

USDA Guide

Presented By

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COLORADO
MORTGAGE GUY
Colorado Mortgage Specialist

Colorado Mortgage Guy powered by Plum Creek Funding

(303) 818-0699

10952 S Pikes Peak Drive

Parker, CO 80138

NMLS 144335

Regulated by Dora

Benefits of USDA

1. 0 to Low Down payment
2. Lower credit score requirements
3. Lower income requirements
4. Helps Rural areas sell homes to lower income households
5. Follows FHA Guidelines

USDA homes are verified by the specific address. I can look up address for you to let you know if the property you are interested in qualifies for the USDA program.

USDA Home loans are based on the medium income for the address of the home.

The credit score can be as low as a 640 to qualify for the loan. Some circumstances will allow the credit score to be lower.

There are still many properties available for you to choose from in the outlying areas of Colorado.

Call today (303) 818-0699 to see what you qualify for.

Rural Home Loans (Direct Program)

What does this program do?

Also known as the Section 502 Direct Loan Program, this program helps low- and very-low-income applicants buy decent, safe, and sanitary housing in eligible rural areas by providing payment assistance to increase their applicant's repayment ability. Payment assistance is a type of subsidy that reduces the mortgage payment for a short time. The amount of assistance is determined by the adjusted family income.

Who can apply for this program?

A number of factors are considered when determining eligibility for Single Family Direct Home Loans. At a minimum, applicants must have an adjusted income that is at or below the applicable low-income limit for the area in which they wish to buy a house (an income limit map is available at this link: <https://go.usa.gov/xzcfb>). They must also demonstrate a willingness and ability to repay debt.

Applicants must:

- Be without decent, safe, and sanitary housing
- Be unable to obtain a loan from other resources on terms and conditions that can reasonably be expected to be met
- Agree to occupy the property as their principal residence
- Have the legal capacity to incur a loan obligation
- Meet citizenship or eligible noncitizen requirements
- Not be suspended or debarred from participation in federal programs

Properties financed with direct loan funds must:

- Be modest in size for the area
- Not have market value in excess of the applicable area loan limit
- Not be designed for income-producing activities

Borrowers are required to repay all or a portion of the payment subsidy received over the life of the loan when the title to the property transfers, or the borrower is no longer living in the dwelling.

Applicants must meet income eligibility for a direct loan. You can visit the USDA Income and Property Eligibility website (available at this link: <https://go.usa.gov/xzcdM>) for complete details. Or, contact your local Rural Development office (a map is available at this link: <https://www.rd.usda.gov/browse-state>) to learn more.

What is an eligible area?

Properties must be located in an eligible rural area. Visit the USDA Income and Property Eligibility website (available at this link: <https://go.usa.gov/xzcdM>) for details.

How can funds be used?

Loan funds can be used to help low-income people or households buy homes in rural areas. Funds can be used to build, repair, renovate, or relocate a home, or to purchase and prepare sites, including providing water and waste treatment equipment.

How much can I borrow?

The maximum loan amount an applicant qualifies for depends on their ability to repay a loan. Rural Development considers various factors, such as income, debts, assets, and the amount of payment assistance the applicant is eligible to receive. Regardless of repayment ability, applicants can never borrow more than the area loan limit (plus certain other costs eligible to be financed) in the county in which the property is located (information is available at this link: <https://go.usa.gov/xzcGB> - PDF)

What is the interest rate and payback period?

- The interest rate is fixed, and based on current market rates at loan approval or closing, whichever is lower.
- When modified by payment assistance, the monthly mortgage payment can be reduced to a low as an effective 1 percent interest rate.
- The payback period is 33 years (38 years for very-low-income applicants who can't afford a 33-year loan term).

How much down payment is required?

Down payments are not typically required, but applicants with assets higher than the asset limit can be required to use a portion of those assets.

Is there a deadline to apply?

Applications are accepted year-round through your local Rural Development office. A map is available at this link: <https://www.rd.usda.gov/browse-state>.

How long does an application take?

Processing times vary depending on funding availability and program demand in the area in which the applicant is interested in buying. Processing times also are dependent upon the completeness of the applicant's package.

What governs this program?

- The Housing Act of 1949 as amended; 7 CFR, Part 3550 (available at this link: <https://go.usa.gov/xzcvG>)
- HB-1-3550 - Direct Single Family Housing Program Field Office Handbook (available at this link: <https://go.usa.gov/xzcvM> - PDF)

NOTE: Because citations and other information are subject to change, always consult the program instructions listed in the section above titled “What Governs This Program?” You can also contact your local office for assistance (a list is available at this link: <https://go.usa.gov/xzjP7>). You will find additional forms, resources, and program information at rd.usda.gov. USDA is an equal opportunity provider, employer, and lender.

Single Family Home Loan Guarantees

What does this program do?

This program helps approved lenders make 100 percent-financed, no-money-down mortgage loans to eligible low- and moderate-income applicants.

Backed by USDA Rural Development, the 90 percent loan note guarantee encourages lender participation by helping them minimize risk.

With a Single Family Housing Guaranteed Loan, applicants can buy an existing home (including the cost of rehabilitating, improving, or relocating the dwelling) or they can build new. The home must be used as their primary residence, and must be modest, decent, safe, and sanitary.

This program is not restricted to first-time home buyers.

Who can apply?

Applicants must:

- Have a household income that does not exceed 115 percent of the median household income of the area in which the eligible house is located (information about income limits is available at this link: <https://go.usa.gov/xzwRp> - PDF)
- Agree to occupy the dwelling as their primary residence
- Be a U.S. citizen, U.S. non-citizen national, or qualified alien as defined in Public Law 104 - 193, Subtitle A, Sections 401 - 404, available at this link: <https://go.usa.gov/xtduS>
- Be unable to get conventional financing with no private mortgage insurance (PMI)
- Not be suspended or debarred from participation in federal programs

What types of properties are eligible?

- Must be located in an eligible rural area (a property eligibility map is available at this link: <https://go.usa.gov/xtdJj>)
- Must be a single-family dwelling (this includes detached, attached, Planned Urban Development (PUD), condominiums, modular, and manufactured homes)
- Existing dwellings must meet U.S. Housing and Urban Development (HUD) standards found in its Single Family Housing Policy Handbook 4000.1 (available at this link: <https://go.usa.gov/xtdSt>)
- There is no set maximum purchase price. Loans are based on an applicant's repayment ability

- There are no set acreage limits, although acreage must be considered common for the area
- There are no "seasoning" requirements. This means that, provided they are otherwise eligible, "flipped" properties are allowed

What are some primary applicant qualifications?

- **Income:** Borrowers must demonstrate stable and dependable income for repayment qualification. Minimum income history requirements depend on the income source.
- **Assets:** No down payment or reserves are required.
- **Credit:** Although there is no set credit score requirement, applicants must demonstrate a willingness and ability to repay debts. Lenders can assess alternative credit for applicants with no traditional credit.
- **Monthly housing payment:** Adjusting for eligible compensation factors, total payment (principal, interest, taxes, insurance, Home Owners' Association dues, and Rural Development's annual fee) can exceed 29 percent of the applicant(s) gross monthly income.
- **All monthly debt payments** shown on the applicant(s) credit report - including the proposed new mortgage payment - can exceed 41 percent of the applicant(s) gross monthly income, adjusting for eligible compensating factors.
- **Seller (or interested party) contributions** cannot exceed 6 percent of the sales price.
- There is no limit on the amount of gift funds an applicant can use.

How are the loans structured, and how can funds be used?

- Eligible buyers can purchase an existing, eligible dwelling, or build new using the USDA Combination Construction-to-Permanent (Single Close) Loan Program (available at this link: <https://go.usa.gov/xtfbE> (PDF)).
- Current USDA Rural Development borrowers can take advantage of lower rates by using one of RD's refinance options. Information is available at this link: <https://go.usa.gov/xzwQC> (PDF)
- The interest rate is negotiated between the applicant and the lender, and must be a 30-year fixed rate.
- Program lending extends to 100 percent of the property's appraised value, not the purchase price. Thus, borrowers potentially can include closing costs and home repair expenses into the financing.
- In addition to closing costs and eligible repairs, funds can be used for reasonable and customary expenses associated with the purchase, including items such as utilities connection fees, tax and insurance escrows, essential household equipment, and site preparation.

How do we get started?

Interested applicants must work directly with approved USDA Rural Development lenders. A state-based list is available at this link: <https://go.usa.gov/xtfjV> (PDF).

Who can answer questions?

Any approved lender can answer questions. A state-based list is available at this link: <https://go.usa.gov/xtfjV> (PDF).

If you are interested in becoming an approved lender, email: sfhgld.lenderpartner@usda.gov.

What governs this program?

- 7 CFR part 3555 (available at this link: <https://go.usa.gov/xtfD7>) sets forth policies for the USDA Rural Development Single Family Housing Guaranteed Loan Program.
- HB-1-3555 (available at this link: <https://go.usa.gov/xtfDM> (PDF)) - the Single Family Housing Guaranteed Loan Program Technical Handbook - provides Rural Development staff and participating, approved lenders the tools needed to effectively and efficiently originate, underwrite, and service loans.

Why does USDA Rural Development do this?

This program encourages approved lenders to partner with low- and moderate-income families in eligible rural areas to make homeownership a reality. In turn, this promotes prosperity, creating thriving communities and improving rural quality of life.

What other options are available?

USDA Rural Development also offers a Single Family Housing Direct loan program (available at this link: <https://go.usa.gov/xtfW8>) that provides payment assistance to qualified applicants from households with incomes below 80 percent of the Median Household Income (MHI) for their region. Applicants must not be able to qualify for the Single Family Housing Guaranteed Loan program. They can work with their state-based Rural Development office to apply (an alphabetical list is available at this link: <https://go.usa.gov/xtfWw>).

Tools and Resources:

A property and income eligibility tool is available at this link: <https://go.usa.gov/xtfZk>.

NOTE: Because citations and other information is subject to change, please always consult the program instructions listed in the section above, titled "What governs this program?" You will find additional forms, resources, and program information at: rd.usda.gov. Go to the "Programs and Services" tab and then select "Single Family Housing Programs." USDA is an equal opportunity provider, employer, and lender.