



United States Department of Agriculture  
Rural Development - Texas

## Single Family Housing Guaranteed Loan Program (SFHGLP) Lenders/Real Estate Professionals – 25 Frequently Asked Questions

	Questions	Answers
1	What is the guarantee?	USDA Rural Development provides the full faith and assurance of the U.S Government that any financial loss resulting from servicing the loan will be reimbursed <u>in full</u> up to an amount not exceeding 90% of the original loan amount. All loss up to an amount not exceeding 35% of the original loan is fully reimbursed. Losses exceeding 35% are 85% reimbursed.
2	What is the advantage to the customer?	100 percent financing, fixed interest rate, no MIP/PMI, and no restrictions on size or design are just a few of the advantages.
3	What are the eligibility requirements?	Have adequate and dependable income (up to 115 percent of adjusted area median income), have acceptable credit, do not own a dwelling in the local commuting area, US Citizen or permanent resident, have the ability to personally occupy the home on a permanent basis, and do not have funds for a 20% down payment loan plus closing and moving expenses.
4	Can a Broker originate Guaranteed loans?	Yes, however only Approved lenders may underwrite & submit loans.
5	How long does it take to get answer?	Our goal is a 2 to 5 day turnaround. Time will be longer in some offices due to the large number of guarantee requests received.
6	What is the maximum fixed Interest Rate and term?	Fannie Mae 90 day delivery rate plus 60 basis points rounded up to nearest quarter of one percent <u>Or</u> no more than the Lender's published VA rate for first mortgage loans with no discount points. The term is 30 years.
7	What is the maximum loan amount?	The Loan amount is limited by the market value and repayment ability.
8	What is the maximum Loan to Value?	It can be up to 100% LTV plus the Agency guarantee fee
9	What is the Guarantee Fee?	The guarantee fee is 2 percent of the "Total" loan amount.
10	What are the qualifying ratios?	PITI Ratio 29 percent, TD Ratio 41 percent Higher ratios may be approved with compensating factors
11	Do we show deferred student loans in the debt ratio?	Deferred student loans should be included in the debt ratio calculations for Guaranteed Loans regardless of the deferment period.
12	What is the minimum credit score?	Under certain criteria, credit score 620 and above no comment required. For credit score 619 and below document circumstances were temporary in nature beyond the applicants control and have been removed. In most cases, loans will <u>not</u> be guaranteed for applicants who have a middle credit score of 580 & below.
13	What about location?	The dwelling must be located in eligible rural area (See eligibility site) <a href="http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do">http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do</a>
14	What about refinancing?	Limited to existing USDA Rural Development guaranteed or direct loans.
15	Can loans include acreage?	Possibly. The acreage must <u>not</u> contain any income producing facilities and the value of acreage may not exceed 30% of the total property value.
16	Can Manufactured Homes be financed?	Yes, however they must be new and sold by an approved dealer contractor.
17	What about an in-ground swimming pool?	Waivers may be granted (on a case by case basis)
18	What are the required inspections?	Property must meet HUD Handbook 4905.1 & 4150.2 or similar standard. A FHA roster appraiser can verify adequacy/working order of electrical, plumbing, heating, water & waste disposal on existing dwellings.
19	Will USDA Rural Development issue a letter asking the Approved Lender to make a loan?	No. This is the Approved Lender's loan. They underwrite the loan and decide if it meets their standards and Agency standards before submitting.
20	Is homebuyer education required?	Homebuyer education is <u>not</u> required, however it is recommended.
21	Are seller concessions allowed?	Yes. Rural Development does not restrict the amount of seller concessions.
22	Who approves the Appraiser?	The appraiser must be licensed by the State to complete appraisals.
23	Can necessary repairs be included in loan?	Yes. An 'as improved' appraisal will be needed to include cost of repairs.
24	Are alternate verifying income documents allowed?	Yes. Paycheck stubs, payroll earnings statements <u>and</u> W-2 tax forms for <u>previous 2 tax years, and telephone verification of employment.</u>
25	Who buys Guaranteed Housing Loans?	JP Morgan Chase, FHLB, Fannie Mae, Ginnie Mae, and others

"USDA is an equal opportunity provider, employer and lender."

To file a complaint of discrimination write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14<sup>th</sup> and Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice or TDD).