

Direct Rural Housing Loans (Georgia)

Highlights of the “Section 502” Single Family Housing Direct Loans as processed in Georgia

USDA is an equal opportunity provider, employer and lender.

Program Benefits

No Down Payment: The program offers 100 percent financing. The appraised value can be exceeded but only by 1) Escrow deposit, 2) Appraisal fee, and 3) Tax service fee, 4) Homebuyer education cost.

Property Locations: The property must be located in an eligible “rural area.” Eligible rural areas can be located on the interactive map at the [USDA Eligibility website](#). Every effort is made to provide accurate and complete information regarding eligible and ineligible areas on this website, based on Rural Development rural area requirements. Final determination of property eligibility must be made by Rural Development upon receipt of a complete application.

Target Customers: “Very-Low” to “Low” income households are the target customers.

Rates and Terms: Current interest rate for Single Family Housing Direct Home Loans is posted online at <https://www.rd.usda.gov/programs-services/single-family-housing-direct-home-loans/ga>. Rates are subject to change monthly. The loan term may be 38 years in some cases.

First-Time Homebuyers (FTHs): Loans are not just for First-Time Homebuyers (haven’t owned a home in the past three years.) Homebuyer Education Certificate is required for FTHs.

Primary Home and Other Credit: The applicant cannot already own an adequate home and must be unable to obtain a loan from other lenders offering reasonable rates and terms.

Income and Ratios

Maximum Income Limits: The maximum Adjusted Household Income is the “Low” limit. Applicants must meet [income eligibility](#); adjusted income limits by county and state can be found at the URL <https://www.rd.usda.gov/files/RD-DirectLimitMap.pdf>.

Household Income: Verified income of ALL household members cannot exceed the Income Limit for the desired county.

Adjusted Household Income: Deduct from gross household income: \$480 per child under 18 years old or over 18 if a full time student, 100 percent of child care paid for children under 12 years old, elderly household. Deduct \$400 and medical costs that exceed 3 percent of gross income.

Household Assets: Income from assets valued over \$5,000 must not be calculated in the household income; Non-retirement assets more than \$15,000 (\$20,000 for elderly) must be used toward the purchase of the property.

Repayment Income: Parties to the note must have verified dependable income. This amount may be different than Household Income. Cosigners are allowed.

Grossing-up: Non-taxable income may be grossed up by 120 percent for repayment income only (but never for household income which is compared to income limits.)

Lowered House Payments: House payments can be paid on household income (subsidized), if eligible. “Subsidy recapture” may apply.

Repayment Ratios: The principle, interest, property taxes and insurance (PITI) cannot exceed 29 percent of repayment income for Very Low income applicants, and cannot exceed 33 percent for Low income applicants. Total Debt ratio cannot exceed 41 percent for both, exceptions may apply, for example, homes that are certified super-energy-efficient may provide applicants an extra 2 percent increase in repayment ratios.

Maximum Loan Amount: House must be “modest”, decent, safe and sanitary. Modest is defined by dollar limits and the house must be less than 2,000 square feet. Regardless of repayment ability, applicants may never borrow more than the [Area Loan Limit](#).

Credit

Credit History: A Tri-Merged Credit Report (TMRC) will be ordered for \$25.00. A “reliable” credit score of 640 or more is considered acceptable credit, but Federal Judgments are unacceptable regardless of score. Alternative credit such as rent, utility bill and phone bill payments may be used if there isn’t enough credit to obtain a score on the report. “Reliable” score consists of three or more trade lines in the last 24 months open and active for 12 or more months. If the score is less than 640, see page “4-44” for indicators of unacceptable credit in Rural Development Handbook [HB-1-3550](#).

Verification of Rent: A two year rental history is evaluated if the applicant’s credit score is less than 640. One year of rental history is evaluated if the applicant’s credit score is more than 640.

Property Requirements

Home Inspections: For new or existing homes, an applicant provides an independent home inspection to protect their interests. Major items require correction either by the seller, buyer or with loan funds.

Flood Zones: Homes in a Flood Zone are not eligible unless flood insurance is available and obtained. Is there a reasonable alternative to a proposed purchase or construction in a floodplain?

Surveys: An existing survey may be used if it meets the requirements of the title insurance company issuing the title insurance.

The Process

Application: Two forms and supporting verifications are required, 1) Form RD 410-4 “Application” and 2) Form RD 3550-1 “Authorization to Release Information.” You should be notified of eligibility within 30 days.

Certificate of Eligibility (COE): A COE will show the amount and the county for which you qualify, this will assist the realtor. If contract is already in hand, no COE is issued. We just proceed to inspection / appraisal.

Sales Contract and Loan Closing: Once a contract is received and inspections are completed, an appraisal is ordered. The appraisal sets the maximum loan on that property. Then funds are ordered and the closing is scheduled.

Contact Us: For program information and to apply, [contact the Rural Development Service Center that corresponds with your county.](#)