

Applicant Eligibility

[Program Overview](#)

[Applicant Eligibility](#)

[Property Eligibility](#)

[Loan Processing / Underwriting](#)

COMPLIANCE INCOME



The adjusted annual household (compliance) income limits for all states are posted at [USDA's Income and Property Eligibility Site](#). Just click on the state in the list on the site. To view the income limits for Wisconsin only, click [here](#).

This income is used to determine the eligibility of the household for assistance through Rural Development. It is not calculated in the same manner as qualifying income that is used to repay the loan. **The underwriting lender is responsible for thoroughly documenting the income calculations used to determine the applicant's eligibility for assistance.**

- Income of **all adults** that will be residing in the household and certain other income must be verified. See RD Instruction 1980-D, pages 39-48 for detailed information for what income to count and the deductions available. RD Instruction 1980-D can be viewed by clicking [here](#).
- Common adjustments to the gross income include: verified child care for children 12 and younger; \$480 annual deduction for each child under age 18, age 18 or older and handicapped, or full-time student, and who are not the applicant, spouse, or co-applicant; \$400 annual deduction for an elderly family (see definition in RD Inst. 1980-D, page 4). Other deductions are described in RD Inst. 1980-D, pages 43-44. Click [here](#) to view the Adjusted Annual Income Calculation worksheet in the GRH Forms section.

CREDIT CRITERIA



- Refer to the [Administrative Notice \(AN\)](#) for more information on utilizing credit scores for the GRH loan program.
- A 12-month Verification of Rent (VOR) will not be required by Rural Development when the GRH applicant(s) has a representative credit score of 620 or higher, unless there are co-applicants with representative credit scores under 620.
- The representative credit score is considered to be the middle of three scores or the lower of two scores for each applicant.

- Non-traditional credit reports (or equivalent documentation) may need to be obtained for those applicants having insufficient credit information to develop credit scores.
- Lenders may take advantage of the **streamlined credit documentation** described in the [Administrative Notice \(AN\)](#) for applicants with representative credit scores of 620 or above, unless there are co-applicants with representative credit scores under 620. A lender shall not be required to document adverse credit history waivers under RD Instruction 1980-D, 1980.345(d)(e), except those involving a delinquent Federal debt or previous Agency loan.
- Credit scores below 620 require a full analysis of the applicant's credit issues. This is still an acceptable range. ***Additional risk layering should not be permitted without strong compensating factors.*** The lender's underwriter can approve waivers of recent adverse credit with proper documentation, especially if the exception can be offset with compensating factors.
- Applicants with a credit score of 619 or less would statistically have a high likelihood of default on their loan. The loan can be considered by underwriters, however, any layered risk associated with the application should be avoided without very strong compensating factors.
- The credit score of the primary wage earner will carry the most weight in the underwriter's decision. ***Example: A co-applicant that is not employed, or contributing income to the household, could have marginal credit (credit score below 620). The GRH loan may still be acceptable based on the strengths of the primary applicant if the co-applicant's income is not needed to show repayment of the loan.***
- **"Spouse Only"** loans are permitted only if the lender has included the debts from the excluded spouse in the applicant's total debt ratio. The applicant must have the capacity to service **all** household debts since Wisconsin is a **"marital property state"**. Any of the excluded spouse's debts that are in a judgment status must be satisfied prior to closing. For compliance purposes, the excluded spouse's income must also be properly verified to determine the eligibility of the household.
- **"No credit history / no credit score"** is not acceptable to most investors. A history of credit usage must be developed in order for the underwriter to make a reasonable determination of credit worthiness.



Consult with your investor as to the minimum number of trade lines you need to verify. Documented non-traditional credit such as utilities, cable television, cell phone, rent, auto and renter's insurance are acceptable. Underwriters should not allow additional risk layering for these situations without strong compensating factors being present.

ELIGIBILITY CRITERIA - APPLICANT

- Refer to RD Instruction [1980-D](#), paragraph 1980.346 for more information.
- Applicants applying for GRH assistance must not own an adequate home within the local commuting area.

Examples

- 1. An applicant is relocating to a new job, which is across the state. They are selling their existing home so they can afford to purchase a new home.*
 - 2. An applicant owns an existing manufactured home located on a leased site. They are selling their manufactured home and purchasing a site and new manufactured home through a Dealer / Contractor.*
 - 3. An applicant owns a home in which they are in the process of selling. They will complete the sale of their current home prior to or simultaneously with the purchase of their new home.*
 - 4. An applicant who is currently renting or residing at home with relatives decides to purchase a home.*
- Applicants must personally occupy the dwelling.
 - Applicants must have legal capacity to incur the loan obligation.

NON - U.S. CITIZEN REQUIREMENTS

Applicants must be a U.S. citizen, a U.S. non-citizen national or a "qualified alien". *(Note: the Rural Development citizenship requirements are more restrictive than HUD/FHA in regards to non-permanent resident aliens.)* Refer to the [Administrative Notice \(AN\)](#) for more information on the eligibility of non-U.S. citizens and the specific types of documentation needed to verify the citizenship status of an applicant.

- Applicants who indicate "No" to Item J in Part VIII of their application indicating that they are not a U.S. citizen must provide documentation indicating their immigration status.

- Lenders must furnish the Agency with each applicant's nine digit "alien identification" number which will be processed through the Systematic Alien Verification for Entitlements (SAVE) Program database to determine the applicants' class of admission code (COA).
- A copy of the front and back of INS Form I-551, Alien Registration Receipt Card (for permanent resident aliens) is the most common type of documentation obtained by lenders. Other types of acceptable documentation are described in the [Administrative Notice \(AN\)](#).

QUALIFYING (REPAYMENT) INCOME

- This may require a separate calculation from the adjusted gross annual income (compliance income) depending on the applicant's employment history and the types of income involved.
- The qualifying income is based on income that is considered to be stable and dependable based on the history of that type of income.
- Qualifying income must be based on the income of the person(s) signing the promissory note.
- The income must be anticipated to last for at least 24 months.
- This income may be based on projected income when determining base earnings, however, most underwriters use historical information from the previous 24 months to determine projected income from overtime, profit sharing, bonus, tips, commissions, part time work, seasonal employment, unemployment compensation, and **self employment** as per RD Instruction 1980.347.



- Refer to the [Administrative Notice \(AN\)](#) for more information on determining the repayment income for self employed GRH applicants. Historical income that is higher than the projected income (based on current wages and YTD earnings) must be explained and documented regarding the anticipated decrease in earnings.
- Non-taxable income such as child support or SSI may be grossed up **25%**.
- Non-taxed per diem or mileage payments to reimburse the applicant for employment related travel expenses are not considered for compliance or qualifying purposes.
- Vehicle allowances provided by an employer for the applicant to acquire transportation are considered as income for both compliance and qualifying purposes. The vehicle allowance cannot be used to offset the payment on the vehicle's debt from the Total Debt Ratio (TDR).
- No co-signors are permitted. Related or non-related co-borrowers who reside in the household are permitted.
- Pending pay increases that are scheduled to occur in the near future based on the VOE are not considered for qualifying purposes, however, they may be viewed as a compensating factor if a ratio waiver is needed.



REPAYMENT RATIOS

- 29% Housing Ratio (PITI) and 41% Total Debt Ratio (TDR) are the standard repayment ratios.
- Underwriters may request an exception to the 29/41 guidelines by properly documenting their decision to exceed the ratio guidelines. Generally, the amount of latitude given for ratio waivers is proportionate to the level of risk and compensating factors present in the loan application. Click [here](#) to view the Waiver Request form in the GRH Forms section for more information.
- The Home Energy Advantage pilot program expands the qualifying ratios up to two percentage points (31/43) to expand access to newer energy efficient housing. Homes built to meet the 2000 International Energy Conservation Code (IECC) are considered eligible for this pilot program. In Wisconsin, new homes and existing homes built after January 1, 2005 are considered to meet this standard.
- There is not a maximum amount the ratios may be exceeded. Depending on the strength of the compensating factors, housing ratios in the mid to high 30s and total debt ratios in the mid to high 40s are not uncommon.

[Back to Top](#) [Back to Index](#)