

USDA

All You Need to Know About USDA Rural Development



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Key Guaranteed Benefits

Maximum Loan Amount:

- Up to 100% of the appraised value, plus one-time guarantee fee
- Finance the guarantee
- No maximum purchase price
- Repayment ratios determine purchasing power and affordability
- True \$0 money down since based on appraisal value, not purchase price

Key Guaranteed Benefits

- No reserve requirements
- No maximum CLTV
- Single family primary residences only
- Condominiums eligible if they meet FHA, VA or conventional qualifications
- No minimum credit score
- Does not need to be a first-time buyer

Who is Equity Resources, Inc?

- Direct Mortgage Banker – Freddie Mac, Fannie Mae and Ginnie Mae Seller Servicer
- FHA/VA/Conventional/RD loans
- Underwrite in our main office
- Company began in 1993
- Consumer Choice Award winner, America's Top Mortgage Employer winner, and Accredited Member of the Better Business Bureau with an A+ Rating
- **Core Purpose: To improve the lives of families**



The USDA Program is a better option than FHA and Conventional.

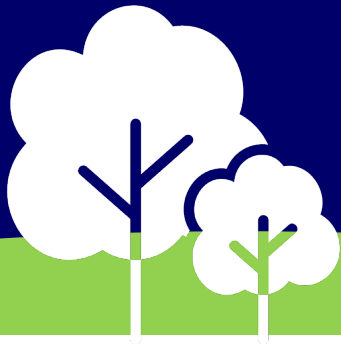
Here is our comparison:

	FHA	USDA	CONV
Purchase Price	\$284,900	\$284,900	\$284,900
Downpayment	3.5% = \$9,972	ZERO!	5% = \$14,245
Total Loan Amount	\$274,928	\$287,777	\$270,655
Term	30 Years	30 Years	30 Years
Fixed RATE	6.250%	6.250%	7.125%
APR	7.097%	6.812%	7.771%
Upfront Fee	\$4,811.00	\$2,877.00	\$0
Principal & Interest Payment	\$1,722.40	\$1,771.89	\$1,823.45
Mortgage Insurance	\$125.34	\$83.49	\$157.88
Total Monthly Payment (Includes taxes and insurance)	\$2,197.74	\$2,205.38	\$2,331.33

➡ **USDA Loan is clearly the better choice!** ⬅

Property must be USDA eligible to qualify. For informational purposes only, this is not a commitment to lend.

Why A USDA Loan?



Buy a home
with
**ZERO
DOWN**
payment and
finance your
closing
costs

USDA Program

Highlights

- ✓ 100% Financing
- ✓ Finance closing costs and pre-pays (subject to appraisal)
- ✓ Great Rates!
- ✓ Great for Sellers who don't want to pay Buyer closing costs
- ✓ No minimum credit scores



Why isn't every loan a USDA loan?

USDA has 2 Restrictions:

- ➡ **Property Location**
- ➡ **Household income limits**



Honestly, One Negative:

- ➡ **USDA must sign off on the loan.**

Property Eligibility Site



United States Department of Agriculture
Rural Development

ELIGIBILITY

Home Tutorials

[Single Family Housing Guaranteed](#) [Single Family Housing Direct](#) [Multi-Family Housing](#) [Rural Business](#) [Water and Environmental](#)

Eligibility

Welcome to the USDA Income and Property Eligibility Site

This site is used to determine eligibility for certain USDA loan programs. In order to be eligible for many USDA loans, household income must meet certain guidelines. Also, the home to be purchased must be located in an eligible rural area as defined by USDA.

To learn more about USDA home loan programs and how to apply for a USDA loan, click on one of the USDA Loan program links above and then select the Loan Program Basics link for the selected program.

To determine if a property is located in an eligible rural area, click on one of the USDA Loan program links above and then select the Property Eligibility Program link. When you select a Rural Development program, you will be directed to the appropriate property eligibility screen for the Rural Development loan program you selected.

To determine income eligibility of an applicant/household, click on one of the Single Family Housing Program links above and then select Income Eligibility Programs link.

For additional information and to contact a USDA Program Representative, click on the Contact Us link above, and then select the appropriate USDA program.

Website: <http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

- 1. Tutorials – Houses Eligibility Website User Guide**
- 2. Single Family Housing Guaranteed – Use this tab to narrow your search to Single Family Housing Guaranteed property and income eligibility determinations**

Property Eligibility Site

USDA United States Department of Agriculture
Rural Development

Home Tutorials

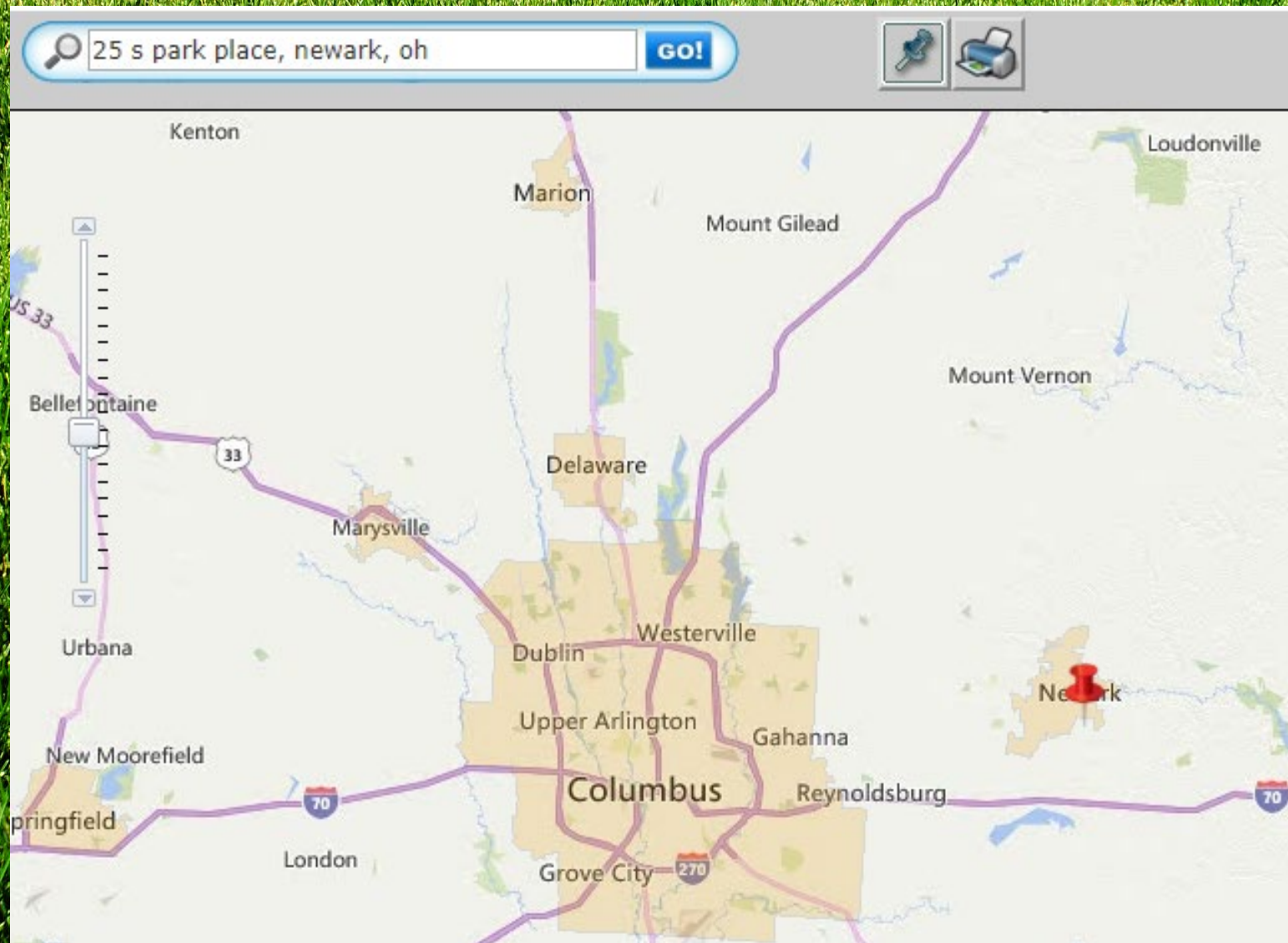
Single Family Housing Guaranteed Single Family Housing Direct Multi-Family Housing Rural Business Water and Environment

Property Eligibility Previous Eligibility Areas Income Eligibility Income Limits Loan Basics

25 1/2 S Park Place Newark, OH 43055 **GO!**

25 S Park Pl Newark OH 43055
This address is not located in an eligible area.

Orange Areas Are Ineligible
All Other Areas Are Eligible



Some Additional Information On Property Eligibility:

No Income Producing Property



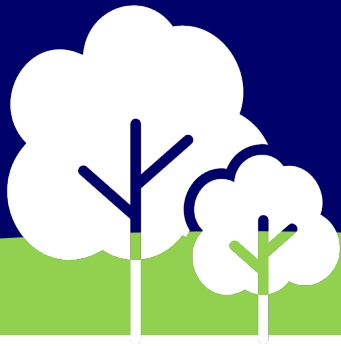
- **The property must not include buildings designed and to be used principally for income-producing purposes.** For example, barns, silos, greenhouses, or livestock facilities used primarily for income producing agricultural, farming or commercial enterprise are ineligible.
- **Site size must be typical to area.**

Some Additional Information On Property Eligibility:

No Income Producing Property



- **USDA has upgraded the program to allow:**
 - Homes in a flood zone.
 - Barns, silos, livestock facilities or greenhouses that aren't used for commercial operation and are not income producing.
 - Home based operations such as childcare, product sales, or craft production that don't require commercial real estate features.
 - Properties that have minimal income producing features such as a windmill, billboard, cell phone tower.
 - Homes with in-ground pools.



Income Explanations



- **Repayment Income** – the amount of adequate and stable income from all sources that parties to the promissory note are expected to receive. This is used to calculate DTI.
- **Annual Income** – the income of all household members, regardless of whether they will be parties to the promissory note.
 - Verify employment and income information provided for all household members for the previous 2 years.
 - Project income over the next 12 months using all available information.
 - Tax transcripts for all adult household members are required.
- **Adjusted annual income compared to established income limits is used to determine eligibility of the household for the USDA loan. Adjusted annual income = Annual Income SUBTRACTING:**
 - Healthcare expenses
 - Childcare expenses
 - Childcare deductions

Annual Income: Eligibility Income



- **Eligibility income = Projected income**
- **Important to look at what borrower has made in the past 2 years however for eligibility we must project what the borrower will make over the next 12 months.**
- **Buyers sign one additional disclosure that confirms their household income - Form RD 3555-21 – Request for Single Family Housing Loan Guarantee.**

Determining eligibility income using USDA's income eligibility site

<http://www.rd.usda.gov/files/RD-GRHLimitMap.pdf>

The link above takes you to a PDF with all of USDA's income limits per county and household size. You cannot exceed the limit showing under Mod. Inc-Guar. Loan.

HB - 1 - 3555, Appendix 5

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GUARANTEED HOUSING PROGRAM INCOME LIMITS

STATE:MARYLAND

----- A D J U S T E D I N C O M E L I M I T S -----

P R O G R A M	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON*
Baltimore-Columbia-Towson, MD MSA								
VERY LOW INCOME	30950	35400	39800	44200	47750	51300	54850	58350
LOW INCOME	46050	52650	59200	65800	71050	76350	81600	86850
MOD. INC-GUAR. LOAN	96150	96150	96150	96150	126900	126900	126900	126900



Appraisals



- **Site must have acceptable water and wastewater disposal systems to ensure the property is decent, safe, sanitary and meet community standards**
 - Public water and wastewater systems are presumed to meet state & local requirements with no additional inspections
 - Private well and wastewater systems may require inspections
- **Private well and septic are only acceptable when the cost to connect to public or community sewage is not reasonable**
 - Properties with cisterns not allowed
- **Private streets require a recorded easement or must be maintained by an HOA**
- **Appraiser comments that “Appears to Meet” or “Seems to Meet” are not acceptable. Must state that the property meets HUD’s minimum standards.**

Additional Inspections

- **Septic Inspection:** Only if the appraiser or inspector requests an additional inspection.
- **Well Water:** ALWAYS test well water county/state health department or lab.
- **Termite Inspection:** Only if the appraiser or inspector requests an inspection, or state law requirement.

USDA

USDA Myths

- It's a farm loan, you can't buy in the city
- They take too long
- Has stricter requirements than other programs



USDA Facts

- Many suburban neighborhoods are eligible and buyers often use this program just outside of major metropolitan areas.
- While certain aspects of USDA loans may require additional time, the overall approval timeline is comparable to other loans. The timely collection of needed documents and proactive communication among the involved parties can expedite the process. We get USDA loans closed FAST!
- All loan programs have different requirements. Your credit and debt to income ratio will be examined like any other mortgage. USDA loans don't increase the cost of monthly mortgage insurance for lower credit scores like conventional loans do. At a score of 600 or a score of 680 you're still looking at the same low mortgage insurance costs. In addition, USDA mortgage insurance is now less than FHA in most cases which of course means a lower monthly payment.



Committed to the future of rural communities.



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NMLS 1579, 218434.

Certain restrictions apply, call for details. This information is intended for real estate professional use only and is not an advertisement to extend customer credit as defined by Section 226.2 Regulation Z. Program terms and conditions are subject to change at any time.



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