

PRODUCT SHEET

Section 502 RD Single Family Housing (05/17/2017 update) Guaranteed Loan Program. (SFHGLP)



BENEFITS:

- 100% Financing. \$0 down payment. No minimum buyer contribution. Loans up to \$424,100 or higher.
- Closing costs can be paid by the Seller (6% limit) or added into the loan if the appraised value is higher than the sales price.
- Allows the use of Gifts / Grants / DAP / MCC program(s) with no combined loan amount limits.
- Low, 30 year fixed rates because of government guarantee. (1.00% financed plus 0.350% annually.)

QUALIFICATIONS:

- First Time Buyer is NOT required but applicants may not own other "adequate" housing within the local commuting area.
- All applicants must occupy the home. Non-occupant co-signers are not allowed.
- **Credit** – Minimum 640 credit score is required for GUS approval. Manual underwriting exceptions down to 580 are possible.
 - A valid credit score is required: at least one applicant whose income or assets are used for qualification must have at least three trade line references that have existed for at least 12 months to establish a credit reputation and validate the credit score.
 - No new collections, charge offs, or judgments in the last 12 months.
 - Non-purchasing spouse's (NPS) credit must be obtained. Monthly debt payments are counted but FICO is ignored.
 - Tax liens, judgments and delinquent government debt must be satisfied.
 - 12 months payment evidence is required for authorized user accounts or must downgrade to manual underwriting unless account owner is an applicant or spouse.
 - Disputed accounts must be removed unless zero balance, "paid in full", "resolved" or balance is < \$500 and > 2 years old.
- **Income/Expenses** - Maximum gross income limit of 115% county median adjusted for family size.
 - Central Valley household of 1-4 can earn \$6,516 per month. Adjustments are made for children, elderly and disabled occupants.
 - All household occupants' total combined income is counted, including non-purchasing spouse. (NPS)
 - IRS 4506-T transcripts are required for all adult household members.
 - Manual underwriting (FICO < 640) maximum DTI is 29/41.
 - No exceptions when payment shock is over 100% or applicants having no rental history.
 - Up to 36/48 DTI allowed when FICO >= 640 along with stable employment, potential for increased income, ability to save. Subject to approval by GUS.
 - Continuous two year employment history is required. Includes training/education periods.
 - Student loans are qualified at the **greater** of the reported payment or 1% of the balance.
 - Rental income from a home being vacated can never be counted in qualification.
 - IRA, 401(k) and liquid asset loans are not considered in the debt ratio.
 - Federal tax credits for child care costs count as income.
 - Debts with < 6 months to pay are not considered in debt calculations.
 - Non-taxable income may be grossed up by the applicable tax rate.
- **Assets** - None required. Applicants must NOT have enough savings to obtain a conventional 20% down payment mortgage and pay all closing costs.
 - Reserves after close are NOT required but greatly help qualification.
 - Liquid reserves > \$5,000 will be considered as income producing at passbook rates.
 - Buyer's funds to close must be tracked and documented from the source. Cash deposits are never allowed.
- **Property** - Rural, owner occupied, one unit, residential properties.
 - Eligible area map is available online at www.OneRay.com/USDA
 - Crops, barns, accessory units and other property characteristics with income producing abilities are ineligible.
 - The dwelling itself must not be in a Special Flood Hazard Area. (100 year flood plain)
 - Swimming pools are allowed and will be given full value in the appraisal.

Who is GUS?
Government Underwriting System
 Computer underwriting system used by USDA which allows extended approvals but FICO must be **640+** for ALL borrowers.



Product sheet courtesy of:

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Updates and more details available at OneRay.com/USDA

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