



Guaranteed Rural Housing Program Guide



Please refer to www.swmc.com/swmc/disclaimer.php and www.nmlsconsumeraccess.org/EntityDetails.aspx/company/3277 to see where Sun West Mortgage Company, Inc. (NMLS ID 3277) is a licensed lender and servicer. In all jurisdictions, the principal (Main) licensed location of Sun West Mortgage Company, Inc. is 6131 Orangethorpe Avenue, Suite 500, Buena Park, CA 90620, Phone: (800) 453-7884.

The Program:

- ❑ The USDA Guaranteed Rural Housing (GRH) Program is dedicated to helping the Rural population in the US to have easy access to affordable capital for housing facilities.
- ❑ We partner with Rural Development, a division of the US Department of Agriculture, to help finance eligible customers throughout the country to purchase, repair, or refinance their home.
- ❑ The Program offers financing of up to 100% of the Appraised Value plus allow the financing of the USDA upfront guarantee fee, which is ideal for borrowers with little or no available cash for making a down payment on the property.

For most updated guideline of this program [Click here](#).

Why opt for a GRH Loan:

- ❑ No Down Payment or Money Out of Pocket.
- ❑ Finance available for up to 100% of the Appraised Value of the property.
- ❑ Upfront Guaranty Fee can also be financed into the loan. (over and above 100% financing of appraised value)
- ❑ If the purchase price is lesser than the appraised value of the property, the borrower may use the equity to finance Closing Costs, Prepaid Items, etc., in addition to the financed Guaranty Fee.
- ❑ Seller or other interested party contributions towards closing costs in excess of six percentage points are prohibited.
- ❑ 100% Gifting from any disinterested 3rd Party is allowed. However, gift funds will not be considered as cash reserves or a compensating factor in the underwriting decision.
- ❑ Down Payment Assistance programs / grants may be used so long as there is no monthly repayment associated with it.

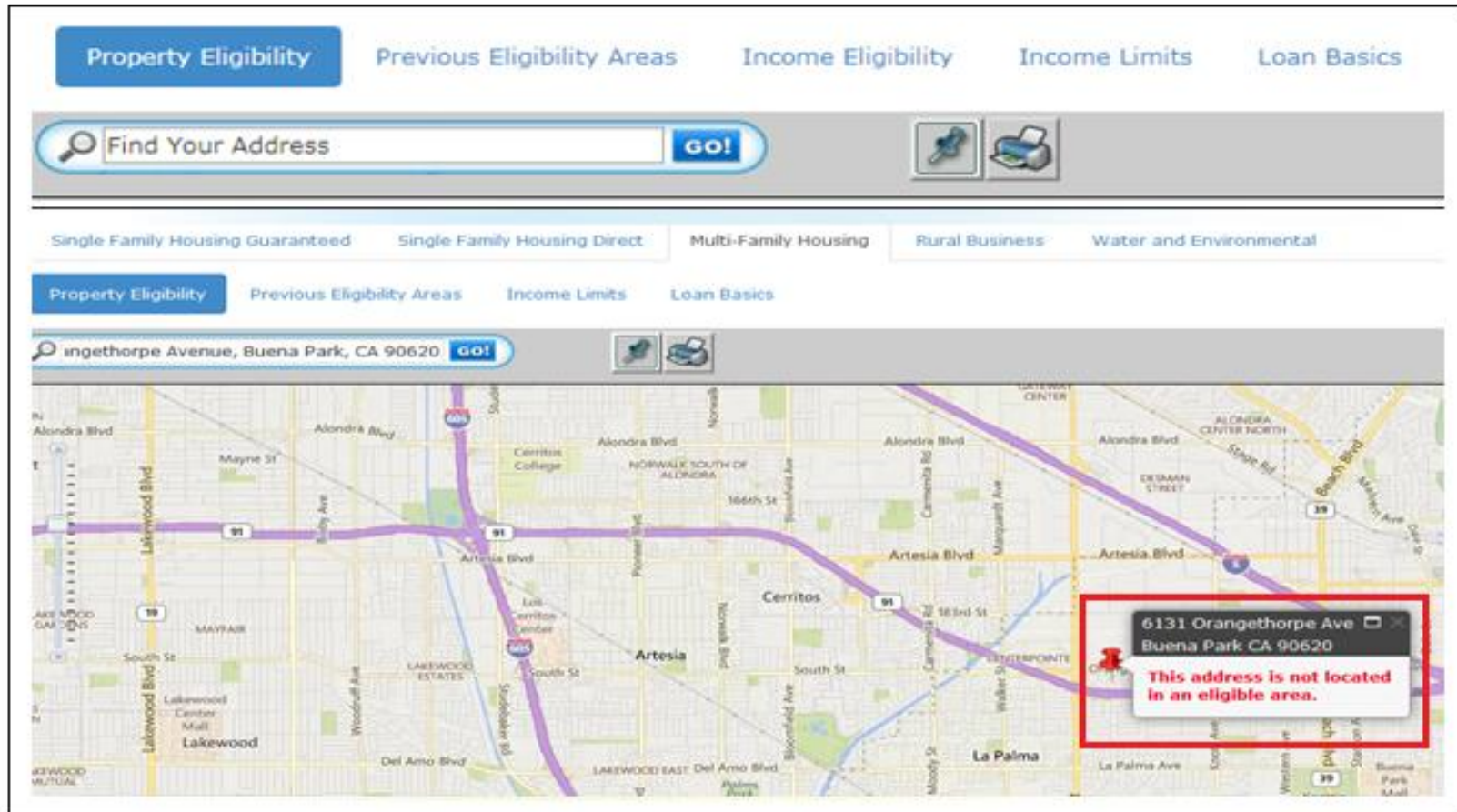
Why opt for a GRH Loan:

- No PITI Reserves are required to qualify.
- Not meant exclusively for First Time Home Buyers.
- 30 Year repayment term at a Fixed Interest Rate.
- Repairs may be financed into the loan.

USDA loans come with significant benefits that provide homebuyers the opportunity to achieve loan terms that no other programs can offer.

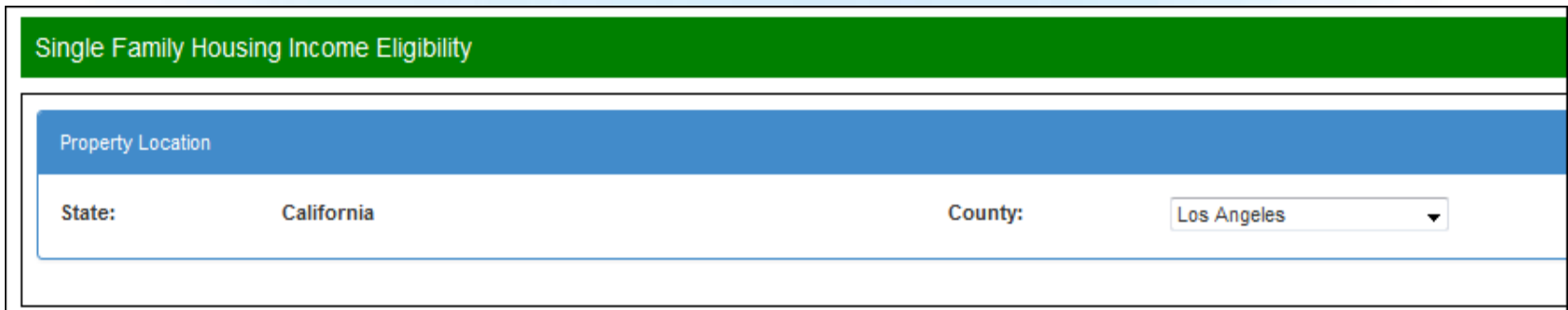
Determining Property Eligibility

- ❑ Go to <https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do;jsessionid=-iM5t3X-wA+dPLWYAwTpkYs> and enter the Property Address to see if the property is eligible for a GRH loan.
- ❑ This shows you if a specific property address falls in an eligible zone.



Determining Income Eligibility

- ❑ For a GRH loan, though the Borrower's Income would be used to qualify, the Household Income must be considered to determine eligibility for the Program.
- ❑ Income Eligibility can be searched on the USDA website at the following link: <https://eligibility.sc.egov.usda.gov/eligibility/incomeEligibilityAction.do?pageAction=state>
- ❑ To check the income eligibility, select the state and county of the property as shown below.

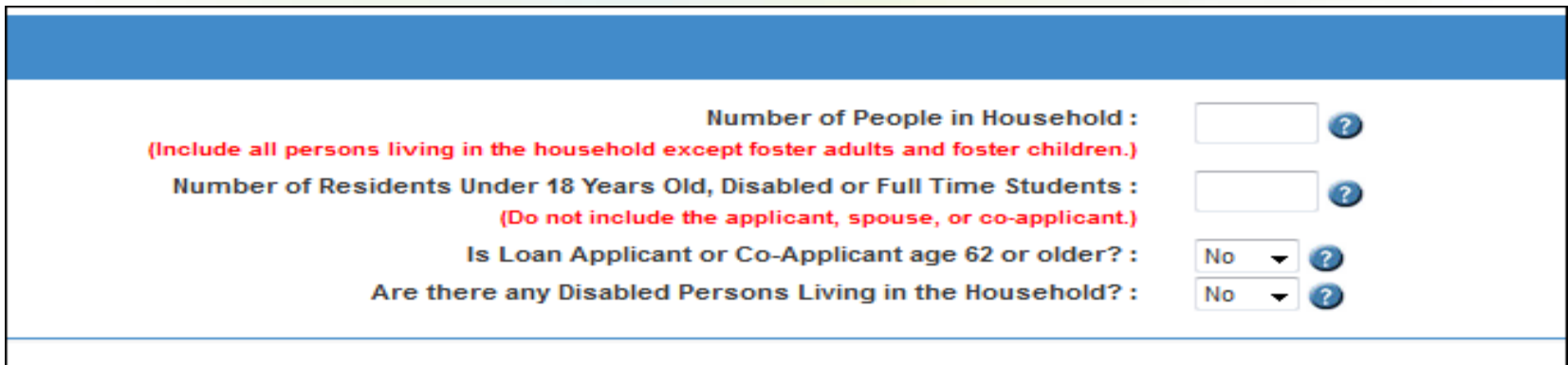


Single Family Housing Income Eligibility

Property Location

State: California County: Los Angeles

- ❑ This will open a new screen. Fill the required details as shown below and proceed.



Number of People in Household : ?
(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 : ?
(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 ?

Determining Income Eligibility

- Once you have filled the required details, and click on next, it will open the following box and click on finish

Gross Monthly Income			
	Applicant	Other Household Member	Other Household Member
Base Employment Income	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/> ?
Overtime Income	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/> ?
Bonus Income	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/> ?
Commission Income	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/> ?
Self-Employment Income	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/> ?
Dividend/Interest Income	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/> ?
Net Rental Income	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/> ?
Other Income	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/> ?
All Other Income Received by Adult Members of the Household :	<input type="text"/> ?		
<small>(See help for further explanation)</small>			

Determining Income Eligibility

- Once you have filled the required details, and click on finish, this will provide whether the borrower is eligible of ineligible based on income limits. It must show eligible for Section 502 Guaranteed Rural Housing Loan Programs.

Single Family Housing Program ~ Income Eligibility Determination Summary

Applicant is **ELIGIBLE** for the Section 502 Guaranteed Rural Housing Loan Program and **INELIGIBLE** for the Section 502 Direct Rural Housing Loan Program based on income entered and Program Income Guidelines in effect as of 12-14-2017. (Applicant must show repayment ability, have a reasonable credit history for the loan requested, and must meet other program requirements.)

[Contact Us](#) for further details on the Guaranteed Loan Program.

[Contact Us](#) for further details on the Direct Loan Program.

Summary of Adjusted Annual Household Income

Annual Household Income :	\$84,000.00
Total Deductions :	\$0.00
Household Adjusted Annual Income :	\$84,000.00

Section 502 Guaranteed Rural Housing Loan Program

Maximum Adjusted Household Income for Selected State and County :	\$103,650.00
---	--------------

Section 502 Direct Rural Housing Loan Program

Maximum Adjusted Household Income for Selected State and County :	\$72,100.00
Adjusted Household Income Exceeds Maximum Income by :	\$11,900.00

Determining Income Eligibility

- ❑ Alternatively, income limits can be validated directly by clicking on the link <http://www.rd.usda.gov/files/RD-GRHLimitMap.pdf>.
- ❑ Once the link is opened, search to the respective state and county and refer to Mod. Income to validate whether the borrower meets income eligibility.
- ❑ Look into the table for the maximum allowed income based on the number of household members. If the total household income of the borrower is less than the income limit, then the borrower meets income eligibility.
- ❑ E.g. In the given below snippet, for Guaranteed USDA loan program, maximum household income limit for Alabama state, Auburn County, for a family of 3 (including borrower), income limit is \$78,200.

STATE: ALABAMA	----- ADJUSTED INCOME LIMITS -----							
PROGRAM	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON*
Anniston-Oxford-Jacksonville, AL MSA								
VERY LOW INCOME	18600	21250	23900	26550	28700	30800	32950	35050
LOW INCOME	29750	34000	38250	42500	45900	49300	52700	56100
MOD. INC-GUAR. LOAN	78200	78200	78200	78200	103200	103200	103200	103200
Auburn-Opelika, AL MSA								
VERY LOW INCOME	22200	25400	28550	31700	34250	36800	39350	41850
LOW INCOME	35500	40550	45650	50700	54750	58800	62850	66900
MOD. INC-GUAR. LOAN	78200	78200	78200	78200	103200	103200	103200	103200

Circumstances that do not qualify

Examples below are some of the circumstances and is not inclusive of all.

- Income producing properties like crops.
- If there is an additional suite in the home, which can be rented, it would not qualify.
- Second Homes or if the Borrower already have an existing home. However, Borrower may purchase new home subject to meeting guideline of departing residence.
- Homes with an additional unit, which can be rented.
- Non-Occupant co-borrowers are not allowed.
- Farming and Agriculture land is ineligible.
- If the applicant meets the cumulative criteria of traditional conventional credit as defined by the Agency, the applicant is ineligible for SFHGLP.
- Applicants with a sole source of unemployment benefits as their earnings are ineligible for a guaranteed loan.
- Payment made to relatives for credit sources are ineligible as a non-traditional trade reference.

Expense Ratios

- ❑ As per USDA guidelines, for FICO below 640, maximum ratios allowed are 29%/41%.
- ❑ If the ratios are higher than the allowable ratios and the Guaranteed Underwriting System (GUS) result is “Accept,” the loan may be approved, since GUS is the AU of the USDA and the loan is eligible per their standards.
- ❑ If the ratios increase by 2% or more of what is on the conditional commitment, the package must be sent back to USDA for approval.
- ❑ For GUS Accept, for maximum DTI utilizing GUS, the ratios are limited to the GUS Approval.

❑ Income and Liabilities:

- ❑ All Installment Debts, which are greater than ten months payment remaining must be included in the ratios. If 10 or less months payment are remaining but monthly payment is 5% or greater of monthly repayment income, then payments must also be included in ratios.
- ❑ The loan may have 2 separate incomes used, one for Qualifying the Borrower and another for verifying the Eligibility. However, the borrower's qualifying income and income to determine eligibility must both meet USDA eligible limits.
- ❑ Rental Income may only be used to qualify in cases where the borrowers moved out of the current residence to another state. In this case, the borrowers must have paid 24 months rent, rented out the owned property, and earned income for at least 2 years. The borrower should also show this income on the tax returns filed in these years. This income may also be used to offset the debt on the current home.

❑ Income and Liabilities:

- ❑ The Profit and Loss statement for self employed individuals is more like a gauge to see whether the income is increasing so much that the Borrower would no longer qualify for a GRH loan or if it is decreasing so much that the stability of income is questionable.
- ❑ Alimony and Child Support can be used and grossed up; however, a 12-month history showing they have been receiving it for 12 months and proof that it will continue for 3 years must be provided.
- ❑ Part time, overtime, and bonus income is acceptable provided it's receipt is supported by a 24-month history. The Underwriter would need to make a determination whether or not it can be considered.
- ❑ Disability income must be evidenced by a Benefits Letter and proof of continuance will be required only if there is indication that the benefit is likely to be re-evaluated based on certain conditions.
- ❑ Social Security income should also support that it would continue for the next 3 years.
- ❑ For Community Property states, if the spouse is not applying for the loan, their debts would need to be considered when determining the ratios.

Income and Liabilities:

- Student Loans: For any active student loan with outstanding balance, payment included in DTI is greater of:
 - 1% of the outstanding balance; or
 - Fixed payment reported in the credit report.

But if the student loan is in Income Based Repayment Plan, Graduated plan, interest only plan or deferred payment plan then monthly payment considered is 1% of outstanding loan balance irrespective of any monthly payment reported on credit report.

Employment:

- Two-Year History of employment. This need not be from the same company or field but should show that the job is stable and dependable. For e.g., if the borrower job-hops every 4 months, it shows instability in employment.
- Self Employment is allowed, but the borrower must provide 2 years signed business & personal Tax Returns and a signed Year-to-Date Profit and Loss Statement.

Underwriting a GRH Loan

Loan Amount:

- The maximum loan amount a borrower may qualify for is 100% of the Appraised Value
- If the Guaranty Fee is financed, it may be included in the Loan.
- On a purchase transaction, the borrower may not receive any cash back unless they paid Earnest Money deposit and the Loan Amount covers the entire purchase price. If the Purchase price is higher than the appraised value, the borrower would need to pay for it out of pocket as a down payment.
- Refinances are limited to current USDA loans only.

Credit History:

- FICO should be greater than 580.

- In case the borrowers filed for Bankruptcy (BK) or had a Foreclosure, 3 years should elapse from the date of BK discharge or foreclosure. If prior to the BK or foreclosure the credit was exemplary, the current credit score is over 640, and the borrowers have re-established credit, the underwriter may consider an exception to the 3-year rule. Additionally, the underwriter must be able to determine that the circumstances leading to the BK or foreclosure were due to a hardship and is not likely to recur.

- If the cumulative outstanding balance of collection accounts is equal or greater than \$2000 then one of the following is required:
 - Payment in full of all collection accounts at or prior to closing. (Note: Source of funds would be required)
 - Payment arrangements are made with each creditor and for each collection account with having an o/s balance. A letter from the creditor or evidence on the credit report is required to validate the payment arrangements. The agreed upon monthly payment is included in DTI.
 - In the absence of a payment arrangement, the lender will use 5% of the outstanding balance of each collection account and consider this in the DTI.

❑ Credit History:

- ❑ Judgments: With the exception of an IRS tax debt with a repayment plan underway, an outstanding Federal judgment that is open and remains unsatisfied is ineligible. Non-federal judgments that are open and unpaid are ineligible for USDA unless applicant(s) have a payment arrangement with the creditor and have made regular and timely payments for the three months prior to loan application.

- ❑ Verification of Rent (VOR): If the loan is GUS 'Accept', a VOR is not required. However if the GUS findings indicate this requirement, the VOR would be required in this case. Twelve months canceled checks are recommended whenever possible, especially when the landlord is a private person, to verify payment of rent. If the VOR is from a Property Management company, it is acceptable. For manually UW loan/loan with FICO is less than 680, a verification of rent or 12 months canceled checks are mandatory.

Credit History:

- Non Traditional Credit: Applicant must have a usable credit score and as well as at least 2 trade lines with minimum 12 months of repayment history , those trade lines may be open, closed or paid in full otherwise loan to be manually downgraded.

Note: At least one applicant whose income or assets are used for qualification must have a valid credit score otherwise Non-traditional Credit references to be developed for applicants along with Manual Underwriting.

- The credit report must be a Tri-merged credit report.
- Homebuyer education may be required in some states on a case-by-case basis.

Underwriting a GRH Loan

- ❑ A short sale is considered a pre-foreclosure activity or event.
- ❑ An applicant is ineligible for a mortgage loan if they pursued a short sale agreement on their principal residence to take advantage of declining market conditions and purchases at a reduced price a similar or superior property within a reasonable commuting distance.
- ❑ if an applicant was current at the time of short sale, or in the case of divorce at time of divorce, they may be eligible for a new mortgage loan. The prior mortgage payment history must reflect all mortgage payments due were made on time for the 12 month period preceding the short sale, or time of divorce, and all installment debt payments for the same period were also made within the month due.
- ❑ An applicant in default on their mortgage at the time of the short sale (or pre-foreclosure sale) is generally not eligible for a new mortgage loan for three years from the date of pre-foreclosure sale.
- ❑ The lender may grant an exception in accordance with Paragraph 10.8 of the HB 3555.
- ❑ If the Borrower already has an active USDA mortgage on another owned property, the loan is ineligible.

Property Requirements

- ❑ The property must be located in a RD Eligible area.
- ❑ Borrower must occupy the property as the primary residence.
- ❑ Exceptions where borrower may currently own a home and still use USDA to finance a new home:
 - ❑ Borrower owns a single or double-wide trailer, which is not permanently affixed to the ground or if the borrower does not own the land on which the single or double wide trailer is on. In these cases, they may keep that property and be eligible for a USDA loan.
 - ❑ The applicant is/has relocated with a new employer, or being transferred by the current employer to an area not within reasonable and locally recognized commuting distance
 - ❑ If the home is functionally inadequate. E.g., Borrowers have out-grown their home due to an inability of the home to accommodate the family.
 - ❑ The Borrower must qualify for both housing payments simultaneously.
 - ❑ The homeowner's current dwelling is not financed by a Rural Development guaranteed or direct Section 502 or 504 loan or active grant.
 - ❑ The homeowner will occupy the home financed with the guaranteed loan as their primary residence throughout the term of the loan.

Property Requirements

- ❑ Only an FHA-approved roster appraiser must be assigned to appraise the property. The appraisal however must be a Conventional Appraisal on a regular 1004 form for SFR and PUD properties. For Condominium property the Form used should be 1073 and for Manufactured property it should be Form 1004C.
- ❑ If there is a private well on the property, a safe water test is mandatory. This must comply with the requirements of the local authority or if there are no requirements listed out by local authority then it must comply with EPA regulations guidelines, i.e. test for bacteria, and nitrates.
- ❑ If the appraiser makes a comment that the subject needs to be inspected or a termite report is required due to noticeable rotting wood, these inspections must be performed and remedied.

Property Requirements

- ❑ Outbuildings: The property must not include buildings principally used for income-producing purposes. Barns, silos, commercial greenhouses, or livestock facilities used primarily for the production of agricultural, farming or commercial enterprise are ineligible. However, barns, silos, livestock facilities or greenhouses no longer in use for a commercial operation, which will be used for storage do not render the property ineligible. Outbuildings such as storage sheds and non-commercial workshops are permitted if they are not used primarily for an income producing agricultural, farming or commercial enterprise. A minimal income-producing activity, such as maintaining a garden that generates a small amount of additional income, does not violate this requirement. Home-based operations such as childcare, product sales, or craft production that do not require specific commercial real estate features are not restricted.

Property Requirements

- ❑ Condo, zero lot lines, PUD, Townhouse, etc., are eligible for USDA loans.
- ❑ Condos must be FHA/VA Approved or Fannie Mae / Freddie Mac warrantable. All FHA and Fannie / Freddie warranty documentation must be retained by the lender.
- ❑ Flood Zone: If the property is in a Flood Zone, an elevation certificate must be submitted to the USDA. USDA must be able to determine that the base flood elevation of the lowest level is above the 100 year flood plane. Sometimes this determination was never done on certain properties and hence can never be obtained. USDA will not Guaranty any loans where Elevation Certificate cannot be obtained. It is imperative to order this prior to closing.
- ❑ New construction is allowed under the USDA GRH loan program.
- ❑ If the borrower has a current construction loan to build their own home, the GRH loan may be used to pay off the construction loan. In this case, the payoff amount would be the purchase price and the closing costs / pre-pays may be financed into the new loan, up to the appraised value of the property. The Guaranty fee would be financed in above the appraised value.
- ❑ Working farms are not eligible.
- ❑ New Manufactured Homes are acceptable only if they are brand new, direct from dealer, never titled, and the Dealer is approved with the USDA.

Property Requirements

- ❑ Modular Homes are treated like stick-built homes.

- ❑ Existing manufactured homes are allowed only on retail channel in CO, IA, LA, NV, NH, NY, ND, OH, PA, TX, VT, VA, WY and WA states, if below provisions are met:
 - ❑ Construction date is on or after 01/01/2006;
 - ❑ The conditional commitment is issued on or before July 31, 2018; and
 - ❑ The property must be free from any alteration or modification.

Repair Escrow

- ❑ Borrowers have an option to finance in required repairs. Required repairs are limited to those repairs necessary to preserve the continued marketability of the property and to protect the health and safety of the occupants.
- ❑ The combination of both exterior and interior repair escrows cannot exceed 10 percent of the final loan amount.
- ❑ Borrower would need to sign an escrow agreement.
- ❑ Bids from licensed contractors are required to determine cost of repairs.
- ❑ Escrow would be for one and a half times the value of the repairs. The cost of the repairs may be financed into the loan unless the repair escrow amount is to be paid by seller or Real Estate Agent.
- ❑ If the actual repair cost is lesser than the estimated amount financed into the loan, a principal reduction to the extent of that amount must be processed.
- ❑ Repairs must be completed within 15 days unless it is weather related. In that case, up to 120 days is the maximum time limit. Final inspection is required.

Funds for Closing

- ❑ Calculation of the Guaranty Fee:
 - ❑ If the borrower is paying off the upfront Guaranty fee, the fee is 1% of the Loan Amount.

- ❑ Closing Costs:
 - ❑ Seller Concessions: The seller can pay for all closing costs and prepaids of the loan. Seller or other interested party contributions towards closing costs in excess of six percentage points are prohibited.

- ❑ Gifts:
 - ❑ 100% gifting is allowed.
 - ❑ Gifts may be provided by applicant's relative, employer or labor union, charitable organization or government agency/public entity that has a program to provide homeownership assistance to lower and moderate income applicants.
 - ❑ Gifts can be from a disinterested 3rd Party.
 - ❑ DPA programs are allowed so long as they do not have to be repaid and do not have a monthly payment.

Funds for Closing

- ❑ Cash Contribution:
 - ❑ Borrowers are not required to make any minimum contribution.
 - ❑ If the borrowers have paid an earnest money deposit, the amount would be refunded if the loan qualifies for maximum financing and acceptable EMD paper trail is documented.

Thank You