

**Everything You Need
to Know About...**

**USDA
Rural
Development
Loans**

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Since 1970

Benefits of A USDA RD Loan

- Mortgages are 30 year fixed rate term.
- No Down Payment, 100% Financing.
- Rates comparable to FHA and VA.
- No Monthly Mortgage Insurance Premiums.
- Leniency on Credit and Employment history.
- No Reserve Requirements
- No Restriction on Seller Contributions.
- No Loan Limits
- 100% Gift Funds allowed

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There are Two USDA-RD

Guaranteed

Loans funded by lenders.

Direct

Loans funded by USDA.

The information contained in this presentation pertains only to **Guaranteed USDA-RD.**

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Buyer Income Eligibility

- Example of Income adjustments

\$65,000 area family income limit

Adjustments for a family of 4

\$69,000 earned family income.

Less:

\$3,600 annual child care

960 Child deduction ($\$480 \times 2$)

\$64,440 adjusted income

Adjusted Income Qualifies for RD

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Buyer Income Eligibility

- Repayment ability based on the following ratios:
 - **29/41**
 - Principle, Interest, Taxes, and Insurance (PITI) divided by gross monthly income should not exceed 29 percent.
 - Total debt divided by gross monthly income should not exceed 41 percent **DTI**
 - Energy Efficient ratios of 31/43 are available in some states.
 - Contact your local RD office to verify availability.
 - Ratio waivers are possible with compensating factors.
 - Have a credit history that indicates a reasonable willingness to meet obligations as they become due.

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Borrower Eligibility

- Not limited to first-time home buyers.
- Applicant cannot already own an adequate home within the local commuting area by time of closing this loan.
- Be a U.S. citizen or be legally admitted to the United States for permanent residence.
- Homebuyer education may be required for 1st time homebuyers.
- Buyers must personally occupy the dwelling following the purchase;
- Co-signers are allowed only if they are going to occupy the property

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Borrower Eligibility

- Applicant is allowed liquid assets of up to 20% of purchase price and still be eligible
- Middle credit score of 620 – check lender for exception
- No explanations for accounts having past due history
- Rent verification is not required

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Occupancy

- Owner Occupied Only

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Cash to Close

- **Verify all liquid assets to the extent they are needed to close the loan.** VOD's two months bank statements, gift letters and receipt, etc.
- **Payment Reserves are not required**, but are helpful in determining overall credit analysis.
- VOD's two months bank statements, gift letters
- **Unlimited Seller concessions can be used to pay:**
 - Closing Costs
 - Points to buydown the interest rate
 - USDA Guarantee Fee
 - **Cannot** be used to pay any of the borrower's debt.

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Credit History Continued

- Judgments must be paid in full, or subject to repayment plan with timely payments (12 months).
- Consumer Credit Counseling -1 year payments made with no with lates
- Bankruptcy discharged more than 2 years are disregarded. Less than 2 years, must have established new and positive credit with a length of timely payments (12 months), and the bankruptcy was caused by circumstances beyond the control of the borrower.
- 1 year into Chapter 13 pay out.
- Foreclosure or Deed-in-Lieu, follow BK guidelines above.

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Income and Employment

- **Wages:** require 2 year history, less than 2 years considered case by case.
- **Overtime income and 2nd job income** generally needs 2 year history, less than 2 years is considered case by case.
- **Commission:** 2-year history, unless previous related employment or specialized training - 1040s required.
- **Self Employment:** averaged 24 months, 1040's required.
- **Alimony and Child Support** must be verified.
- **Seasonal jobs** and unemployment may be averaged with 24 month history of both.
- Other Income, pension, retirement, disability, etc. must be verified.

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Compensating Factors

- Compensating factors include, but are not limited to:
 - Excellent credit history.
 - Conservative use of consumer credit.
 - Minimal consumer debt.
 - Long-term employment.
 - Significant liquid assets.
 - Sizable down payment
 - Little or no increase in shelter expense.
 - High residual income.
 - Low debt-to-income ratio.

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Thank You for Attending

Your questions and comments on this class are appreciated. Mail to: Bill@YourFhaGuru.com
Current updates are at: <http://www.YourFhaGuru.com>

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