USDA Rural Development
U.S. DEPARTMENT OF AGRICULTURE

USDA Single Family Housing Guaranteed Loan Program

Income and Assets

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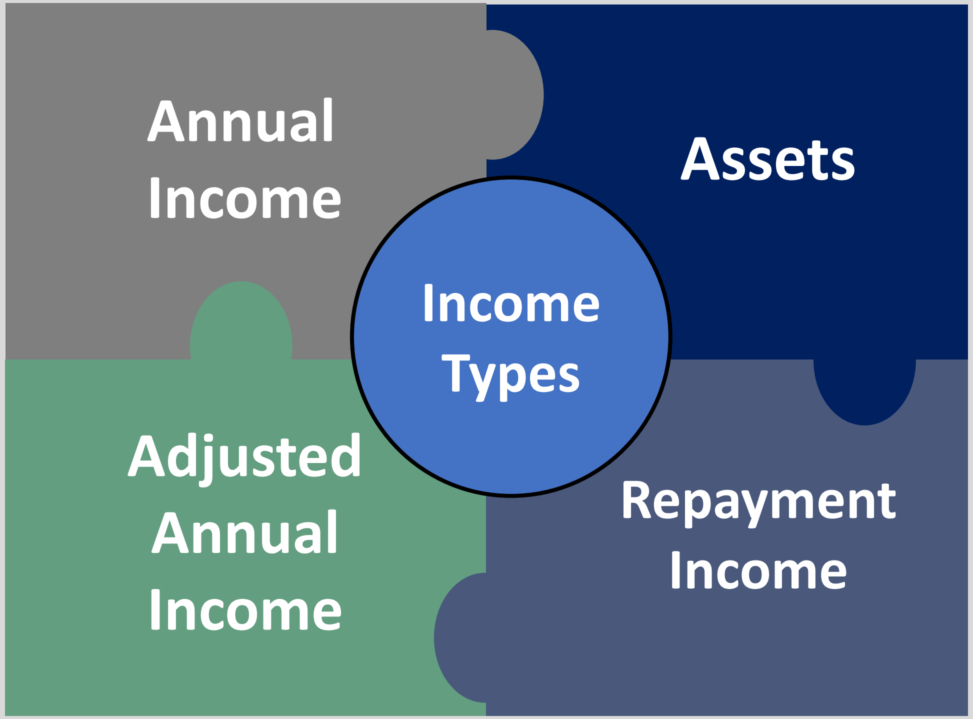
Lender and Partner Activities Branch

Washington, D.C.

TYPES OF INCOME

AGENDA

1. Annual Income
2. Adjusted Annual Income
3. Repayment Income
4. Assets
5. Q&A



Types of Income

Annual Income

Income of all adult household members, not just parties to the note.

Adjusted Annual Income

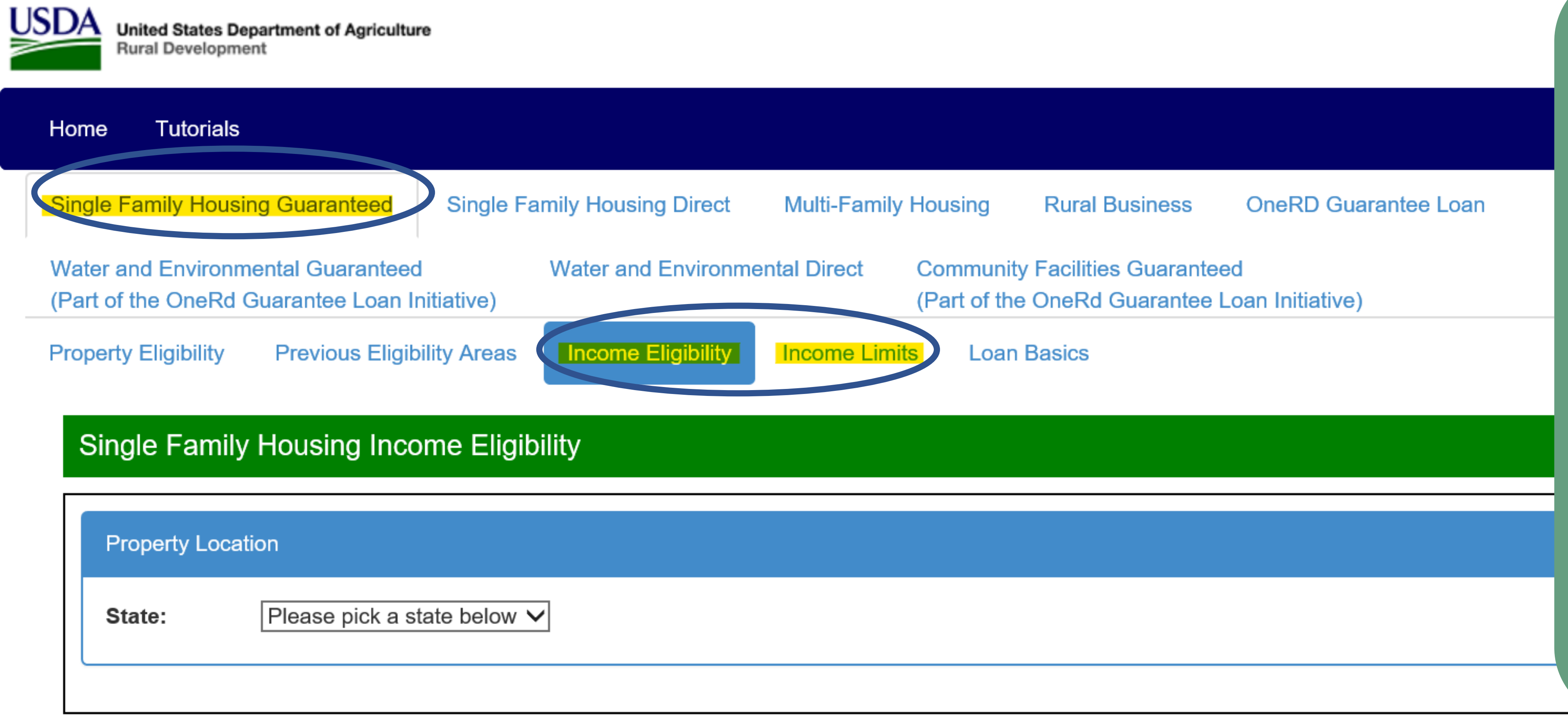
Annual income minus certain qualified household deductions.

Repayment Income

Stable and dependable income used to calculate debt ratios.

USDA Eligibility Site

SFH Section 502 GLP Eligibility Check Worksheet (usda.gov)



UPDATE

2024 income limits released on July 12th!

USDA Eligibility Site

Property Eligibility | Previous Eligibility Areas | **Income Eligibility** | Income Limits | Loan Basics

1

Single Family Housing Income Eligibility

Property Location

State: Alabama **County:** Blount County

2

Household Members Information

Number of People in Household : 4

(Include all persons living in the household except foster adults and foster children.)

Number of Residents Under 18 Years Old, Disabled or Full Time Students : 2

(Do not include the applicant, spouse, or co-applicant.)

Is Loan Applicant or Co-Applicant age 62 or older? : No

Are there any Disabled Persons Living in the Household? : No

Prev Next Reset

USDA Eligibility Site

3

Expenses and Deductions

Annual Child Care Expenses : 2000

Gross Monthly Income

	Applicant	Other Household Member
Base Employment Income	3000	0
Overtime Income	0	0
Bonus Income	0	0
Commission Income	0	0
Self-Employment Income	0	0
Dividend/Interest Income	0	0
Net Rental Income	0	0
Other Income	0	0

All Other Income Received by Adult Members of the Household :

(See help for further explanation)

Prev Finish Reset

USDA Eligibility Site

Single Family Housing Program ~ Income Eligibility Determination Summary

Applicant **meets the income limits** for the Section 502 Guaranteed Rural Housing Loan Program based on income entered and Program Income Guidelines in effect as of 01-04-2024. (Applicant must show repayment ability, have a reasonable credit history for the loan requested, and must meet other program requirements.)

Click Here for further details on the Guaranteed Loan Program.

Click here to complete a self-assessment for the Direct Loan Program.

Contact an Approved Program Lender to apply or ask more detailed questions.

Please keep in mind the Direct Loan Program self-assessment tool considers general household composition, monthly income, monthly debts, property location, estimated property taxes, and estimated hazard insurance; therefore, results may vary from this determination.

4

Summary of Adjusted Annual Household Income

Annual Household Income :	$36,000.00
Total Deductions :	$2,960.00
Household Adjusted Annual Income :	$33,040.00

Section 502 Guaranteed Rural Housing Loan Program

Maximum Adjusted Household Income for Selected State and County :	$110,650.00

Section 502 Direct Rural Housing Loan Program

Maximum Adjusted Household Income for Selected State and County :	$71,850.00

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USDA Eligibility Site

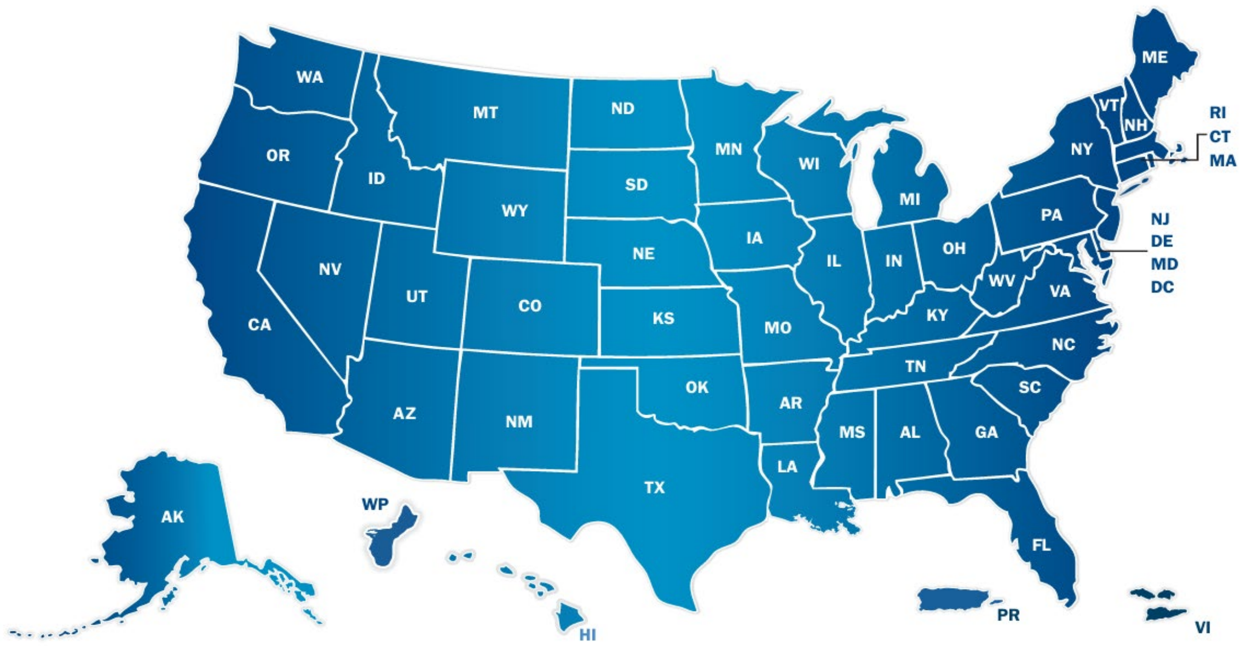
USDA

United States Department of Agriculture

Select a state to see the income limits for the counties in that state.

Click Here for MSA Definitions

Rural Development Single Family Housing Guaranteed Loan Program

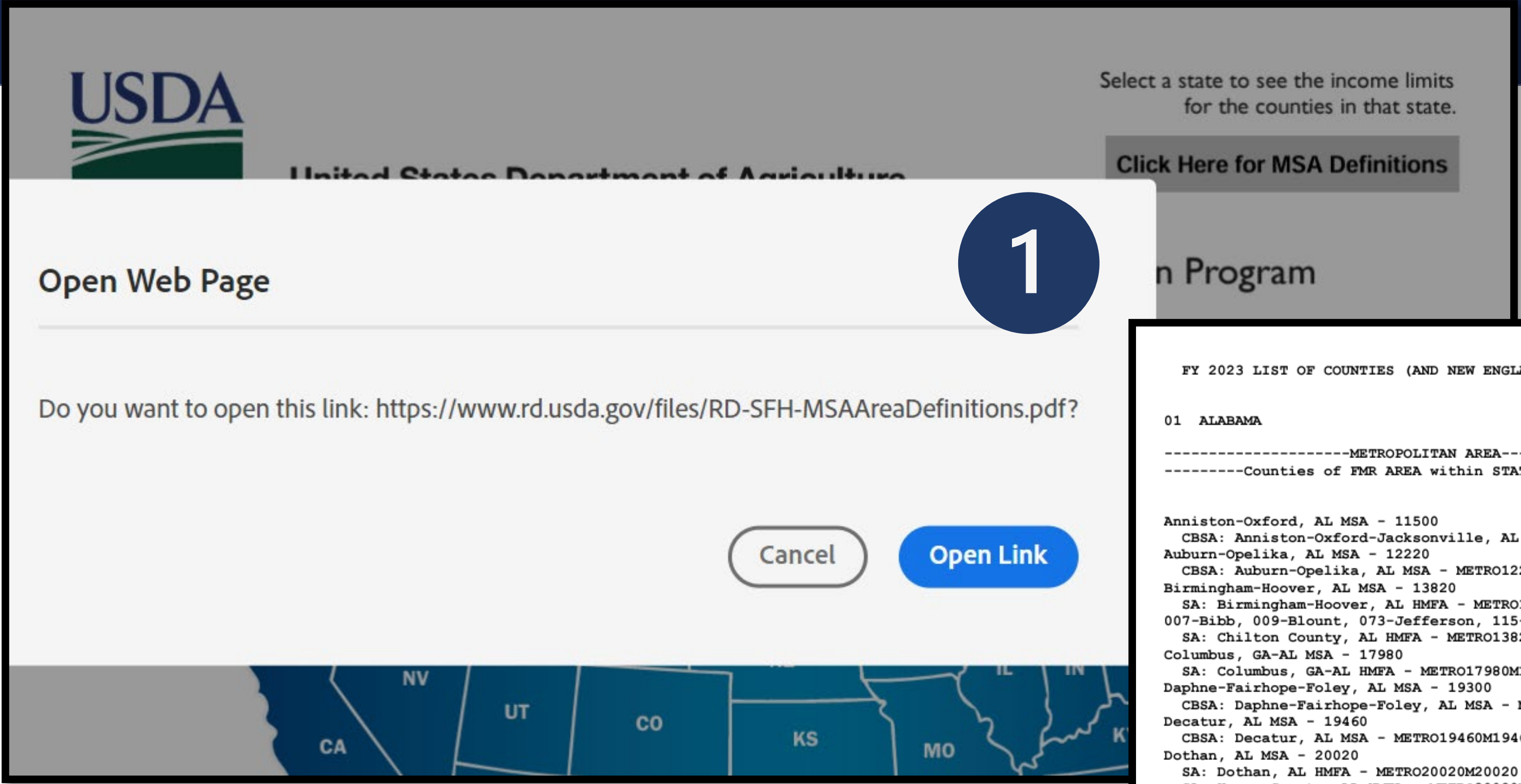


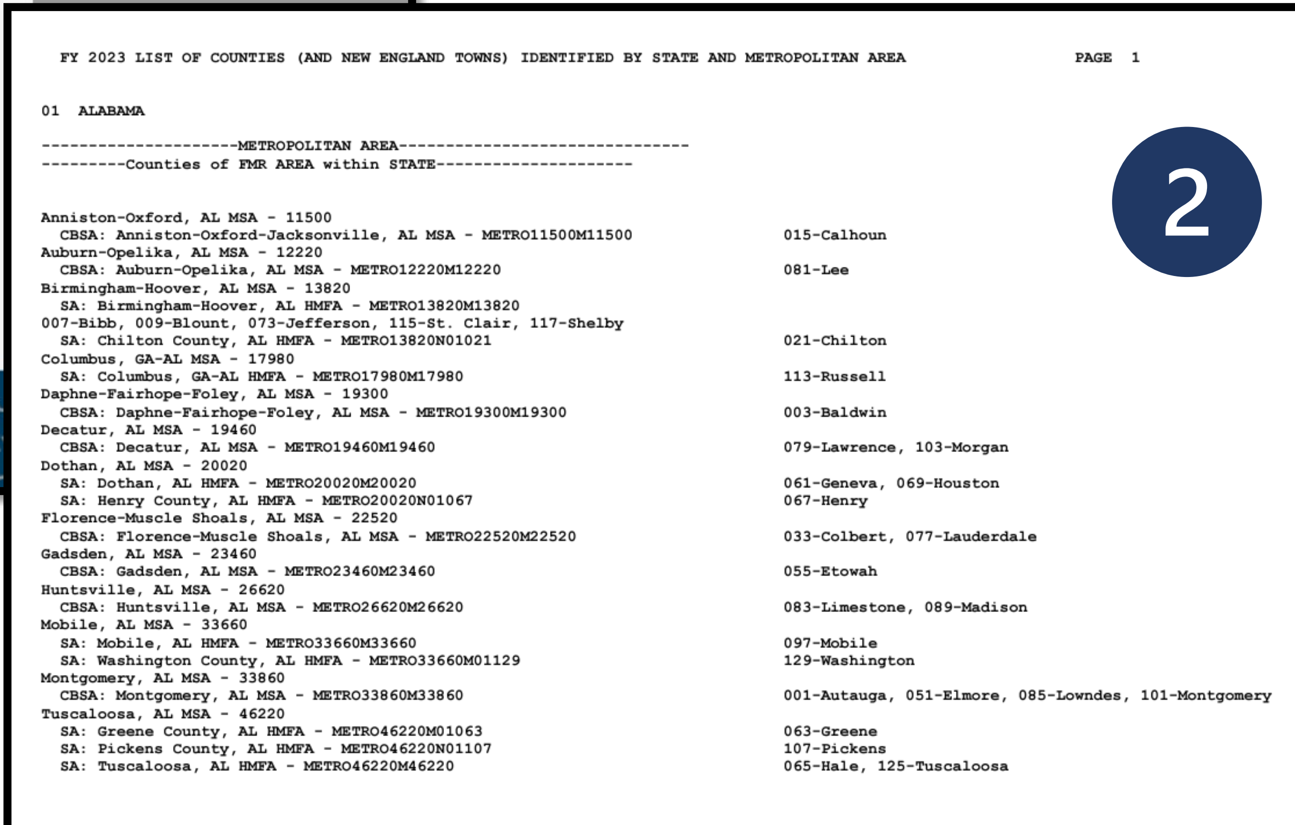
STATE:ALABAMA

--------------- FY 2023 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*
Anniston-Oxford-Jacksonville, AL MSA									
	VERY LOW INCOME	36400	36400	36400	36400	48050	48050	48050	48050
	LOW INCOME	58250	58250	58250	58250	76900	76900	76900	76900
	MOD.INC-GUAR.LOAN	110650	110650	110650	110650	146050	146050	146050	146050
Auburn-Opelika, AL MSA									
	VERY LOW INCOME	43600	43600	43600	43600	57600	57600	57600	57600
	LOW INCOME	69750	69750	69750	69750	92050	92050	92050	92050
	MOD.INC-GUAR.LOAN	110650	110650	110650	110650	146050	146050	146050	146050
Birmingham-Hoover, AL MSA									
Birmingham-Hoover, AL HUD Metro FMR Area									
	VERY LOW INCOME	44900	44900	44900	44900	59300	59300	59300	59300
	LOW INCOME	71850	71850	71850	71850	94850	94850	94850	94850
	MOD.INC-GUAR.LOAN	110650	110650	110650	110650	146050	146050	146050	146050
Chilton County, AL HUD Metro FMR Area									
	VERY LOW INCOME	33450	33450	33450	33450	44200	44200	44200	44200
	LOW INCOME	53500	53500	53500	53500	70600	70600	70600	70600
	MOD.INC-GUAR.LOAN	110650	110650	110650	110650	146050	146050	146050	146050

USDA Eligibility Site





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 FY 2023 LIST OF COUNTIES (AND NEW ENGLAND TOWNS) IDENTIFIED BY STATE AND METROPOLITAN AREA              PAGE  1

01  ALABAMA

---------------------METROPOLITAN AREA--------------------------------
---------Counties of FMR AREA within STATE---------------------

Anniston-Oxford, AL MSA - 11500
  CBSA: Anniston-Oxford-Jacksonville, AL MSA - METRO11500M11500          015-Calhoun
Auburn-Opelika, AL MSA - 12220
  CBSA: Auburn-Opelika, AL MSA - METRO12220M12220                        081-Lee
Birmingham-Hoover, AL MSA - 13820
  SA: Birmingham-Hoover, AL HMFA - METRO13820M13820
007-Bibb, 009-Blount, 073-Jefferson, 115-St. Clair, 117-Shelby
  SA: Chilton County, AL HMFA - METRO13820N01021                         021-Chilton
Columbus, GA-AL MSA - 17980
  SA: Columbus, GA-AL HMFA - METRO17980M17980                            113-Russell
Daphne-Fairhope-Foley, AL MSA - 19300
  CBSA: Daphne-Fairhope-Foley, AL MSA - METRO19300M19300                 003-Baldwin
Decatur, AL MSA - 19460
  CBSA: Decatur, AL MSA - METRO19460M19460                               079-Lawrence, 103-Morgan
Dothan, AL MSA - 20020
  SA: Dothan, AL HMFA - METRO20020M20020                                 061-Geneva, 069-Houston
  SA: Henry County, AL HMFA - METRO20020N01067                           067-Henry
Florence-Muscle Shoals, AL MSA - 22520
  CBSA: Florence-Muscle Shoals, AL MSA - METRO22520M22520                033-Colbert, 077-Lauderdale
Gadsden, AL MSA - 23460
  CBSA: Gadsden, AL MSA - METRO23460M23460                               055-Etowah
Huntsville, AL MSA - 26620
  CBSA: Huntsville, AL MSA - METRO26620M26620                            083-Limestone, 089-Madison
Mobile, AL MSA - 33660
  SA: Mobile, AL HMFA - METRO33660M33660                                 097-Mobile
  SA: Washington County, AL HMFA - METRO33660N01129                      129-Washington
Montgomery, AL MSA - 33860
  CBSA: Montgomery, AL MSA - METRO33860M33860                            001-Autauga, 051-Elmore, 085-Lowndes, 101-Montgomery
Tuscaloosa, AL MSA - 46220
  SA: Greene County, AL HMFA - METRO46220N01063                          063-Greene
  SA: Pickens County, AL HMFA - METRO46220N01107                         107-Pickens
  SA: Tuscaloosa, AL HMFA - METRO46220M46220                             065-Hale, 125-Tuscaloosa
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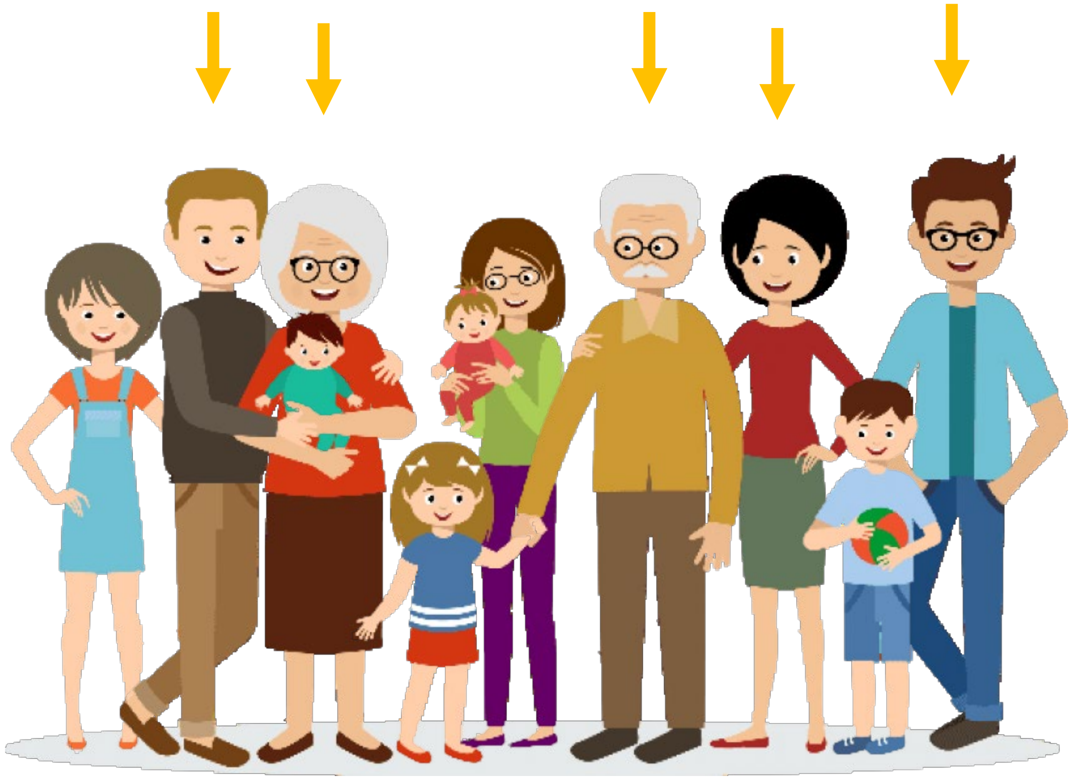
Annual Income

Annual Income – Example

Adults	Minors
Bob *(Applicant)* *(full-time employment; checking/savings - $20,000 jointly w/ Sue)*	Jenny *(part-time employment)* $0
Sue *(Co-Applicant)* *(full-time employment; checking/savings joint w/ Bob)*	Lily
Grandpa Happy *(SSI and 401k; checking & savings $70,000 jointly w/ Grandma)*	Ben
Grandma Happy *(SSI and 401k; joint checking & savings w/ Grandpa)*	Sophie
Sam *(full-time college student)* Only first $480	Twins Lucy & Lucas

The Happy Family's

Annual Income



Annual Income

Include

- Income of all adult household members, including benefits received on behalf of minors.
- The first $480 of earned income from adult full-time students who are not the applicant, co-applicant, or spouse of an applicant.
- $0 for a business loss.
- IRS transcripts required for all adult household members (except full-time students). Lender must obtain and review prior to closing.

Annual Income: Assets

Include

Assets: Include income from cumulative household non-retirement assets of $50,000 or greater.

Assets with actual earnings will use the stated rate of interest.

Assets that do not earn interest will use a current passbook savings rate.

Deduct any funds utilized for down payment, closing costs, pre-paids, etc. in the home purchase transaction PRIOR to calculating asset income.

Annual Income: Exclusions

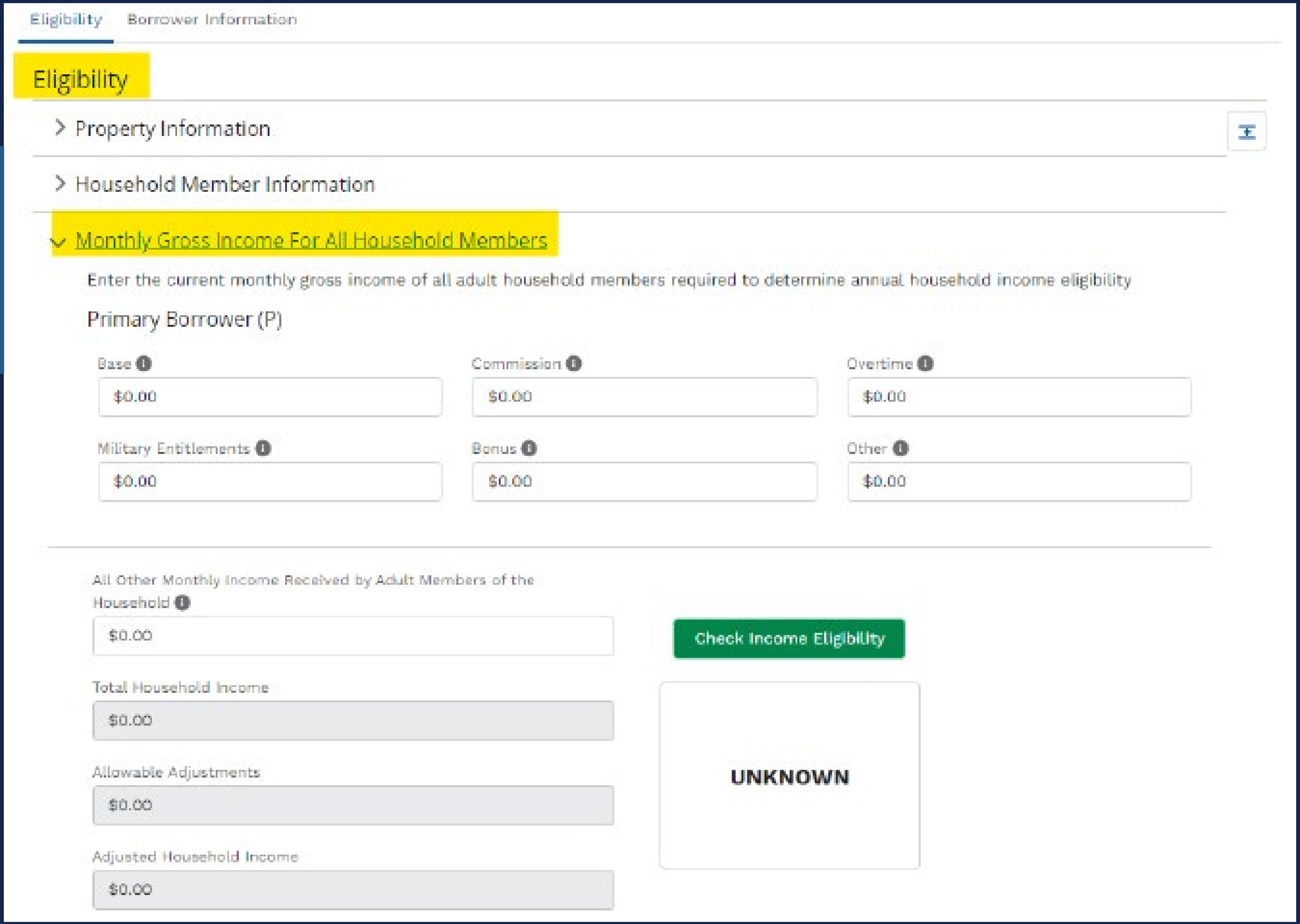
Exclude

- Lump Sum or Sporadic Payments
- Section 8 Housing Vouchers
- Student Loans
- SNAP Benefits
- Fringe Benefit Packages

Assets...Investigate

Assets and Reserves
Certificate of Deposit (CD)
Documentation: • Recent account statement (monthly, quarterly, etc.) to evidence the account balance and early withdrawal penalty, if applicable. **Reserves:** Eligible • Lenders may use the current vested balance, minus applicable fees/penalties. **Funds to Close:** Eligible
Depository Accounts: Checking, Money Market Accounts, and Savings
Documentation: • Two months of recent bank statements; or • Verification of Deposit (VOD) and a recent bank statement (official electronic printout of monthly statement is acceptable). • Investigate all recurring deposits on the account statements that are not attributed to wages or earnings to confirm the deposits are not from undisclosed income sources. There is no tolerance or percentage of the amount of a recurring deposit that is not required to be investigated. • Investigate individual (non-recurring) deposits greater than $1,000 on the account statements that are not attributed to wages or earnings to confirm the deposits are not from undisclosed income sources. • If the source of a deposit is readily identifiable on the account statement(s), such as a direct deposit from an employer, the Social Security Administration, an IRS or state income tax refund, or a transfer of funds between verified accounts, and the source of the deposit is printed on the statement, the lender does not need to obtain further explanation or documentation. However, if the source of the deposit is printed on the statement, but the lender still has questions as to the source of the deposit, the lender should obtain additional documentation. **Reserves:** Eligible • Lenders must use the ending balance as reflected on the most current bank statement, or on the verification of deposit if the date on the verification of deposit is dated after the bank statement. Lenders may also opt for a more conservative approach and use a lower figure at their discretion. Electronic printouts are not permitted, unless they are the official electronic statements provided by the banking institution. Deposited gift funds require further documentation and calculation. Refer to the "Gift Funds" section of this Attachment for further guidance. **Funds to Close:** Eligible • In addition to the documentation requirements above, electronic printouts are permitted to verify cash to close.

GUS “Eligibility”



Adjusted Annual Income

Annual Income – Allowable Deductions

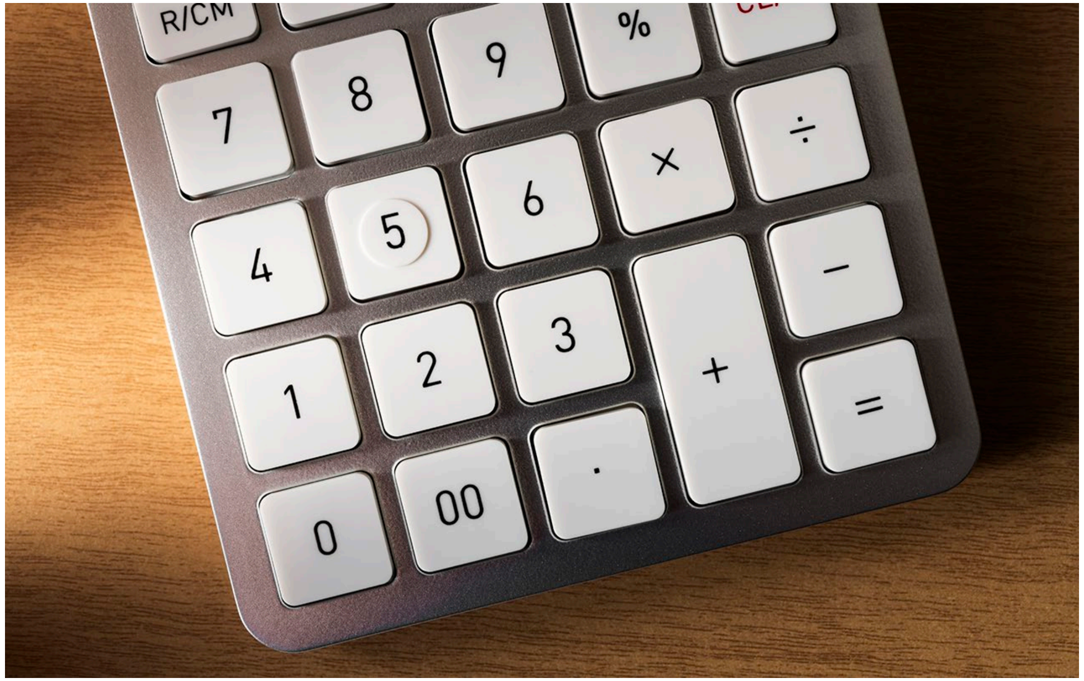
- $480 per eligible dependent (at time of application). May include when there is shared custody.
- Verified childcare expenses for children 12 & under. Anticipated for next 12 months that enables family member(s) to work, seek employment or attend school.
- Disability expenses that exceed 3% of annual income.
- $400 elderly or disabled deduction (applicant or co-applicant is 62 or older or disabled). Only one $400 deduction per household.
- Unreimbursed medical expenses for elderly or disabled households that exceed 3% of annual income.

Adjusted Annual Income: Deductions

If Income Limit is $110,650

Gross Annual Income	$114,500
3 children x $480	- $ 1,440
Subtotal	$113,060

Childcare Expenses	
$500/month x 12	- $ 6,000
Adjusted Income =	$107,060



Allowable Deductions for Disability Expenses

Loan Scenario

- Payments to a care attendant to stay with a disabled 16-year-old child allow the child's mother to go to work every day.
    - These payments are an eligible disability assistance expense.
    - The disability assistance expenses cannot exceed the employment income of the family member enabled to work.
    - NOTE: Attendant care includes, but is not limited to, expenses for home medical care, nursing services, housekeeping and errand services, interpreters for hearing-impaired, and readers for persons with visual disabilities.

Allowable Deductions for Disability Expenses

Deduction for eligible expenses that <u>exceed three percent</u> of the annual income.

Applicant/Borrower earned income:	$60,000
Co-applicant/Co-borrower income:	+$<u>30,000</u>
Total annual income:	**$90,000**
Care expenses for disabled household member	**$10,000**
Calculation:	$10,000
(3% of annual income) (90,000 x 3%)	*- <u>$2,700</u>*
Allowable disability assistance expenses	**$7,300**

Allowable Deductions for Medical Expenses

Loan Scenario

- Elderly household with an annual income of $25,000
- Anticipated medical expenses of $3,000 that are not covered by insurance or another source
  - Some anticipated expenses such as Medicare or other health insurance premiums and ongoing prescriptions can be documented easily.
  - Others need to be estimated. Use historical information about medical bills to estimate future expenses. However, the estimates should be realistic.
    - For example, if the household has a significant medical bill, the Loan Originator would count only that portion of the bill that is likely to be paid during the coming year.

Allowable Deductions for Medical Expenses

Deduction for eligible expenses that exceed three percent of the annual income.

Applicant/Borrower income:	$15,000
Co-applicant/Co-borrower income:	+$10,000
Total annual income:	**$25,000**
Total anticipated medical expenses:	**$3,000**
Calculation:	$3,000
(3% of annual income) (25,000 x 3%)	*- $750*
Allowable medical expenses	**$2,250**

Adjusted Annual Income – Example

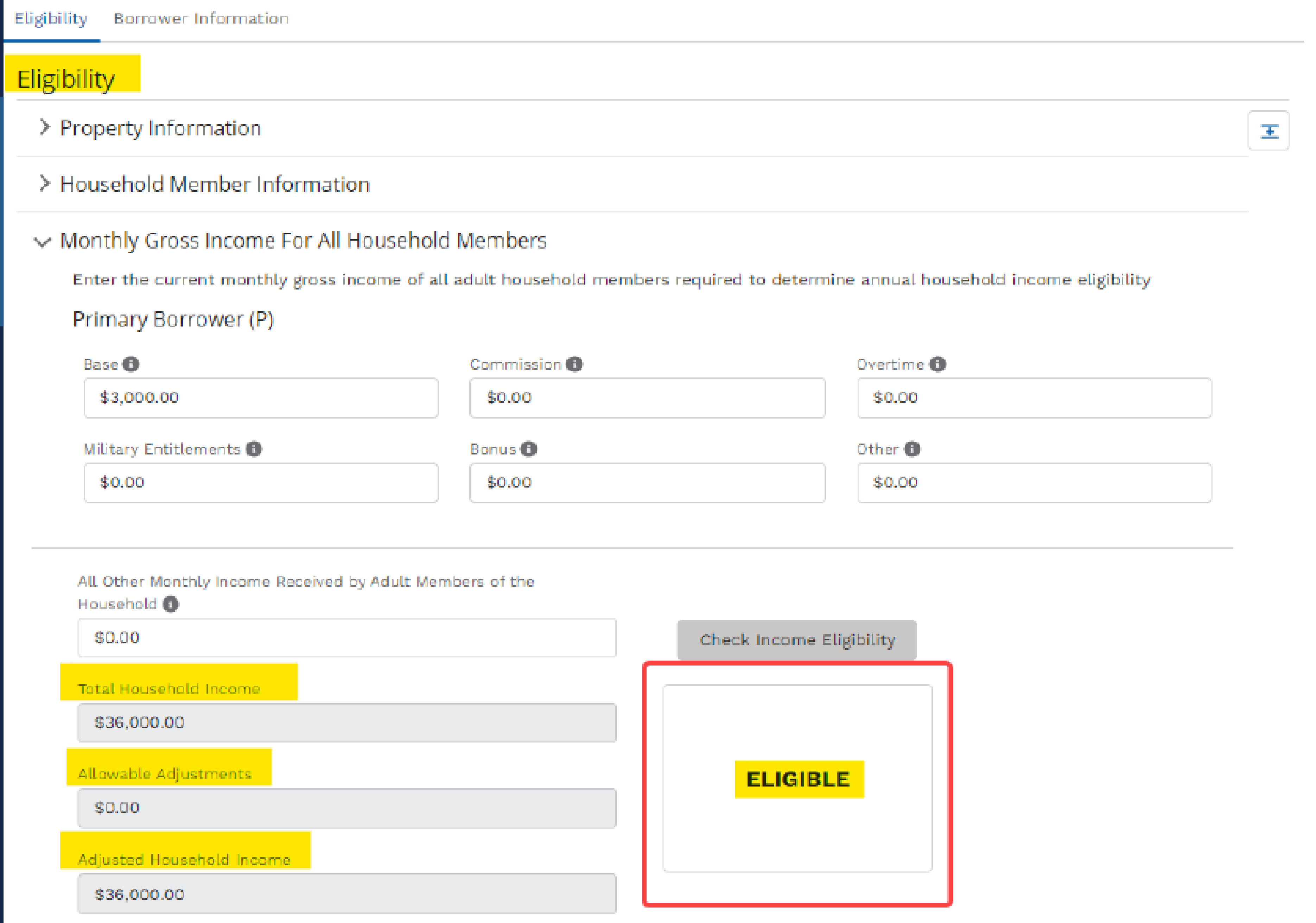
Adults	Minors
Bob *(Applicant)* *(full-time employment; $20,000 joint checking/savings)*	Jenny *(part-time employment)*
Sue *(Co-Applicant)* *(full-time employment; $20,000 joint checking/savings)*	Lily
Grandpa Happy *(SSI and 401k; $70,000 joint checking & savings)*	Ben
Grandma Happy *(SSI and 401k; $70,000 joint checking & savings)*	Sophie
Sam *(full-time college student)*	Twins Lucy & Lucas

The Happy Family's

Adjusted Annual Income

$480 x 7 = $3360
May also include verified childcare expenses
Elderly deduction does not apply

GUS “Eligibility”



Frequently Asked Questions…

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The applicant currently lives with his sister; however, she will not be moving to the home being financed. Is her income required to be included in the annual and adjusted annual income calculations if they have not been living apart for three months?

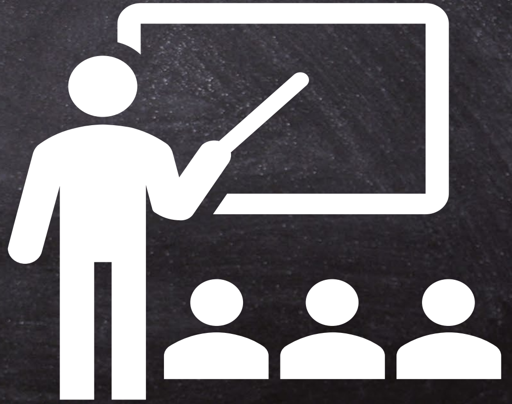
Frequently Asked Questions…

ANSWER: NO

Chapter 9, Section 9.3B states that lenders must include the income of an applicant’s spouse, unless the spouse has been living apart from the applicant for at least 3 months.

This section further states, “This guidance applies to domestic partners, significant others, and fiancés that are currently living with the applicant as a household/family unit”

If the individual does not meet this definition, such as the case of living with a sister, then the three month evidence would not be required.



Frequently Asked Questions…

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The applicant recently started a new job where the employer reimburses employees for market health insurance premiums up to $500/month. The income is non-taxable. Is this required to be included in the annual income calculation?

Frequently Asked Questions…

ANSWER: NO

Since the income is non-taxable, it is considered reimbursement, therefore not included in the annual income calculation.

Repayment Income

Repayment Income

Helpful Tips

- **Include stable and dependable income of parties to the note only**
- Co-signers are not allowed
- Use caution when wages have significantly increased or decreased (20% or greater)
- USDA does not underwrite loans!
- Lender = Underwriter   USDA = Compliance
- Evidence of historical earnings – Lenders must analyze gaps

Repayment Income – Excluded Types

Excluded Types

- Any student financial aid received by household members for tuition, fees, books, equipment, materials and transportation
- Amounts received that are specifically for or in reimbursement of the cost of medical expenses for any family member
- Temporary, nonrecurring, or sporadic income – including gifts
- Lump sum additions to family assets such as inheritances, capital gains, insurance payments and personal or property settlements
- Payments for the care of foster children or adults
- Supplemental Nutrition Assistance Program payments

Repayment Income – Required History

6 Months: Court Ordered Child Support, Separate Maintenance/Alimony

12 Months: Voluntary Child Support, Separate Maintenance/Alimony

1 Year History: Base Wages, Bonus, Commission, Employee Fringe Benefits, Military, Overtime, Part-time, Tips

2 Year History: Capital Gains, Dividends, Interest, Rental Income, Schedule K-1, Seasonal, Self-Employment, Unemployment, Expense Allowances

Ineligible: Boarder Income, Non-Occupant Borrower, Less than 3 years remaining

(See HB-1-3555, Attachment 9-A for more inclusive list)

Repayment Income – Special Considerations

Tax Exempt Income:

- Income that has been verified as tax exempt may be grossed up by 25% for Repayment Income ONLY
- Do not gross up for Annual Household Income
- No other adjustments are authorized

Self-Employed Business

- Any loss incurred from a business that is closed may be removed from consideration when a letter is provided with documentation of the following:

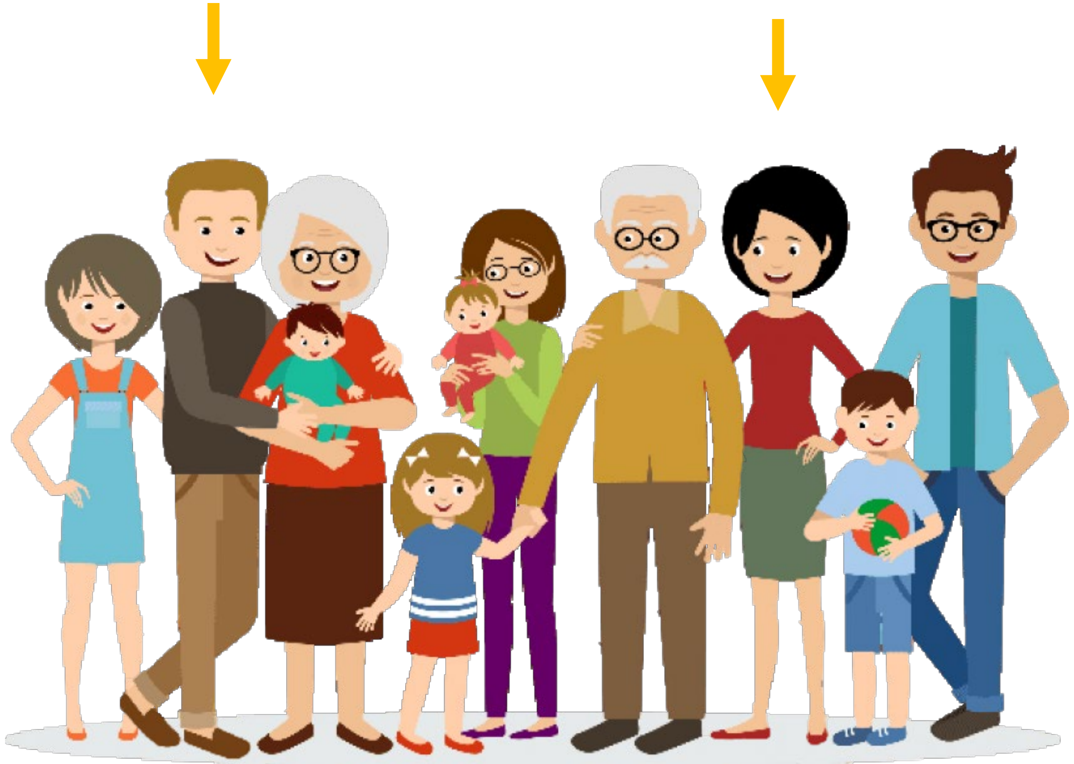
1. When the business closed
2. Why the business closed
3. How the business closed
4. Evidence to support the closure

Repayment Income – Example

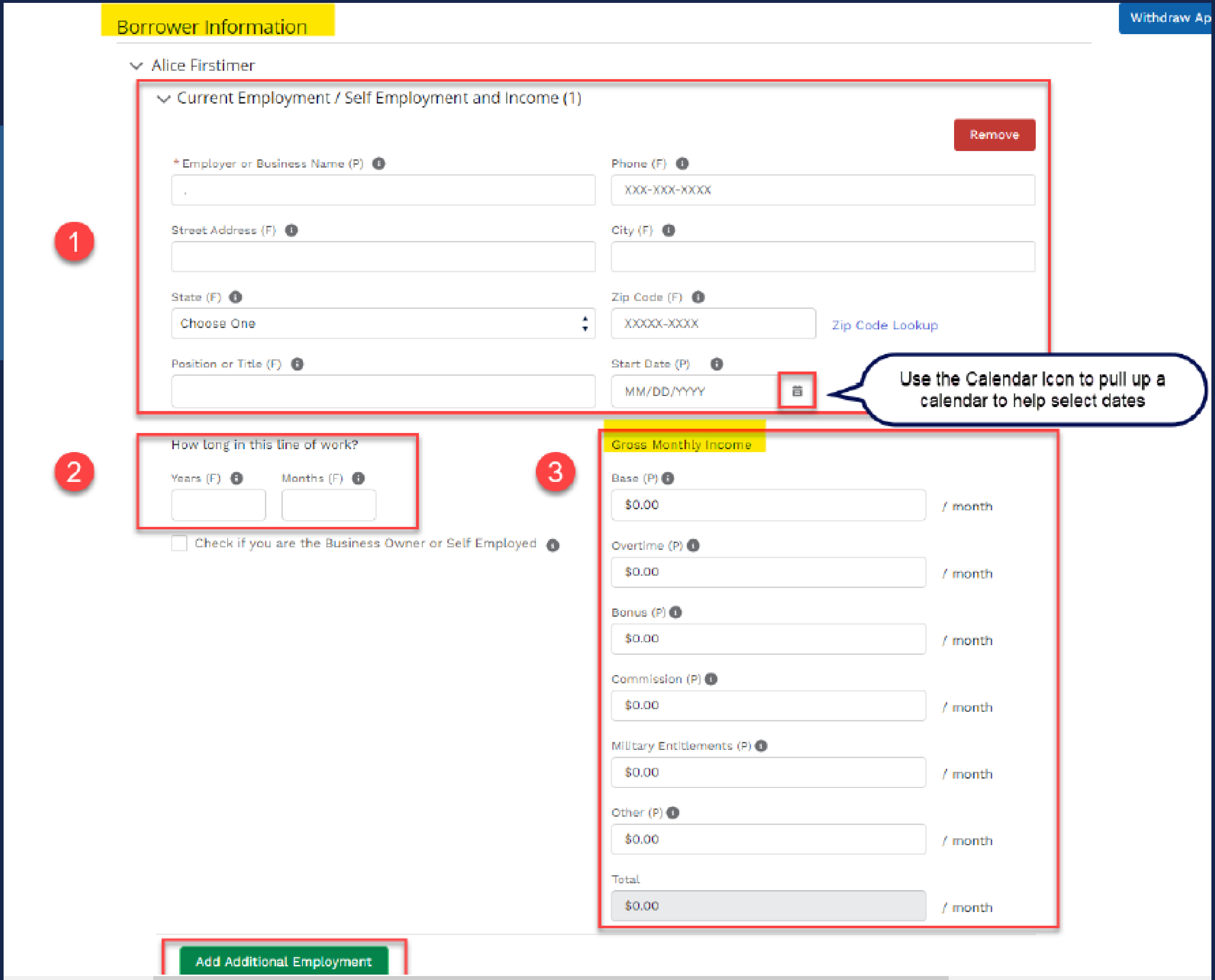
Adults	Minors
Bob *(Applicant)* *(full-time employment; $20,000 joint checking/savings)*	Jenny *(part-time employment)*
Sue *(Co-Applicant)* *(full-time employment; $20,000 joint checking/savings)*	Lily
Grandpa Happy *(SSI and 401k; $70,000 joint checking & savings)*	Ben
Grandma Happy *(SSI and 401k; $70,000 joint checking & savings)*	Sophie
Sam *(full-time college student)*	Twins Lucy & Lucas

The Happy Family's

Repayment Income



GUS "Borrower Information"



Review Attachment 9-A

https://www.rd.usda.gov/files/3555-1chapter09.pdf

Refer to applicable column.

GUS does not determine stable and dependable income. The underwriter does.

Incorrect data entries will render the underwriting recommendation as invalid.

Retain all documentation in the permanent loan file.

Income and Documentation Matrix

Income guidance: 7 CFR 3555, Sections 3555.152(a) and (b)

This matrix cannot cover every income/asset type, employment scenario, etc. USDA requires approved lenders to use sound judgment to make an accurate and dependable analysis of income per 7 CFR 3555.152. Exclusions may apply under 7 CFR 3555.152(b)(5) and Attachment 9-D.

Considerations for Income Calculations

- Lenders must verify the income for each adult household member for the previous 2 years.
- Annual and adjusted annual income calculations must include all eligible income sources from all adult household members, not just parties to the loan note.
- Annual income is calculated for the ensuing 12 months, based on income verifications, documentation, and household composition.
- Include only the first $480 of earned income from adult full-time students who are not the applicants, or a spouse of an applicants in annual and adjusted annual income.
- Income from assets that meet the criteria of Section 9.4 must be included in annual and adjusted annual income.
- Repayment income calculations include the income sources of the applicants who will be parties to the note that meet the minimum required history identified in this matrix <u>and</u> have been determined to be stable and dependable income by the approved lender.
- Income used in repayment income calculations must be confirmed to continue a minimum of three years into the mortgage.
- If the income is tax exempt, it may be grossed up 25 percent for repayment income.
- "Documentation Source Options" lists eligible documentation. Every item listed is not required unless otherwise stated. Lenders must obtain and maintain documentation in the loan file supporting the lender's income calculations.

Income Type	Annual Income	Repayment Income
Adoption Assistance or Subsidy	If the income will be received in the ensuing 12 months, include the first $480 of adoption income or subsidy assistance for each grantee.	**Required History:** None, the income must be received at the time of submission to the Agency. Lenders must document: ○ The applicants are currently receiving the income; and ○ The amount of the income received each month. Benefits that do not include expiration dates on the documentation will be presumed to continue.

Documentation Source Options:

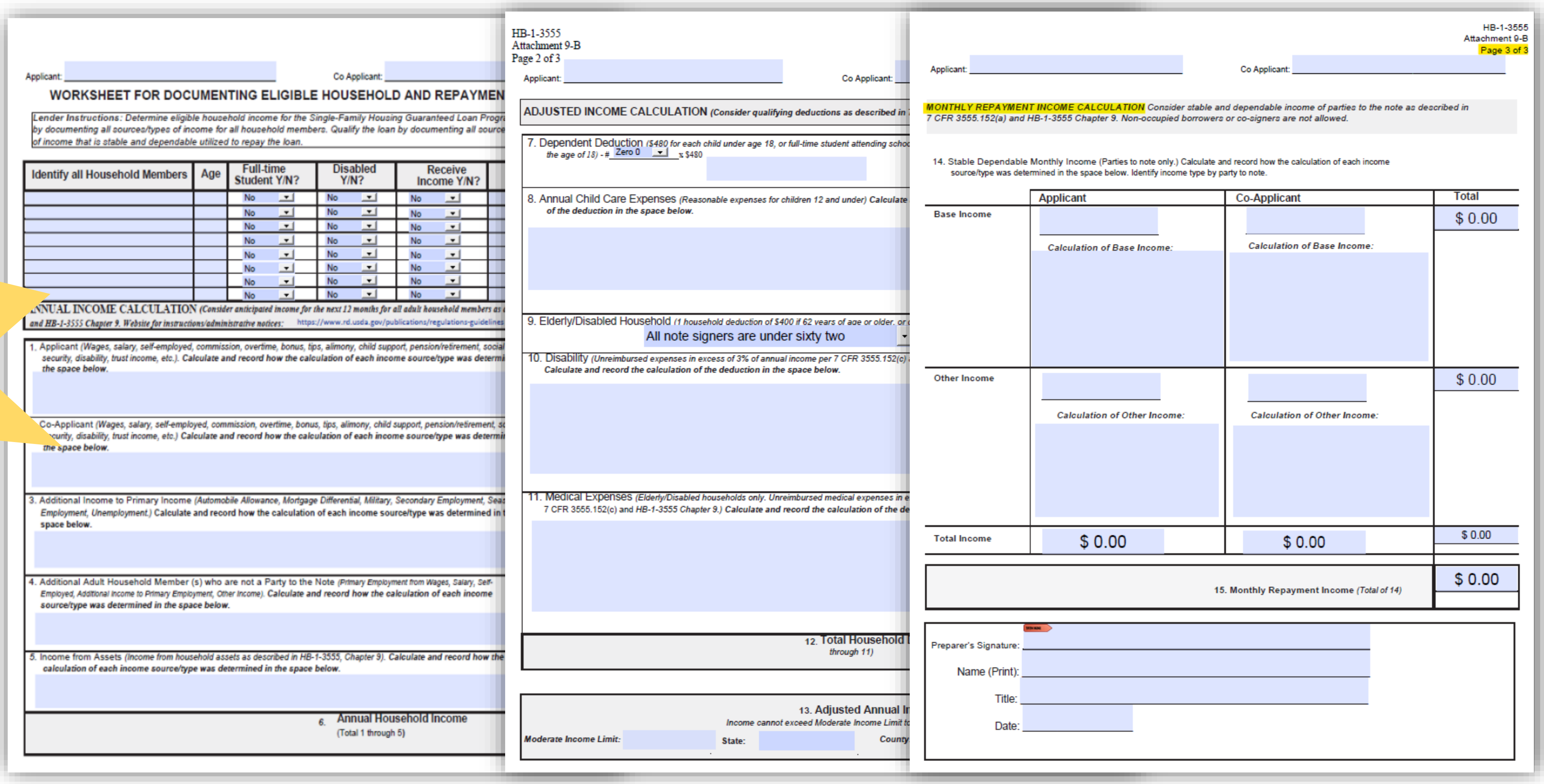
- Benefit/Award letter to document the amount and duration of payments.
- Online payment schedule from the Agency, bank statements, etc.
- Federal income tax returns or IRS tax transcripts with all schedules.

Income Documentation – Attachment 9-B

Attachment 9-B =

Not Required!

But a very helpful tool!



Frequently Asked Questions…

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The applicant is employed by a manufacturing plant that shuts down each year in July for cleaning and maintenance. Employees are “laid off” for the month and return in August.

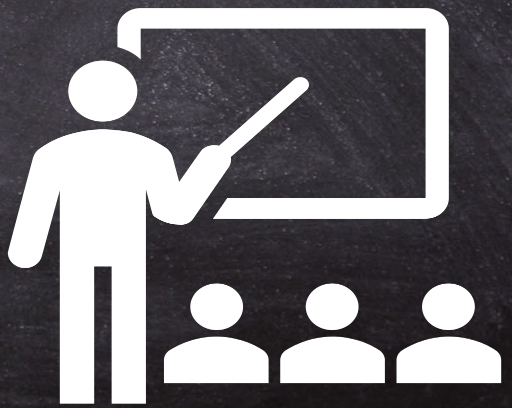
Would we consider this seasonal employment and require a 2-year history or regular base wages?

Frequently Asked Questions…

ANSWER: Regular Base Wages

Although Rural Development guidelines do not define a set period of time to be considered seasonal employment, a one-month layoff would generally not be considered a seasonal employment.

In this case the layoff is for cleaning and maintenance, not the seasonality of the line of work.



Frequently Asked Questions…

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The applicant received SSI income on behalf of their minor 16-year old son. It is expected to end once the minor child turns 18. I have included this amount in the annual income calculation.

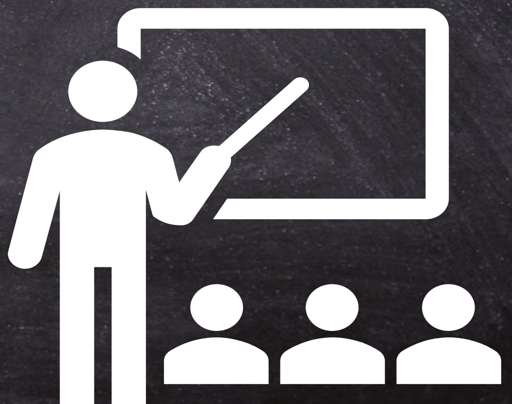
May I also include in the repayment income?

Frequently Asked Questions…

ANSWER: No

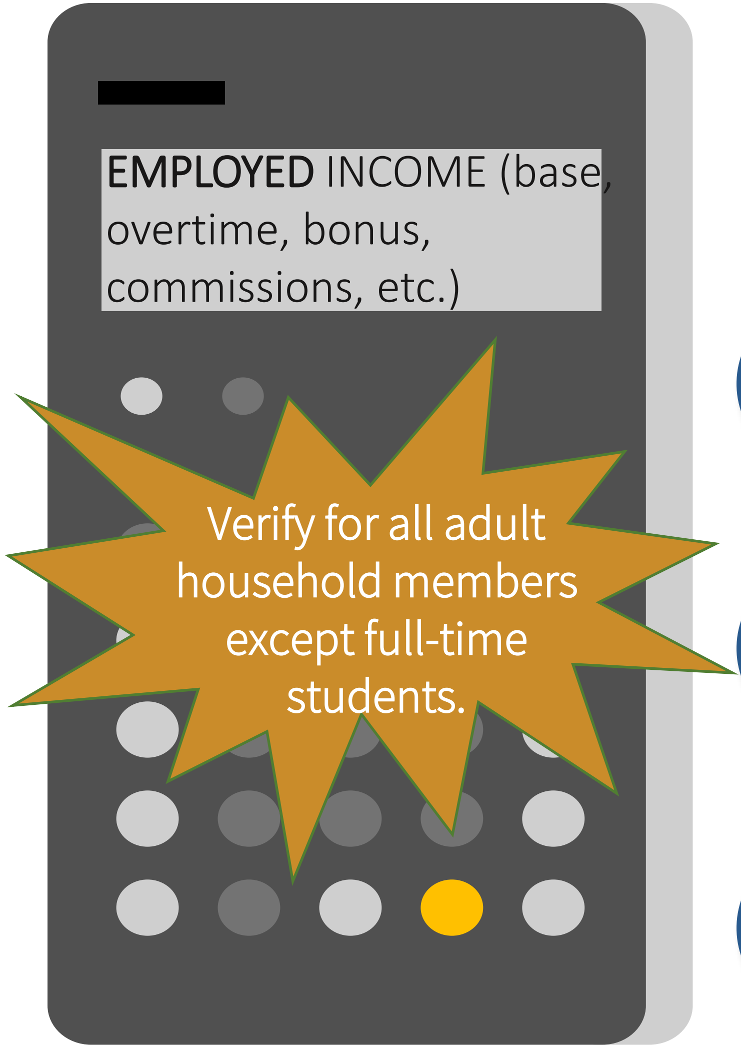
Benefits that do not include an expiration date and are expected to be received for at least three years into the mortgage may be considered.

However, benefits that are received by applicants on behalf of minors (such as funds that are intended for their support) may be utilized for repayment income only if they are expected to be received for at least three years into the mortgage.



Income Verification Requirements

Income Verification Requirements



Alternative Income Documentation

- 1 recent paystub with YTD figure
- Written VOE (may be electronically generated)
- Verbal VOE (must be obtained within 10 business days of closing)

Full Documentation

- Paystubs covering the most recent four weeks of earnings
- W-2's for the most recent two tax years
- Verbal VOE (must be obtained within 10 business days of closing)

Income Verification Requirements

SELF- EMPLOYED
INCOME

2-years of signed individual <u>and</u> business tax returns with all schedules plus a recent profit and loss statement (not required to be audited)

<u>OR</u>

IRS transcripts with all schedules plus a recent profit and loss statement (not required to be audited)

Trend analysis for the applicant's business (Recommend use of Fannie Mae Form 1084, "Cash Flow Analysis" and Fannie Mae Form 1088, "Comparative Income Analysis")

Confirmation the business is operational within 30 days of loan closing

IRS Transcripts

- Required for all required household members.
- Full time students age 18 and up that are not the applicant, co-applicant, or spouse of an applicant are not required to sign the 4506-T/4506-C or have transcripts provided.
- Transcripts provide a quality control measure to ensure all income and asset earnings reported to the IRS have been disclosed to the lender.
- Lenders must obtain and review the transcripts prior to loan closing and retain them in their permanent loan file.
- Previously unknown/undisclosed income or asset sources that are identified by the transcripts will require additional review by the lender and may render a loan file ineligible.

Income worksheet was removed from the 3555-21 but calculations are still required

Lender must document and retain income calculations for all adult household members

Do not submit to USDA for GUS “Accept” loans

Attachment 9-B, Underwriting Transmittal Summary, or Similar Form

HB-1-3555
Attachment 9-B
Page 1 of 3

Applicant: ______________________ Co Applicant: ______________________

WORKSHEET FOR DOCUMENTING ELIGIBLE HOUSEHOLD AND REPAYMENT INCOME

Lender Instructions: Determine eligible household income for the Single-Family Housing Guaranteed Loan Program (SFHGLP) by documenting all sources/types of income for all household members. Qualify the loan by documenting all sources/types of income that is stable and dependable, utilized to repay the loan.

Identify all Household Members	Age	Full-time Student Y/N?	Disabled Y/N?	Receive Income Y/N?	Source of Income

ANNUAL INCOME CALCULATION ***(Consider anticipated income for the next 12 months for all adult household members as described in 7 CFR 3555.152(b) and HB-1-3555, Chapter 9. Website for instructions: https://www.rd.usda.gov/resources/directives)***

1. Applicant *(Wages, salary, self-employed, commission, overtime, bonus, tips, alimony, child support, pension/retirement, social security, disability, trust income, etc.).* ***Calculate and record how the calculation of each income source/type was determined in the space below.***	
2. Co-Applicant *(Wages, salary, self-employed, commission, overtime, bonus, tips, alimony, child support, pension/retirement, social security, disability, trust income, etc.)* ***Calculate and record how the calculation of each income source/type was determined in the space below.***	
3. Additional Income to Primary Income *(Automobile Allowance, Mortgage Differential, Military, Secondary Employment, Seasonal Employment, Unemployment, etc.).* ***Calculate and record how the calculation of each income source/type was determined in the space below.***	
4. Additional Adult Household Member (s) who are not a party to the note *(Primary Employment from Wages, Salary, Self- Employed, Additional Income to Primary Employment, Other Income, etc.).* ***Calculate and record how the calculation of each income source/type was determined in the space below.***	
5. Income from Assets *(Income from household assets as described in HB-1-3555, Chapter 9).* ***Calculate and record how the calculation of each income source/type was determined in the space below.***	
6. **Annual Household Income** (Total 1 through 5)	

(03-09-16) SPECIAL PN
Revised (01-09-23) PN 573

Show Me the Math!

Annual Income based on Hourly Rate at 40hr/week + YTD OT Average

Annual Income: $32.50 x 40 hrs = $1,300 x 52 = $67,600
YTD OT 7,500/5.4 mos = $1,388.88 x 12 = $16,666.67 + hourly $67,600 = $84,266.67

Applicant: ______________________ Co Applicant: ______________________

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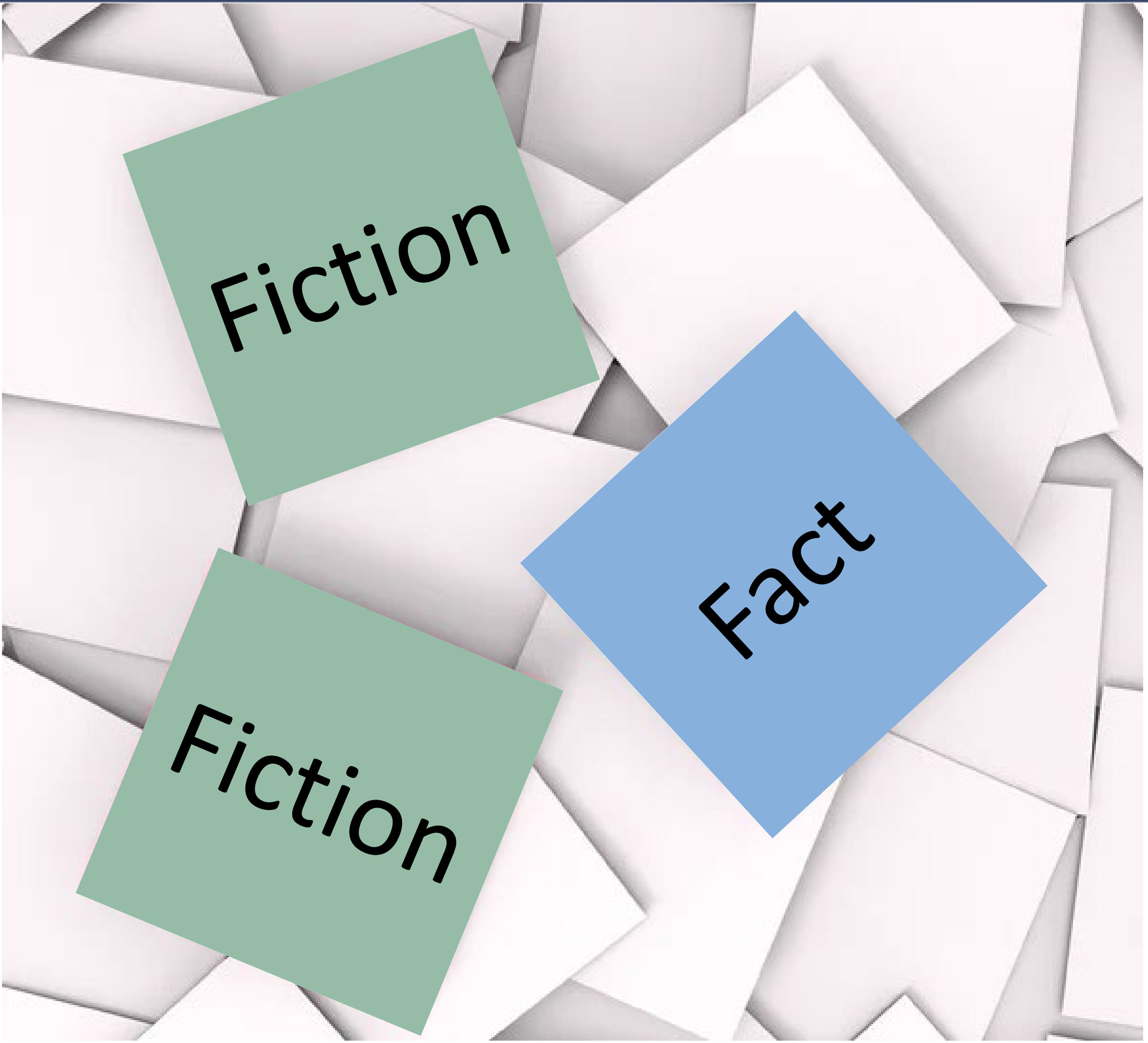
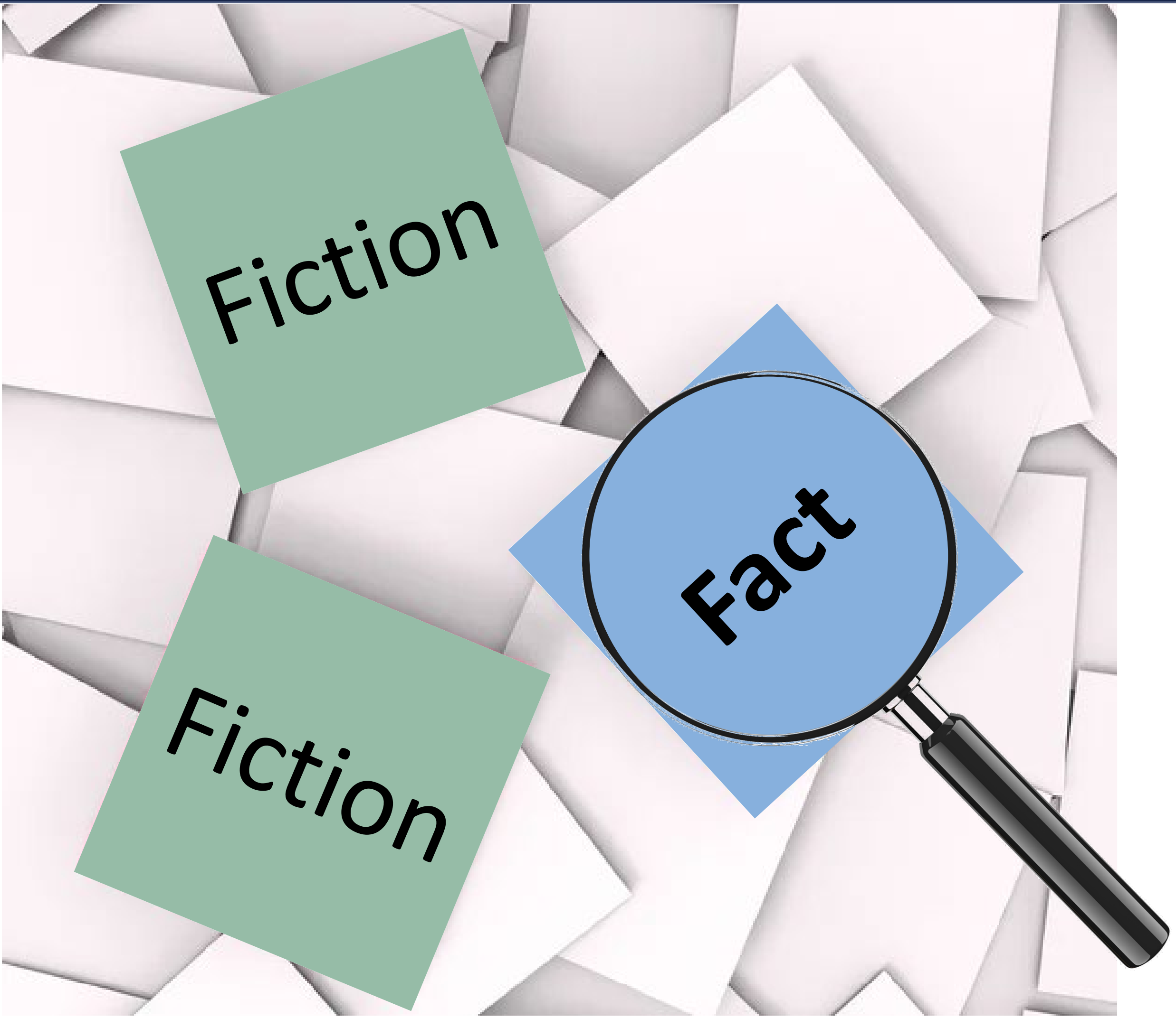
Assets

FACT OR FICTION



If an applicant does not need funds to close, assets must still be verified?

FACT OR FICTION



- Assets must be verified whether they are required for funds to close or not
- Assets may affect income eligibility (Chapter 9) and applicant eligibility (Chapter 8)

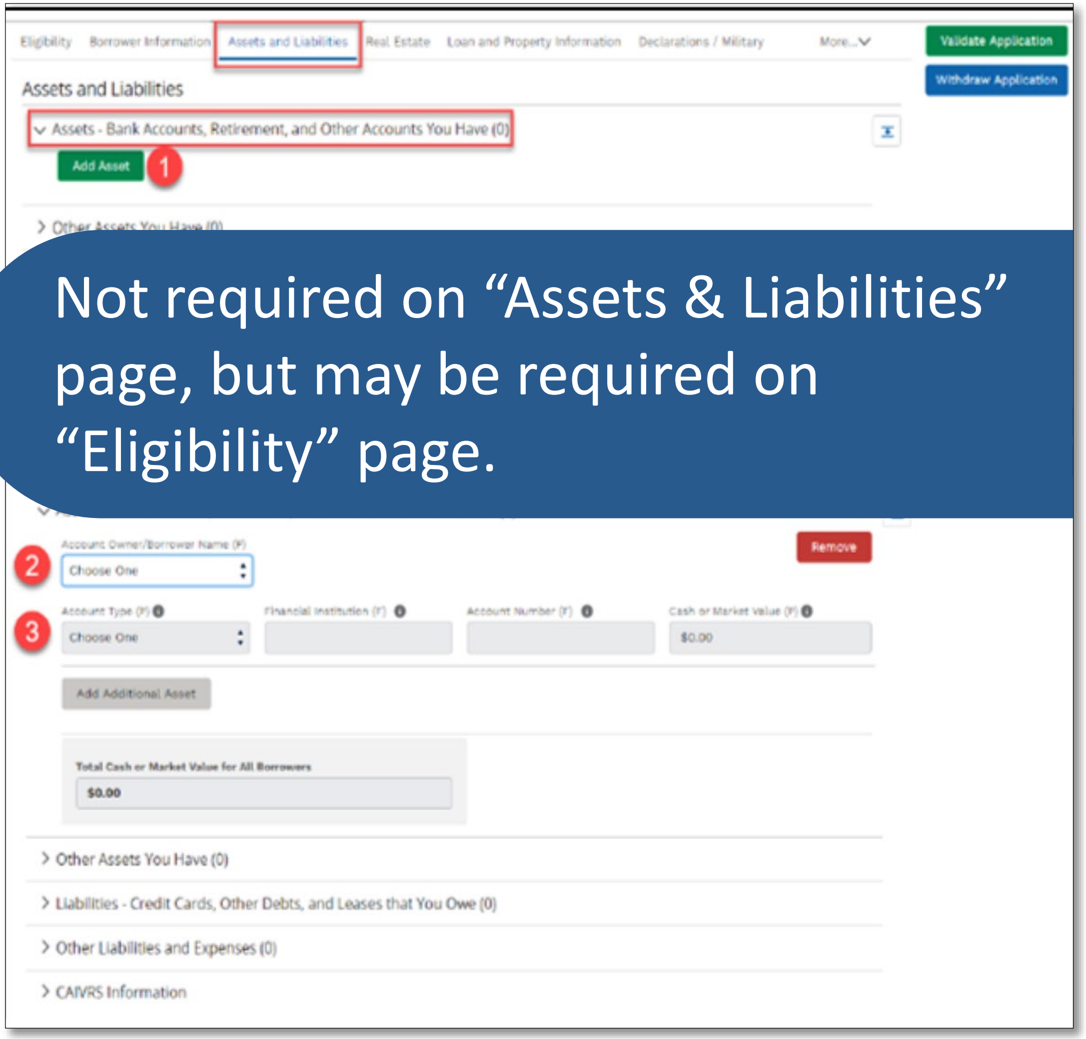
Asset Tips

Remember

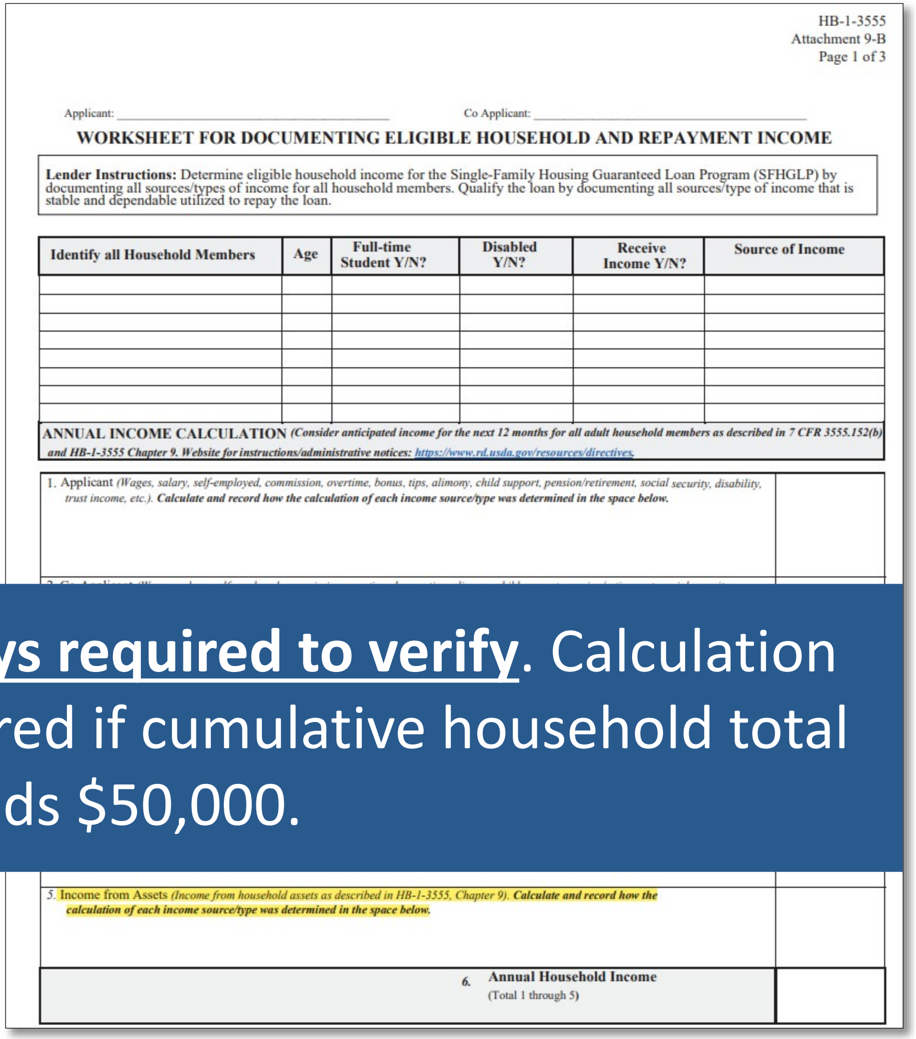
- Income from eligible assets may be required to be included in annual income
- Assets are considered a compensating factor which do impact underwriting recommendations in GUS
- Lenders will determine if assets are to be included in the underwriting analysis

Asset Verification

You may not have to enter them…but you have to verify them!



Not required on "Assets & Liabilities" page, but may be required on "Eligibility" page.



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Attachment 9-B
Page 1 of 3

Applicant: ______________ Co Applicant: ______________

WORKSHEET FOR DOCUMENTING ELIGIBLE HOUSEHOLD AND REPAYMENT INCOME

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ANNUAL INCOME CALCULATION *(Consider anticipated income for the next 12 months for all adult household members as described in 7 CFR 3555.152(b) and HB-1-3555 Chapter 9. Website for instructions/administrative notices: https://www.rd.usda.gov/resources/directives.*

1. Applicant *(Wages, salary, self-employed, commission, overtime, bonus, tips, alimony, child support, pension/retirement, social security, disability, trust income, etc.). Calculate and record how the calculation of each income source/type was determined in the space below.*

5. Income from Assets *(Income from household assets as described in HB-1-3555, Chapter 9). Calculate and record how the calculation of each income source/type was determined in the space below.*

6. Annual Household Income (Total 1 through 5)

<u>Always required to verify</u>. Calculation required if cumulative household total exceeds $50,000.

Asset Inflation

Accuracy matters!

- Invalid GUS underwriting recommendations
- Invalid compensating factors
- Inaccurate annual income calculation
- Potential fraud

Assets...Which do I use?

December Ending Balance: $4,354.53

January Current Balance: $4,534.32

Use this amount

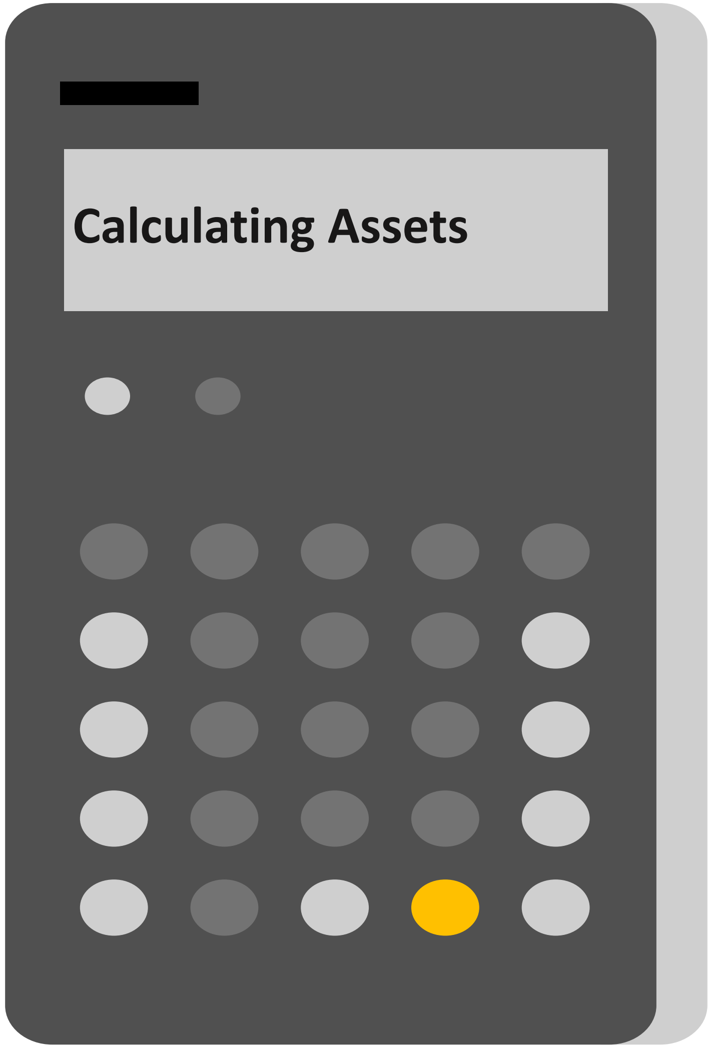
Income: Calculating Assets

Example: Calculating Income from Assets

- **Checking account (non-interest bearing):** $17,000
- **Savings account (.25% interest):** $24,000
- **Certificate of Deposit (3% interest):** $15,000

Total Assets: $56,000 *less* $5,000 from checking used to purchase the home

Remaining Assets = $51,000



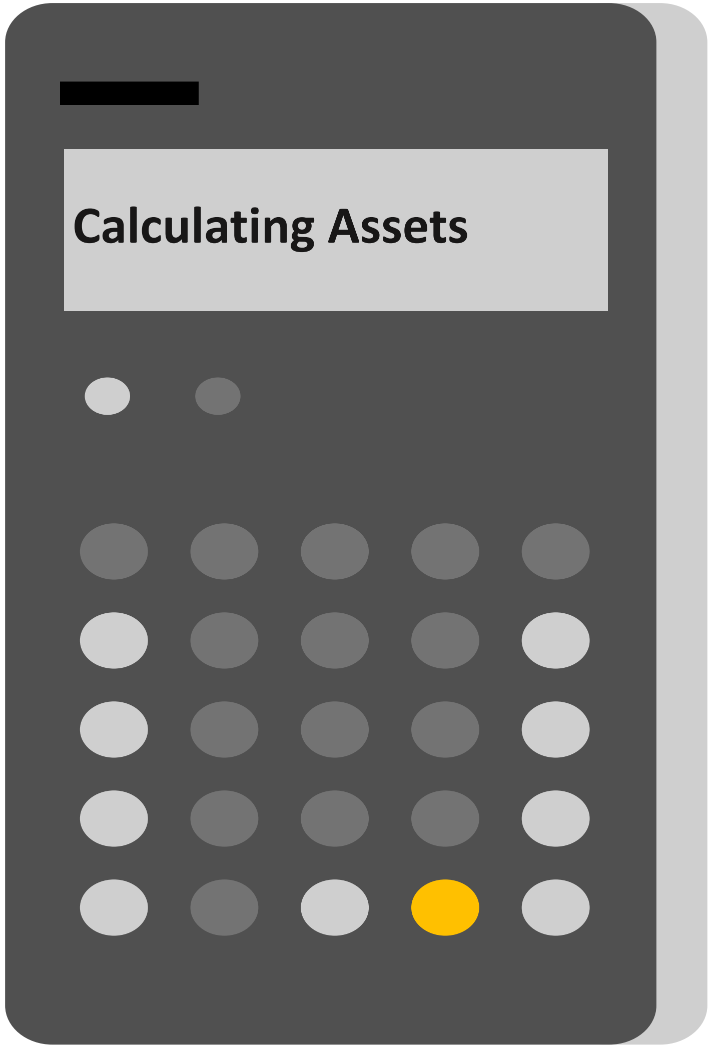
Income: Calculating Assets

Example (continued): Calculating Income from Assets

- Checking: $17,000 - $5,000 = $12,000 x .25% = $30
- Savings: $25,000 x .25% = $62.50
- CD: $15,000 x 3% = $450

Asset Calculation: 30 + 62.50 + 450 = $542.50

Include $542.50 in annual income calculation



Gift funds

Acceptable Documentation

- Evidence of the applicant’s deposit
- A copy of the donor’s funds by check/electronic transfer to closing agent; or
- A copy of the closing Disclosure showing receipt of the donor’s funds

Frequently Asked Questions…

?

The applicant has a joint savings account with her mother. She indicates it is her mother's account and she is only on the account for emergency purposes.

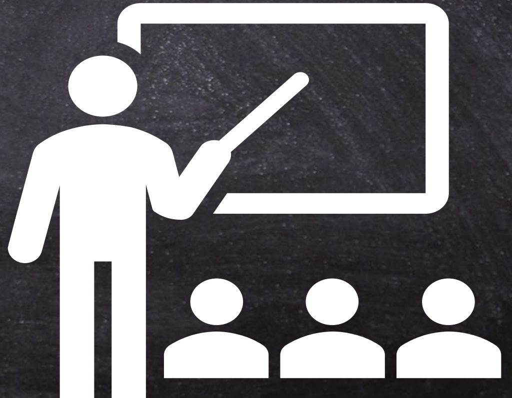
Do we have to verify and consider the account since it is really the mother's account?

Frequently Asked Questions…

ANSWER: Yes

Although the funds may be intended for the mother, if the funds are in the applicant’s name, including a joint account, with the applicant having access to the funds then those assets would be considered personal assets of the applicant.

The account would need to be verified and considered in accordance with Chapter 9 as well as considered in the review of the conventional credit test as outlined in Chapter 8.



Frequently Asked Questions…

The lender can consider up to what percent of the vested amount of a retirement account for reserves?

1. 40%
2. 60%
3. 0%

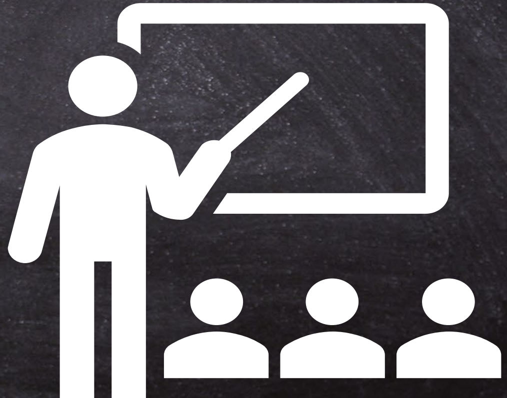
Frequently Asked Questions…

ANSWER: 60%

The lender can consider up to 60% of the vested amount of the retirement account as reserves.

Any funds borrowed from these accounts, such as a 401K loan, are not considered cash reserves.

Retirement accounts that restrict withdraws to circumstances involving the applicant's employment separation, retirement, or death should not be considered as a cash reserve.



Frequently Asked Questions…

?

Proceeds from the sale of a home can be considered for reserves?

True or False?

Frequently Asked Questions…

ANSWER: TRUE

Verified sales proceeds can be considered reserves.

Documentation to verify sale proceeds includes the closing disclosure, or acceptable alternative, and verification of where the proceeds are held and their availability to the applicant.

Lenders should include the amount as an “Other Asset” labeled as “Proceeds from Real Estate Property to be sold on or before closing” to ensure GUS recognizes the inclusion in case reserves.

Handbook Updates

HB-1-3555, Chapter 8 Update - SAVE

SFH Guaranteed Origination

March 26, 2024

REMINDER: Guaranteed Underwriting System (GUS) to Retire Systematic Alien Verification for Entitlements (SAVE) Interface

On Monday, April 1, 2024, the Guaranteed Underwriting System (GUS) will retire its current integration with the Systematic Alien Verification for Entitlements (SAVE) system. Lenders will no longer be prompted to enter data into the "Immigration/Naturalization Check" section of the GUS Additional Data page for non-U.S. citizen applicants. Existing/historical data completed in this section, prior to the implementation, will remain available in read-only format.

The GUS Underwriting Findings Report will trigger a new message following a successful preliminary/final underwriting submission (that includes a non-U.S. citizen applicant) which reads:

"70013 – Immigration Status: Borrower [Doe, John] is not a US citizen. Documentation verifying the borrower has acceptable immigration status, as described in Chapter 8, Section 8.2F of HB-1-3555, must be maintained in the lender's permanent loan file."

Applicants are required to have a valid social security number and evidence of continued residency and income. The approved lender remains responsible for collecting all necessary documents needed to validate eligibility. By submitting the request for a Conditional Commitment to the Agency, the lender represents and warrants that the applicant is legally present in the United States and meets the eligibility requirements of the Single-Family Housing Guaranteed Loan Program.

Acceptable Citizenship or Immigration Status

NEW!!

"SAVE" Changes

Requirement Checks

New Construction Dwellings: USDA new construction requirements and documentation are met. (P)

Choose One

Existing Dwellings: Current minimum property requirements (MPR) of HUD Handbook 4000.1 are met. (P)

Yes

Additional Borrower Information

Borrower's Name

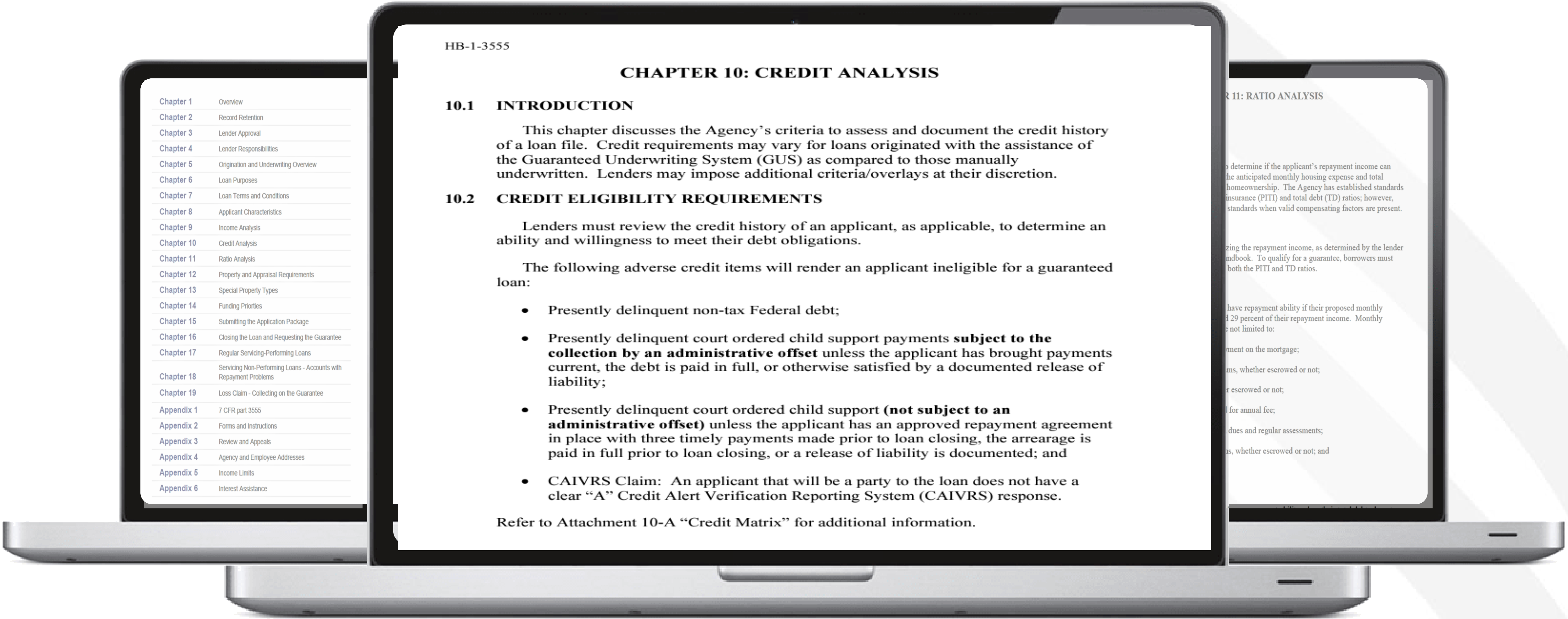
Do you have a relationship with any Rural Development employee? (P)

Yes No

Immigration/Naturalization Check

(The automated Immigration/Naturalization verification is no longer available. Approved USDA lenders are required to secure/document a non-U.S. citizen's legal residency, outside of the Guaranteed Underwriting System, and retain this documentation in their permanent casefile. This verification must occur prior to a final submission. Current information pertaining to acceptable citizenship or immigration status is available in Chapter 8 of Handbook-1-3555.)

HB-1-3555, Chapter 10 Update



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CHAPTER 10: CREDIT ANALYSIS

10.1 INTRODUCTION

This chapter discusses the Agency's criteria to assess and document the credit history of a loan file. Credit requirements may vary for loans originated with the assistance of the Guaranteed Underwriting System (GUS) as compared to those manually underwritten. Lenders may impose additional criteria/overlays at their discretion.

10.2 CREDIT ELIGIBILITY REQUIREMENTS

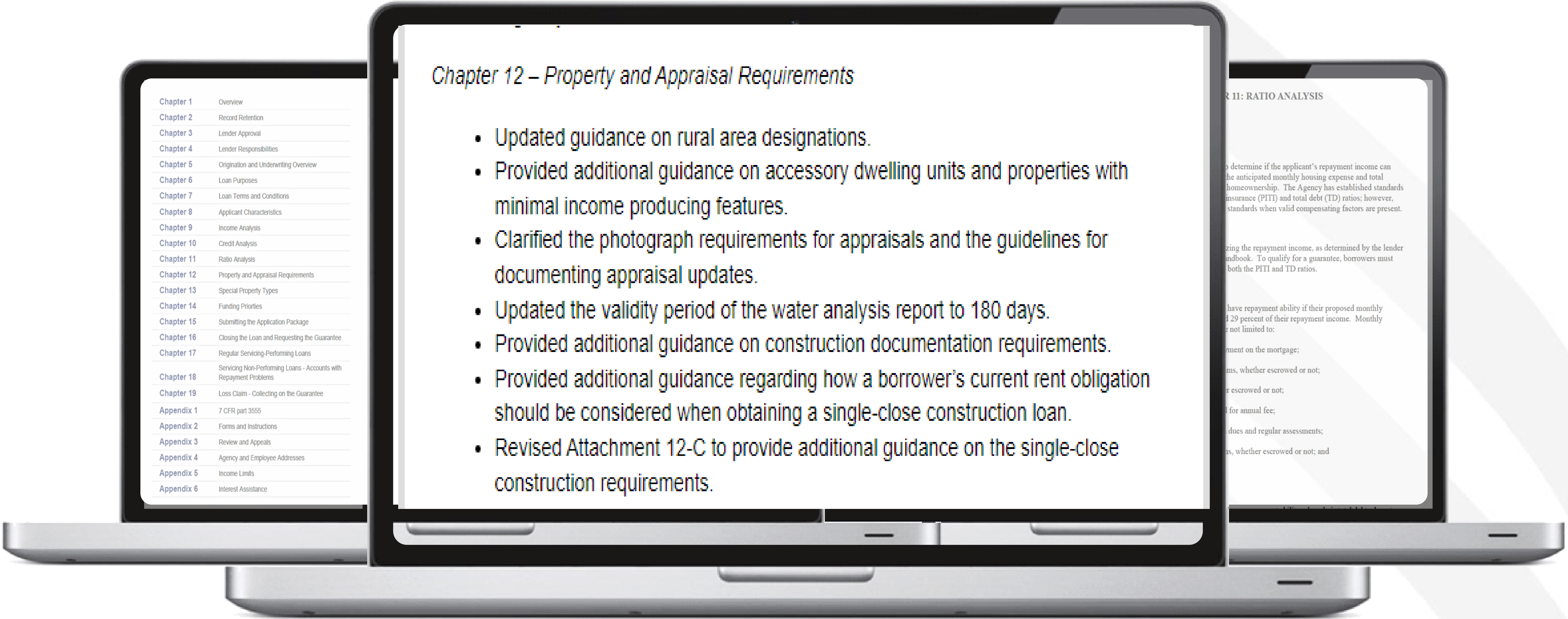
Lenders must review the credit history of an applicant, as applicable, to determine an ability and willingness to meet their debt obligations.

The following adverse credit items will render an applicant ineligible for a guaranteed loan:

- Presently delinquent non-tax Federal debt;
- Presently delinquent court ordered child support payments **subject to the collection by an administrative offset** unless the applicant has brought payments current, the debt is paid in full, or otherwise satisfied by a documented release of liability;
- Presently delinquent court ordered child support **(not subject to an administrative offset)** unless the applicant has an approved repayment agreement in place with three timely payments made prior to loan closing, the arrearage is paid in full prior to loan closing, or a release of liability is documented; and
- CAIVRS Claim: An applicant that will be a party to the loan does not have a clear "A" Credit Alert Verification Reporting System (CAIVRS) response.

Refer to Attachment 10-A "Credit Matrix" for additional information.

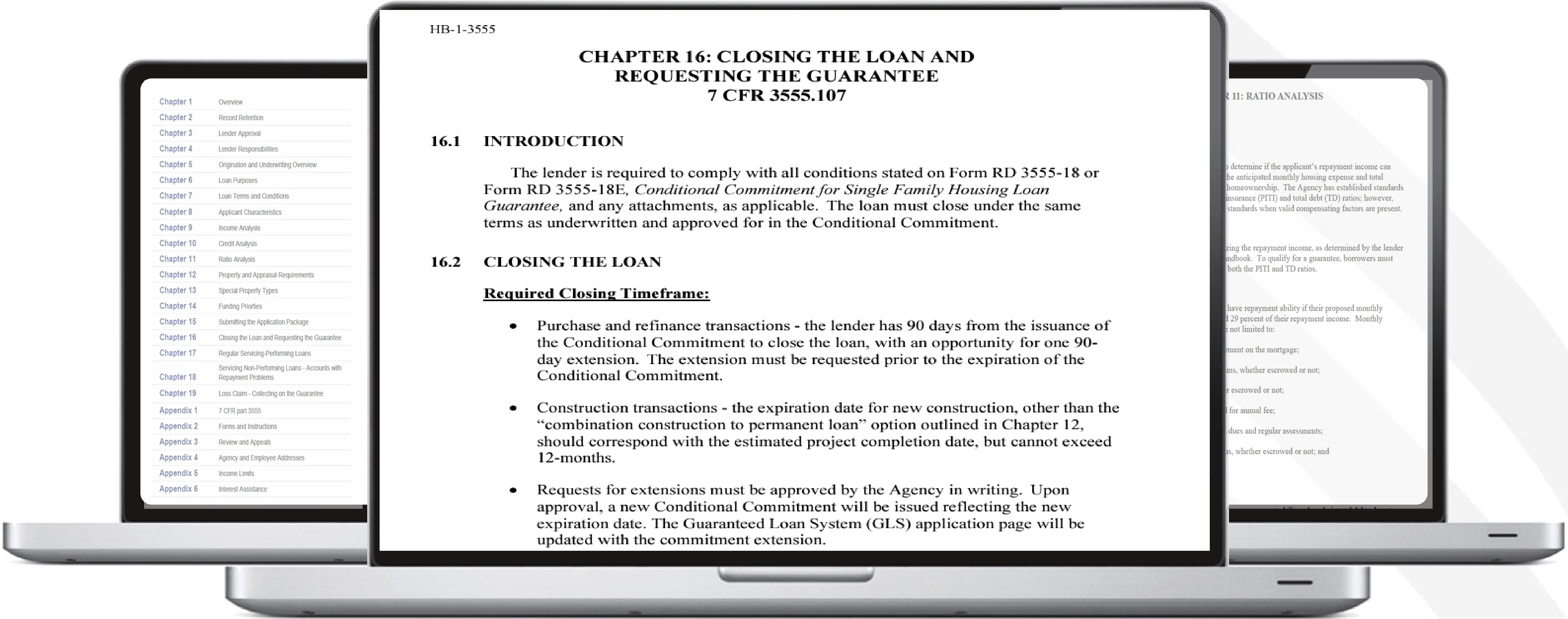
HB-1-3555, Chapter 12 Update



Chapter 12 – Property and Appraisal Requirements

- Updated guidance on rural area designations.
- Provided additional guidance on accessory dwelling units and properties with minimal income producing features.
- Clarified the photograph requirements for appraisals and the guidelines for documenting appraisal updates.
- Updated the validity period of the water analysis report to 180 days.
- Provided additional guidance on construction documentation requirements.
- Provided additional guidance regarding how a borrower's current rent obligation should be considered when obtaining a single-close construction loan.
- Revised Attachment 12-C to provide additional guidance on the single-close construction requirements.

HB-1-3555, Chapter 16 Update



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CHAPTER 16: CLOSING THE LOAN AND REQUESTING THE GUARANTEE
7 CFR 3555.107

16.1 INTRODUCTION

The lender is required to comply with all conditions stated on Form RD 3555-18 or Form RD 3555-18E, *Conditional Commitment for Single Family Housing Loan Guarantee,* and any attachments, as applicable. The loan must close under the same terms as underwritten and approved for in the Conditional Commitment.

16.2 CLOSING THE LOAN

Required Closing Timeframe:

- Purchase and refinance transactions - the lender has 90 days from the issuance of the Conditional Commitment to close the loan, with an opportunity for one 90-day extension. The extension must be requested prior to the expiration of the Conditional Commitment.
- Construction transactions - the expiration date for new construction, other than the "combination construction to permanent loan" option outlined in Chapter 12, should correspond with the estimated project completion date, but cannot exceed 12-months.
- Requests for extensions must be approved by the Agency in writing. Upon approval, a new Conditional Commitment will be issued reflecting the new expiration date. The Guaranteed Loan System (GLS) application page will be updated with the commitment extension.

Policy Desk

- On March 5th, USDA announced the launching of a new online tool
- Available at the USDA LINC Training and Resource Library
- [Single Family Housing GLP Policy Desk]

Policy Updates

- Reduced documentation requirements such as no longer requiring a signed copy of the 1008 Underwriting Transmittal Summary.
- Eliminated need for verifying non-recurring deposits under $1K
- Eliminated the need to obtain documentation for a previous Agency loss older than 7 years.

A Look Ahead…

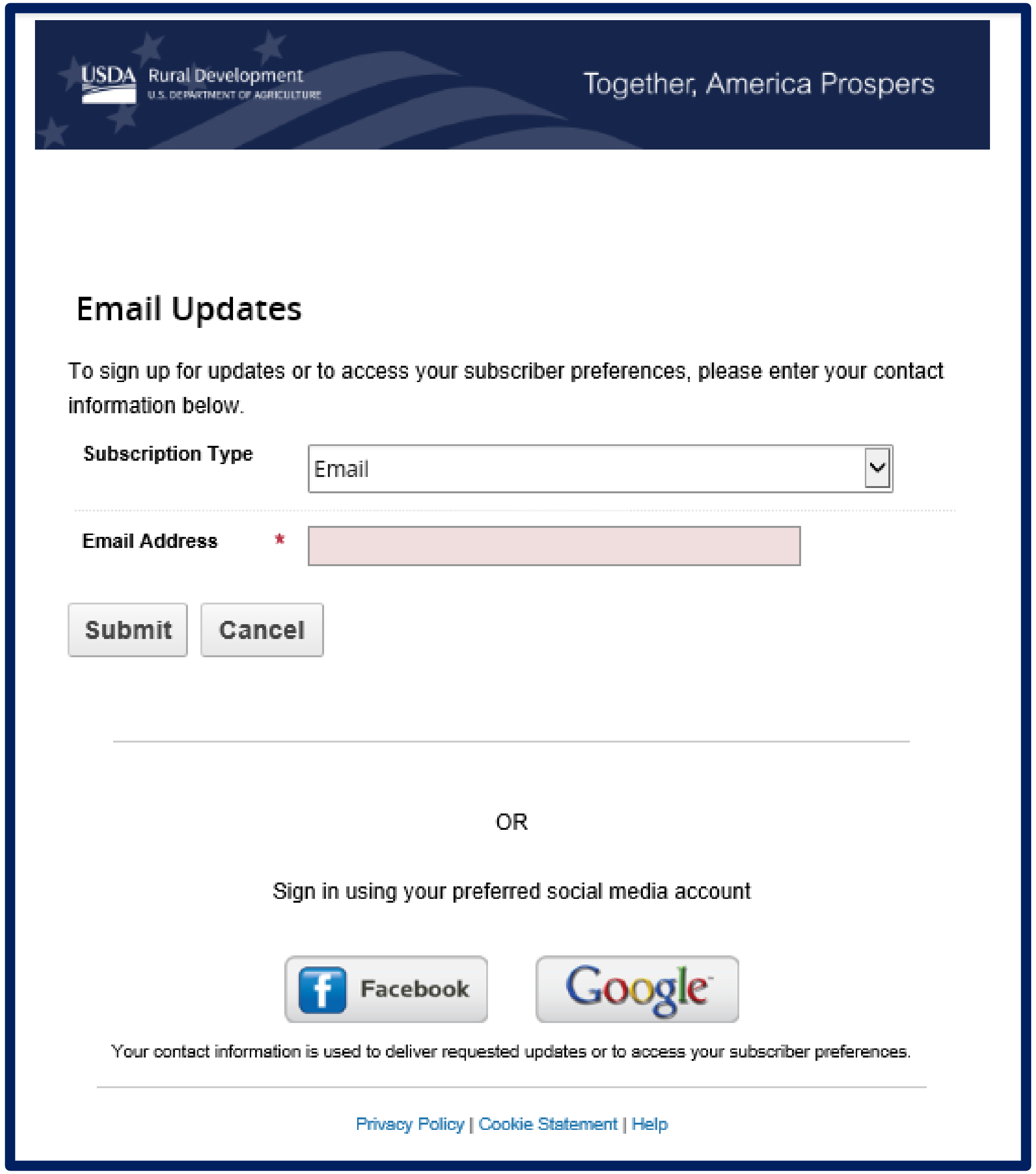
- Increased PITI Ratio
- Updating/Upgrading GUS Mortgage Scorecard
- Expanding opportunities for financing manufactured homes
- Reducing the seasoning period for refinance transactions
- Lenders to have access to online Lender Scorecard

GovDelivery

Sign Up for Program Updates!

Provides current updates on SFH Guaranteed Loan Program

https://public.govdelivery.com/accounts/USDARD/subscriber/new?qsp=USDARD_25


USDA Rural Development
U.S. DEPARTMENT OF AGRICULTURE

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