-18 may be sent to the approved lender with an "Attachment to Form RD 1980-18 Conditional Commitment For Single Family Housing Loan Guarantee."

The first page lists many different potential conditions that the lender must meet prior to a Loan Note Guarantee being issued. Many of these conditions are standard, and some are listed in the event the Agency did not receive the information with the original loan package. Every condition will not be checked.

•Page 2 of the "Attachment" has a few more conditions, and then an "Other" section where Rural Development may insert additional comments or conditions as necessary.

•The lender must sign this page when requesting the Loan Note Guarantee to certify that all conditions have been met.

Closing Package

- Promissary Note
- Guarantee fee check payable to RD
- HUD 1 Settlement Statement, or similar closing document
- Form RD 1980-18, executed by lender
- Attachment to Form RD 1980-18 (if applicable), executed by lender
- Form RD 1980-19 Loan Closing Report, completed and executed by lender
- Form RD 1980-11 Lender Record Change, completed and executed by lender IF the loan is going to a new holding or servicing lender
- Any additional documents conditioned for on Form RD 1980-18

A typical closing package that the lender will submit to Rural Development after the loan closing in order to secure a Loan Note Guarantee may include the following documents listed on the slide.

Form RD 1980-17 “Loan Note Guarantee”

Resources

www.rurdev.usda.gov/regs/



Committed to the future
of rural communities.

[Text version](#)

Rural Development Instructions

Instructions As a service to our customers, we post Rural Development's proposed rules, revised, and final instructions. The instructions are available in three file formats: Adobe Acrobat (PDF), Microsoft Word 6.0 (doc) and Text (txt). To the extent possible, all documents have been made available in either Adobe Acrobat 5.0 or Text and are 508 compliant. If you should have accessibility issues and need a hard copy, please send an e-mail to comments@wdc.usda.gov.

Procedure Notices

Administrative Notices

Unnumbered Letters

Forms

Regulations.gov

Handbooks

Search, review and submit comments on Federal documents that are open for comment and published in the Federal Register.

Lenders may access all of the resources necessary to originate, underwrite, process, and close USDA Guaranteed Loans from one website as displayed.



Committed to the future of rural communities.

[Text version](#)

Rural Development Instructions

Instructions

[Procedure Notices](#)

[Administrative Notices](#)

[Unnumbered Letters](#)

[Forms](#)

[Handbooks](#)

[Significant Guidance Documents](#)

[Other Related Websites](#)

As a service to our customers, we post Rural Development's Instructions, Administrative Notices, and forms. The Instructions are available in three file formats: Adobe Acrobat (PDF), Microsoft Word 6.0 (doc) and Text (txt). To the extent possible, all documents have been made available in either Adobe Acrobat 5.0 or Text and are 508 compliant. If you should have accessibility issues and need a hard copy, please send an e-mail to comments@wdc.usda.gov.

Regulations.gov

Search, review and submit comments on Federal documents that are open for comment and published in the Federal Register.

If you are having problems with this page, need a hard copy of any of the documents due to accessibility issues or would like to be added to the Regulations Update distribution list (available for Rural Development employees only with a valid Rural Development e-mail address), please e-mail comments@wdc.usda.gov.

To access RD Instruction 1980-D, please click on "Instructions."

RD Instruction 1980-D

Rural Development Instructions

Note: Some exhibits are only available in the PDF format. Those exhibits are listed separately with the Instruction that they pertain to.

[000_400 SERIES - TABLE OF CONTENTS](#) [1990 SERIES - TABLE OF CONTENTS](#) [HANDBOOKS - TABLE OF CONTENTS](#)

[2000 SERIES - TABLE OF CONTENTS](#) [3500 SERIES - TABLE OF CONTENTS](#)

[4200 SERIES - TABLE OF CONTENTS](#) [SUBJECT CLASSIFICATION CHART](#)

PART 1800 - GENERAL	PART 1990 - GENERAL	PART 1992 - SUPERVISED BANK ACCOUNTS
PART 1904 - BORROWER CASE CLASSIFICATION	PART 1905 - RESERVED	PART 1910 - GENERAL
PART 1922 - APPRAISAL	PART 1924 - CONSTRUCTION AND REPAIR	PART 1928 - TAXES
PART 1927 - TITLE CLEARANCE AND LOAN CLOSING	PART 1940 - GENERAL	PART 1942 - ASSOCIATIONS
PART 1944 - HOUSING	PART 1948 - RURAL DEVELOPMENT	PART 1950 - GENERAL
PART 1951 - SERVICING AND COLLECTIONS	PART 1955 - PROPERTY MANAGEMENT	PART 1956 - EDDY SETTLEMENT
PART 1962 - PERSONAL PROPERTY	PART 1980 - GENERAL	PART 1992 - COUNTY AND DISTRICT OFFICES
PART 2000 - GENERAL	PART 2003 - ORGANIZATION	PART 2006 - MANAGEMENT

Scroll to the middle of the grid displayed and click on "Part 1980-General."

PART 1980 - GENERAL			
1980-D Rural Housing Loans, Exhibit C - Guaranteed Loan Income Limits, see also AN 4385, AN 4386, AN 4389, AN 4394, AN 4402, AN 4404, AN 4407, AN 4411, AN 4412, AN 4413, AN 4414, AN 4422, AN 4423, AN 4428, AN 4429, AN 4432, AN 4433, AN 4434, AN 4435, AN 4436, AN 4438, AN 4439, AN 4441, AN 4442, AN 4451, AN 4454, AN 4462, AN 4463, AN 4470, AN 4474, AN 4476	PDF	DOC	TXT
1980-E Business and Industrial Loan Program, Exhibit (PDF only), see also AN 4396, AN 4425, AN 4430	PDF	DOC	TXT
PART 1992 - COUNTY AND DISTRICT OFFICES			
1992-E Reporting Property Transactions to the Internal Revenue Service (IRS), Exhibit (PDF only)	PDF	DOC	TXT
PART 2000 - GENERAL			
2000-A Memorandum of Understanding Between the Rural Development Administration and the Extension Service - U.S. Department of Agriculture	PDF	DOC	TXT
2000-B Memorandum of Understanding Between the Extension Service and Rural Development, Exhibit (PDF only)	PDF	DOC	TXT
2000-D Memorandum of Understanding with the Natural Resources Conservation Service, Exhibit (PDF only)	PDF	DOC	TXT
2000-E Rural Development Policy on Meetings	PDF	DOC	TXT
2000-G Notates Public Expense Act of 1955	PDF	DOC	TXT
2000-M Memorandum of Understanding Between and Among Agriculture Stabilization and Conservation Service, Rural Development, Soil Conservation Service, and FYolanda Reeves@fina.usda.gov Federal Crop Insurance Corporation	PDF	DOC	TXT
2000-O Memorandum of Understanding Between the Small Business Administration and the U.S. Department of Agriculture Rural Development	PDF	DOC	TXT

The next screen will display the 1980-General and will also list all applicable exhibits to the Instruction, and it will list all currently available Administrative Notices that apply to the Instruction by number.

Lenders have the ability to view Instruction 1980-D in either pdf, document, or text format.

Sec.	Page
1980.301 Introduction.	1
(a) Policy.	1
(b) Program objective.	1
(c) Program administration.	1
(d) Nondiscrimination.	2
1980.302 Definitions and abbreviations.	2
1980.303 - 1980.307 (Reserved)	9
1980.308 Full faith and credit.	9
1980.309 Lender participation in guaranteed RH loans.	9
(a) Qualification.	9
(b) Lender approval.	10

Once an option is selected the entire Instruction 1980-D will display. Lenders may read, download, print, or search the document.



Committed to the future of rural communities.

[Text version](#)

Rural Development Instructions

Instructions As a service to our customers, we post Rural Development's Instructions, Administrative Notices, and forms. The Instructions are available in three file formats: Adobe Acrobat (PDF), Microsoft Word 6.0 (doc) and Text (txt). To the extent possible, all documents have been made available in either Adobe Acrobat 5.0 or Text and are 508 compliant. If you should have accessibility issues and need a hard copy, please send an e-mail to comments@wdc.usda.gov.

Procedure Notices

Administrative Notices

Unnumbered Letters

Forms

Handbooks

Significant Guidance Documents

Other Related Websites

Regulations.gov Search, review and submit comments on Federal documents that are open for comment and published in the Federal Register.

If you are having problems with this page, send a hard copy of any of the documents due to accessibility issues or would like to be added to the Regulations Update distribution list (available for Rural Development employees only with a valid Rural Development e-mail address), please e-mail comments@wdc.usda.gov.

Lenders can click on "Administrative Notices" in order to access AN's for the program.



Committed to the future of rural communities.

Rural Development Administrative Notices (ANs)

[AN Check List](#) (revised 04-30-09), see also [Expanded AN List](#), see also [ANR-430](#), [ANR-431](#), [ANR-432](#), [ANR-433](#)

[AN-4476 \(1990-T\)](#) Single Family Housing Guaranteed Loan Program Documentation of Adverse Credit Waiver, Ratio Waiver Request and Confirmation of Underwriting, September 17, 2009

[AN-4475 \(1940-Q\)](#) Role of the State Environmental Coordinator, September 18, 2009

[AN-4474 \(1990-T\)](#) Single Family Housing Guaranteed Loan Program Stable and Dependable Income, September 17, 2009

[AN-4473 \(1940-Q\)](#) Environmental Compliance When Construction Has Been Initiated, September 9, 2009

[AN-4472 \(1901-E\)](#) Telecommunications Device for the Deaf (TDD) Teletypewriter (TTY) Numbers, September 3, 2009

[AN-4471 \(4279-E\)](#) Business and Industry Guaranteed Loan Program The American Recovery and Reinvestment Act of 2009, August 20, 2009

[AN-4470 \(1990-T\)](#) Single Family Housing Guaranteed Loan Program Underwriting and Closing Loans - Documentation Matrix, August 18, 2009

[AN-4469 \(1990-T\)](#) Single Family Housing Guaranteed Loan Program Documentation of Adverse Credit Waiver, Ratio Waiver Request and Confirmation of Underwriting, July 31, 2009

The list of AN's will not only encompass the Single Family Housing Guaranteed Loan Program, but also Business and Industry and Community Facility programs offered by the USDA. Therefore, lenders will have to either know the AN number they are looking for or read the descriptions to locate the proper AN.



Committed to the future of rural communities.

[Text version](#)

Rural Development Instructions

Instructions
As a service to our customers, we post Rural Development's Instructions, Administrative Notices, and forms. The Instructions are available in three file formats: Adobe Acrobat (PDF), Microsoft Word 6.0 (doc) and Text (txt). To the extent possible, all documents have been made available in either Adobe Acrobat 5.0 or Text and are 508 compliant. If you should have accessibility issues and need a hard copy, please send an e-mail to comments@wdc.usda.gov.

Procedure Notices

Administrative Notices

Unnumbered Letters

Forms

Handbooks

Significant Guidance Documents

Other Related Websites

Regulations.gov
Search, review and submit comments on Federal documents that are open for comment and published in the Federal Register.

If you are having problems with this page, need a hard copy of any of the documents due to accessibility issues or would like to be added to the Regulations Update distribution list (available for Rural Development employees only with a valid Rural Development e-mail address), please e-mail comments@wdc.usda.gov.

Click on "Unnumbered Letters" to view announcements.



Committed to the future of rural communities.

[Text version](#)

Rural Development Instructions

Instructions
As a service to our customers, we post Rural Development's Instructions, Administrative Notices, and forms. The Instructions are available in three file formats: Adobe Acrobat (PDF), Microsoft Word 6.0 (doc) and Text (txt). To the extent possible, all documents have been made available in either Adobe Acrobat 5.0 or Text and are 508 compliant. If you should have accessibility issues and need a hard copy, please send an e-mail to comments@wdc.usda.gov.

Procedure Notices

Administrative Notices

Unnumbered Letters

Forms

Handbooks

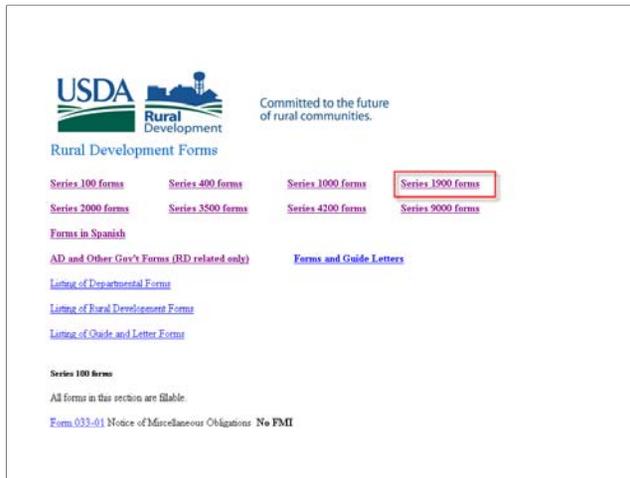
Significant Guidance Documents

Other Related Websites

Regulations.gov
Search, review and submit comments on Federal documents that are open for comment and published in the Federal Register.

If you are having problems with this page, need a hard copy of any of the documents due to accessibility issues or would like to be added to the Regulations Update distribution list (available for Rural Development employees only with a valid Rural Development e-mail address), please e-mail comments@wdc.usda.gov.

Any form discussed in the training may be located under "Forms."



Click on "Series 1900 forms" as most of these forms were "Form RD 1980-XX."
This will simplify the search.



By clicking on "Series 1900 forms" the link will take the lender to the top of the 1900 forms section. Lenders may now scroll down in numerical order to locate the form they seek.

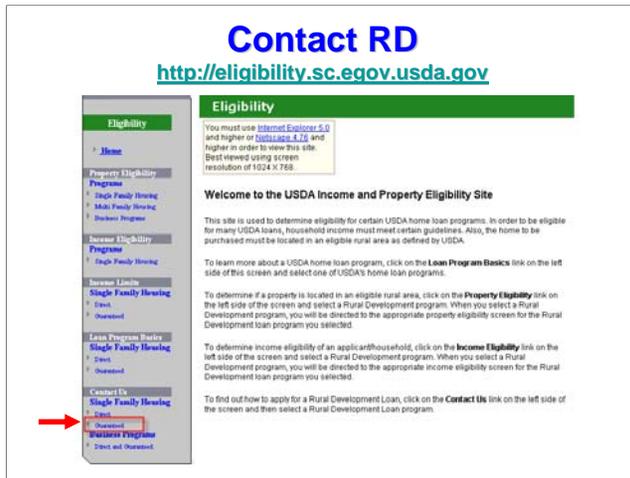


Forms are also available in Spanish if needed.



Lenders are encouraged to sign up for ListServ. ListServ is a FREE email service that delivers Single Family Housing Guaranteed Loan Program updates to subscribers via email. Signing up for ListServ is easy!

1. Enter your "Email Address" in the box provided.
2. Select the boxes of the topics you wish to receive updates on: Origination News, Guaranteed Underwriting System (GUS), and/or Servicing News.
3. Click on "Subscribe."



When searching for a Guaranteed Loan contact, don't forget to visit the nationwide eligibility website. Under "Contact Us" click on "Guaranteed."

USDA Rural Housing Single Family Housing Guaranteed Loan Contacts

If you are an individual interested in learning how to apply for a USDA Rural Housing Single Family Housing Guaranteed Loan, please contact an Agency representative in your State from the table below. Our representative can provide you with information on the USDA, Single Family Housing Guaranteed Loan Program and inform you of local lenders participating in the Single Family Housing Guaranteed Loan Program.

If you are a lender interested in participating in the Single Family Housing Guaranteed Loan Program, you may also contact an Agency representative in your State from the table below. Our representative will provide you with information on how to participate in the USDA, Single Family Housing Guaranteed Loan Program.

STATE	CONTACT	PHONE #	EXT.	FAX #	E-MAIL ADDRESS
AK	Karen LaMourea	(907)761-7732		(907)761-7794	klamourea@al.usda.gov
AL	Al Butler	(256)532-1677		(256)532-1931	al.butler@al.usda.gov
AR	Linda McCaslin	(501)301-3235		(501)301-3290	linda.mccaslin@ar.usda.gov
AS	Stephanie Taketa	(808)933-8308		(808)933-8327	stephanie.taketa@hi.usda.gov
AZ	Earl Tatlow	(602)280-8709		(602)280-8879	earl.tatlow@az.usda.gov
CA	Annette Joyer	(916)714-1104	107	(916)714-1118	annette.joyer@ca.usda.gov
CA	Ed Amen	(530)226-2589		(530)226-2567	ed.amen@ca.usda.gov
CA	Nelle Nunez	(559)734-8732	110	(559)732-3481	nelle.nunez@ca.usda.gov
CA	Violet Gomez	(831)757-5294	106	(831)424-7289	violet.gomez@ca.usda.gov
CO	Janet A Spakow	(720)544-2918		(720)544-2970	janet.spakow@co.usda.gov
CT	Adlene Nunez	(413)253-4300	4333	(413)253-4347	adlene.nunez@ma.usda.gov
DE	Stacey Slacum	(302)857-3603		(302)857-3611	stacey.slacum@de.usda.gov
FL	Bob Coordem	(352)338-3435		(352)338-3437	bob.coordem@fl.usda.gov
FL	Roger Taylor	(352)338-3435		(352)338-3437	roger.taylor@fl.usda.gov

A list of all state contacts will display and includes a name, phone number, fax number, and email address.



Thank you for completing Guaranteed Loan Training!

- Report your completion to your supervisor.
- Your supervisor should add your name to the master attendance sheet they are maintaining if mandatory training completion has been requested prior to becoming an approved lender.
- The executor of Form RD 1980-16 should sign the master attendance sheet and return to either the National Office or State Office for lender approval. The pre-approval letter received will have a contact and address of where to return the attendance sheet.
- Be sure to print and retain course materials for future reference.
- If you have completed training for your own knowledge no further actions are necessary.

USDA is an equal opportunity provider, employer, and lender. To file a complaint of discrimination write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C., 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD).



**THANK YOU FOR SUPPORTING THE
GUARANTEED LOAN PROGRAM!**



USDA is an equal opportunity provider, employer, and lender. To file a complaint of discrimination write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C., 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD).

