USDA

UNITED STATES DEPARTMENT OF AGRICULTURE

RURAL DEVELOPMENT

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Rural Development Texas AN No. 521 (1980-D)

SUBJECT: Non-Purchasing Spouses – Single Family Housing Applications

December 17, 1999

TO: All Offices
Rural Development, Texas

PURPOSE/INTENDED OUTCOME: The purpose of this Administrative Notice (AN) is to provide guidance for Rural Development employees in the processing of Single Family Housing (SFH) applications.

COMPARISONS WITH PREVIOUS ANs: This AN replaces Rural Development Texas AN No. 511 which expired November 30, 1999.

IMPLEMENTATION RESPONSIBILITIES: Rural Development employees will review and process SFH Direct and Guaranteed Rural Housing (GRH) applications in the manner described below when the application package is submitted on the basis of a non-purchasing spouse.

Pursuant to the Equal Credit Opportunity Act (ECOA), applicants may apply for Rural Development assistance with a non-purchasing spouse. A non-purchasing spouse is the spouse of the applicant who does not wish to join in the application and will not be a party to the note. As provided in the ECOA, a creditor may not require the signature of an applicant's spouse or other person, other than joint application, on any credit instrument if the applicant qualifies under the creditor's standards of creditworthiness for the amount and terms of the credit requested.

Based on this, the spouse will not be required to sign Form RD 410-4 "Uniform Residential Loan Application" nor the lender's application for a GRH loan. A non-purchasing spouse will not be considered a co-applicant, only a member of the household. As with any member of a household, the income of the non-purchasing spouse must be considered for income eligibility. Verifications for the non-purchasing spouse will be obtained as prescribed by HB –1 3550 "Field Office Handbook" and FmHA Instruction 1980-D, in the same manner as for the other non-borrower household members. Since the non-purchasing spouse will not be a party to the note, that spouse's income, if any, will not be counted in ratio calculations.

EXPIRATION DATE: November 30, 2000

FILING INSTRUCTIONS: Following FmHA Instruction 1980-D

*Rural Development is an Equal Opportunity Lender*
*Complaints of discrimination should be sent to:*
*Secretary of Agriculture, Washington, DC 20250*

In addition, since the non-purchasing spouse is not a party to the note, that spouse's credit history will not be used to determine creditworthiness of the applicant. Only the information from the Residential Mortgage Credit Report (RMCR) for the applicant will be used to determine creditworthiness. BECAUSE THE NON-PURCHASING SPOUSE IS NOT AN APPLICANT, LOCAL OFFICES WILL NOT OBTAIN EITHER AN INFILE CREDIT OR A RESIDENTIAL MORTGAGE CREDIT REPORT ON THAT SPOUSE. Any joint debt of the non-purchasing spouse will be indicated on the applicant's credit report.

In order to calculate the repayment ratios for an applicant, only the individual monthly obligations of the applicant will be used. The individual monthly debt obligations of the non-purchasing spouse will not be used in the ratio calculations.

As stated in ECOA, 12 U.S.C.A. 202.7 (d)(4), creditors may require the non-purchasing spouse to sign the security instrument covering the property being purchased in order to make the property available to satisfy the debt in the event of default. Because Section 502 Direct and Guaranteed Rural Housing loans are secured debt, the non-purchasing spouse will be required to execute the Deed of Trust. This requirement applies to loans for the construction of a new dwelling, the purchase of an existing dwelling or rehabilitation of an existing dwelling. The non-purchasing spouse will not be required to execute any other instrument except as required by the title insurance company.

In addition to the filing requirements indicated on the first page of this AN, local offices will also file a copy in HB-1 3550, State Supplements.

Please contact Scooter Brockette or Leon Carey in the Single Family Housing Section if you have any questions.

Steven A. Carriker

STEVEN A. CARRIKER
State Director