



Guaranteed Rural Housing Loan Program Underwriting Guidelines – Applicant and Income Requirements

Applicant Eligibility

- Cannot currently own housing within the local commuting area; however, does not have to be a first time homebuyer
- Be without adequate down payment funds to secure conventional credit without the guarantee
- Have the ability to personally occupy the dwelling
- Be a citizen of the United States or be admitted for permanent residency
- First time home buyers are encouraged to complete “Home Buyer Education Class” prior to close of escrow

Income

- Applicants must have adequate and dependable income, typically with a history of 24 months
- Qualifying ratios are 29/41; however, PITI ratio up to high 30's for PITI and MOTI ratio up to high 40's with strong compensating factors such as good credit scores, stable employment history, potential for increased earnings, and ability to save.
- Large housing expense increase will be considered with acceptable compensating factors.
- Income to be verified with a written VOE and one month's current paystubs, or two years W2's and one month's current paystubs.
- Non taxable income may be grossed up by the applicable federal tax rate
- 2/1 buydowns qualifying ratios are calculated using start rate.
- Debts with more than 6 monthly payments remaining must be included in qualifying ratios

Income Calculations

USDA Rural Development determines applicant's income in two manners:

Eligibility Income – Includes all income (salary, tips, bonus, overtime, alimony, child support, etc..) received by the applicant and co-applicant(s). This income is used to calculate qualifying ratios.

USDA Rural Development is an Equal Opportunity Lender, Provider and Employer.

Complaints of discrimination should be sent to:

USDA, Director, Office of Civil Rights, Washington, DC, 20250-9410

UNDERWRITING GUIDELINES
Applicant Eligibility & Income

Adjusted Income – This is eligibility income less the total of any of the following deductions applicable to the loan. Income from all household members must be included in the total adjusted income. This adjusted income must not exceed 115% of the median household income for the area. Please refer to the moderate income limit chart for a listing of income limits by county and total persons in household.

Allowable Deductions to Determine “Adjusted Income”:

<u>Member of Household</u>	<u>Amount of Deduction</u>
Each minor child under 18 years of age	\$480
Each disabled or handicapped individual who is not the applicant or co-applicant	\$480
Each full time student 18 years or older	\$480
Each elderly (62 years of age or older) or disabled applicant	\$400
Medical expenses for any elderly family member	Total that exceeds 3% of gross annual income
Child care expenses for children 12 years old or under	Actual cost of care, supported by full documentation of cost

Credit History

Applicants must have a credit history that indicates a reasonable ability and willingness to meet obligations as they become due. A credit history reflecting any or all of the following is considered unacceptable credit history:

- Two or more 30-day lates within the past 12 months.
- Two or more late rent payments in the last 2 years.

- Bankruptcy, foreclosure, charge-offs or secured debts within the last 3 years.
- Outstanding collections may be paid off at close of escrow and noted on the final HUD-1 or a repayment schedule for the unpaid collection may be established.
- Accounts converted to collections in the last 12 months.
- Outstanding tax liens or delinquent government debt with no satisfactory arrangement for repayment.
- Any outstanding judgements.

Mitigating Factors to Unacceptable Credit:

Adverse credit waivers may be granted for mitigating factors to establish the applicant's intent to good credit. Lenders must document these circumstances which were beyond the borrower's control and have been removed:

- Circumstances for adverse credit were temporary in nature, beyond the applicant's control and have been removed. Examples: increased expenses due to illness and/or medical expenses , injury, death, etc.
- ✓ Tri-merge credit reports are required and must be no more than 90 days old at the time the Conditional Commitment is issued
- ✓ Applicants must not be delinquent on any debts owed to the Federal Government
- ✓ CAIVRs must be checked and documented on the loan application