

# 6205

## RURAL DEVELOPMENT (RD) GUARANTEED RURAL HOUSING (GRH) PRODUCT MATRIX

### PROGRAM BENEFITS

<b>LTV</b>	100% LTV – Appraised value can only be exceeded by “guarantee fee”.
<b>GUARANTEED FEE</b>	One-time fee – 2% of the final loan amount – may be financed in all cases.
<b>CASH TO CLOSE</b>	Very little or zero cash needed to close in most cases; no minimum contribution.
<b>APPRAISED VALUE IS LIMIT</b>	Not limited to lower of appraised value or purchase price. Customary closing costs and repairs can be financed up to the appraised value, then the guarantee fee can be loaned in addition to that.
<b>MORTGAGE INSURANCE</b>	.04% of base loan amount.
<b>TERM</b>	30-year, fixed rate.
<b>INTEREST RATE</b>	Market rates.
<b>RESERVES</b>	None required.
<b>FIRST-TIME HOMEBUYER</b>	Not limited to first-time homebuyers
<b>PROPERTY LOCATION</b>	Must be located in eligible “rural” area ( <a href="http://eligibility.sc.egov.euda.gov">http://eligibility.sc.egov.euda.gov</a> )

### INCOME RATIOS

<b>HOUSEHOLD INCOME</b>	Verify all income of <u>all</u> household members – adjusted total cannot exceed income limits ( <a href="http://eligibility.sc.egov.usda.gov">http://eligibility.sc.egov.usda.gov</a> )
<b>ADJUSTMENTS TO INCOME</b>	\$480 per child < 18 or “18+ and full-time student”, 100% child care paid, etc.
<b>REPAYMENT INCOME</b>	Verify <u>dependable</u> income of parties to the note. Underwriter documents dependability. O.T./bonus/commissions/self-employment used w/2-year history.
<b>GROSSING-UP</b>	Non-taxed income may be grossed up.
<b>RATIOS</b>	29/41; 31/43 if built to 2000 Energy Code. Ratios can be exceeded with documented compensating factors (underwriter documents – RD concurrence needed). GUS approval is required.
<b>MAXIMUM LOAN</b>	No limit on loan amount. Income/ratios become the limit
<b>REFINANCE LOANS</b>	Can be used to refinance current USDA loans (“Direct” or “Guaranteed”)

### CREDIT

<b>CREDIT SCORE</b>	Score of 580+ considered acceptable, regardless of trade line information. GUS approval is required on all loans.
<b>MANUAL ASSESSMENT &amp; “INDICATORS OF UNACCEPTABLE CREDIT”</b>	More than one 30-day slow pay w/12 months, foreclosure < 3 years ago, tax lien or delinquent government debt with no arrangement, judgment outstanding within 12 months, more than 2 slow rental payments within 12 months, account converted to collection in last 12 months, etc.
<b>BANKRUPTCY AND FORECLOSURE (WITHOUT EXTENUATING CIRCUMSTANCES)</b>	3 years seasoning and acceptable established credit required.
<b>CAIVRS</b>	Lender must obtain a clear CAIVRS number for each applicant ( <a href="http://hud.gov/offices/hsg/sfh/sys/caivrs/caivrs.cfm">http://hud.gov/offices/hsg/sfh/sys/caivrs/caivrs.cfm</a> )
<b>CREDIT BUREAU</b>	Kroll Factual Data reports are required.

### UNDERWRITER INFORMATION

<b>RISK LAYERS</b>	Any combination of payment shock, credit waiver, ratio waiver, non-traditional credit or buydown.
<b>RISK LAYERING</b>	Only 1 layer of risk should be allowed. If > 1, must have a <u>strong</u> , documented compensating factors.
<b>COMPENSATING FACTORS</b>	100% gifting acceptable from disinterested third party
<b>STUDENT LOANS</b>	Deferred student loans must be counted in ratios.
<b>VERIFICATION OF RENT</b>	A Verification of Rent is required for the most recent 12 months.

### PROPERTY REQUIREMENTS

<b>RURAL AREA</b>	Property must be located in eligible rural area ( <a href="http://eligibility.sc.egov.usda.gov">http://eligibility.sc.egov.usda.gov</a> )
<b>NO PHYSICAL LOT SIZE LIMIT</b>	Value of lot generally must not exceed 30% of total appraised value.
<b>APPRAISAL FORMS</b>	URAR (FNMA Form 1004) only.
<b>APPRAISAL REVIEW</b>	RD will review appraisal for acceptability – make sure comps are best available.
<b>OTHER HOME</b>	Cannot own other adequate home within local commuting area.
<b>OCCUPANCY</b>	Primary residence only
<b>PROPERTY TYPE</b>	New or existing single family, site built/modular/PUD (condos must meet certain criteria)
<b>INCOME-PRODUCING</b>	<ul style="list-style-type: none"> <li>- No commercial or farm buildings.</li> <li>- No income producing property.</li> </ul>
<b>EXISTING HOME INSPECTION</b> <i>(OVER 1 YEAR OLD OR PREVIOUSLY LIVED-IN)</i>	Lender determines who is qualified to inspect; alternatively, may have FHA-roster appraisal serve as inspection; generally well inspections are outside FHA appraiser' expertise.
<b>REQUIRED REPAIRS</b>	Only repairs necessary to make the property structurally sound, functionally adequate and in good repair are required; 100% repairs can be financed based on as-improved value.
<b>NEW HOMES</b> (<1 YEAR OLD OR PREVIOUSLY LIVED-IN)	In a county/city who has adopted the 8 mandatory building codes: <ul style="list-style-type: none"> <li>1) C.O./Building permit</li> <li>2) Well/septic letters</li> <li>3) Termite letter</li> <li>4) Minimum 1-year builder's warranty.</li> </ul>
	In a county/city who has <u>not</u> adopted the 8 mandatory building codes: <ul style="list-style-type: none"> <li>1) Plan certification (10-year warranted builders can self-certify)</li> <li>2) Periodic inspection reports (with 10-year warranty, only the "final" inspection needed)</li> <li>3) Well and septic letters</li> <li>4) Termite letter</li> <li>5) Minimum 1-year builder's warranty</li> </ul>

### THE PROCESS

<b>LENDERS ACTIONS</b>	<ul style="list-style-type: none"> <li>1) Accept application</li> <li>2) Complete Pre-qualification</li> <li>3) Process application and underwrite loan</li> <li>4) Submit package to RD (see Lender's Handbook for checklist)</li> </ul>
<b>RD ACTIONS</b>	<ul style="list-style-type: none"> <li>1) Review package</li> <li>2) Issue Conditional Commitment or inform lender of needed additional information.</li> </ul>
<b>LENDER THEN:</b>	<ul style="list-style-type: none"> <li>1) Closes the loan</li> <li>2) Submits closing package to RD (see Lender's Handbook for checklist)</li> </ul>
<b>RD THEN:</b>	<ul style="list-style-type: none"> <li>1) Completes closing package review</li> <li>2) Issues "Loan Note Guarantee"</li> </ul>