Ratio Analysis

Single Family Housing Guaranteed Loan Program (SFHGLP)
PITI Ratio
Total Debt Ratio
Student Loan Payments
Repayment Ratio
Ratio Waivers
Compensating Factors
Increasing Repayment Ability
Total Debt Ratio

- May exceed 41% with significant compensating factors.

- Includes:
  - PITI
  - Revolving Accounts
  - Long-term obligations with more than 10 months remaining
  - Short-term obligations that have a significant impact on repayment ability (5% or greater of the applicant's monthly repayment income)
  - Rental loss
  - Balloon/deferred payments and payments that will come due in the next 24 months
PITI Ratio

- May exceed 29% with significant compensating factors.

- Includes:
  - Principal & Interest
  - Insurance Premiums
  - Taxes
  - Annual Fee
  - HOA Dues
  - Special Assessments
Minimum monthly payment (even if appears to be paid off in less than 10 months).

No monthly payment listed; use 5% of balance.

Payment verified by current statement.

Payment must include any additional debt added to the balance since the date of the report.

No balance, no payment required to be included and not required to be closed.
Non-Purchasing Spouse Debts

- Include all NPS debts (unless excluded by state law).
  - Lender must determine if debts may be excluded per state statute.
  - Must cite the specific statute in permanent loan file.
- GUS: Manually enter the obligation on the “Additional Expenses” on the “Assets and Liabilities” page.
For outstanding student loans, regardless of the payment status, lenders must use:

- The payment amount reported on the credit report or the actual documented payment, when the payment amount is above zero; or
- One half (.50) percent of the outstanding loan balance documented on the credit report or creditor verification, when the payment amount is zero.

Student loans in the applicant’s name alone but paid by another party remain the legal responsibility of the applicant. The applicable payment must be included in the monthly debts.

Student loans in a “forgiveness” plan/program remain the legal responsibility of the applicant until they are released of liability from the creditor. The applicable payment must be included in the monthly debts.
 Exclude only if applicant has a release of liability from the court or creditor and acceptable evidence is obtained.

 May exclude if 10 or less payments remain, and the payment does not exceed 5% of the monthly repayment income.

 GUS: Manually enter the obligation under “Additional Expenses” on the “Assets and Liabilities” page.
Co-signed Obligations & Business Debts

- Include unless evidence is provided showing that another party has made the payment in the previous 12 months prior to loan application.
  - Late payments reported in the previous 12 months prior to application will require the debt to be included.
  - Includes accounts in forbearance under CARES Act.
- Debts identified as “individual” will always be included in the debt ratio regardless of who is making the payment.
Co-signed Obligations & Business Debts

- Previous Mortgage

  - Include in total debt ratio if disposed of through a sale, trade or transfer without a release of liability.
  
  - Exception:
    - The remaining party or new owner has successfully made the payment in the previous 12 months prior to loan application as evidenced by the credit report.
    - In the case of a divorce, the lender will obtain a copy of the divorce decree ordering the spouse to make payments. (Must still provide evidence account was paid as agreed for 12 months.)
PITI Exceeds 29% and/or TDR Exceeds 41%

AND

GUS Underwriting Recommendation is “Refer” or “Refer with Caution”

NOT required for GUS “Accept” (incl. Full Documentation) Underwriting Recommendations

Debt Ratio Waiver

- PITI ratio cannot exceed 32%
- Total Debt Ratio cannot exceed 44%
- Credit Score must be 680 or greater
- At least one acceptable compensating factor is present
PITI Exceeds 29% and/or TDR Exceeds 41%

AND

GUS Underwriting Recommendation is “Refer” or “Refer with Caution”

NOT required for GUS “Accept” (incl. Full Documentation) Underwriting Recommendations

Compensating Factors

- Savings or cash reserves of at least 3 months of PITI payments
- All employed applicants have been continuously employed with their current primary employer for a minimum of 2 years
Ratio Analysis

HB-1-3555, Chapter 11.4 – 11.6

- Pay down installment debt to 10 payments or less
- Funded buydown accounts
- Mortgage Credit Certificates
- Section 8 Homeownership Voucher
Obligations NOT Included in Debt-to-Income Ratios

HB-1-3555, Chapter 11.7

- Medical collections and payments
- Federal, state, and local taxes
- Federal Insurance Contribution Act (FICA) contributions
- Other retirement contributions such as 401(k) accounts, including the repayment of loans secured by 401(k) funds
- Automatic deductions to savings accounts, mutual funds, stocks, bonds, certificates of deposit, including the repayment of loans secured by such funds
- Collateralized loans secured by depository accounts
- Utilities
- Insurance, other than property insurance
- Commuting costs
- Union dues
- Open accounts with zero balances
- Child care
- Voluntary deductions
LEARNING CHECKS

7 CFR Part 3555 / HB-1-3555
Heidi is married and lives in a community property state. Her husband has some credit issues; therefore, he will not be on the loan for the new home. Because he is not on the loan his debts will not be included in the Total Debt Ratio.

A. TRUE  B. FALSE
B. FALSE

• (iv) Except for obligations specifically excluded by State law, the debts of non-purchasing spouse must be included in the applicant's repayment ratios if the applicant resides in a community property state.
QUESTION

Ratio Analysis

- Mike has repayment income of $3500/mo.
- He has an installment loan with 9 payments of $200/mo. remaining on the loan.
- Can this account be omitted from the total debt ratio calculation?

A. YES  B. NO
B. NO

- If ten or less months of repayment remains per the credit report, creditor verification, etc., the monthly debt may be excluded if the payment does not exceed five percent of the monthly repayment income.
QUESTION

Ratio Analysis

- Kathy has received an automobile allowance of $700 per month from her current employer for 2 years.
- She has a car loan on her credit report with a payment of $650 per month.
- What will be the amount of the car payment included in the total debt ratio calculation?

A. $1350
B. $50
C. $650
D. $700
HB 3555 Chapter 11.2(B)

C. $650.00

- An automobile or allowance will not cancel out a monthly debt for an automobile or expense loan/debt.
- The full monthly payment(s) due must be included in the monthly debt.
- Refer to Chapter 9 for automobile and expense allowance income guidance.
A borrower has a rental property they plan to retain, how many months must it be rented prior to the loan application to qualify to be omitted from the total debt ratio?

A. 12 Months
B. 18 Months
C. 24 Months
D. 36 Months
C. 24 months

- A retained dwelling that has been rented for 24 months or longer prior to loan application may have the mortgage obligation omitted when the applicant provides documentation to support the lease history.
Marvel Bank has a borrower with a PITI ratio of 33% and a Total Debt Ratio of 44%.

The file received a GUS Accept Full Documentation underwriting recommendation.

Does Marvel Bank need to submit a Debt Ratio Waiver for this file?

A. YES     B. NO
**HB 3555 Chapter 11.3(A)**

**B. NO**

- GUS files that receive an Accept or Accept Full Documentation underwriting recommendation do not require debt ratio waivers.
QUESTION

Ratio Analysis

• Loans secured by 401k or saving deposits are required to be included in the debt ratio calculation.

A. TRUE        B. FALSE
B. FALSE

• Retirement contributions such as 401(k) accounts, including the repayment of loans secured by 401(k) funds are not included in debt to income ratios.
Way to Go!

LEARNING CHECK COMPLETED!
Lender Toolkit
Navigate through these resources and tools like an expert!

Take the “Program Overview Training”

Available on the USDA LINC:

---

PART 3555—GUARANTEED RURAL HOUSING PROGRAM

Contents

Subpart D—Underwriting the Applicant

§3555.151 Eligibility requirements.
§3555.152 Calculation of income and assets.
§3555.153-3555.199 [Reserved]
§3555.200 OMB control number.

---

https://rd.usda.gov/resources/directives/handbooks

HB-1-3555 SFH GUARANTEED LOAN PROGRAM TECHNICAL HANDBOOK

A consolidated version of the handbook is available. HB-1-3555 is a large document and may take sometime to load.

Table of Contents
Chapter 1 - Overview
Chapter 2 - Record Retention
Chapter 3 - Lender Approval
Chapter 4 - Lender Responsibilities
Chapter 5 - Origination and Underwriting Overview
Chapter 6 - Loan Purposes
Chapter 7 - Loan Terms and Conditions
Chapter 8 - Applicant Characteristics
Chapter 9 - Income Analysis
Chapter 10 - Credit Analysis
Chapter 11 - Ratio Analysis
Chapter 12 - Property and Appraisal Requirements
Chapter 13 - Special Property Types
Have a question on POLICY?
Contact the PAC team!

Need TRAINING?
Contact the LPA team!

Have a question on a SPECIFIC FILE?
Contact the OPD!
Monitor posted turn times daily

Don’t forget to sign up for GovDelivery updates

https://www.rd.usda.gov/page/sfh-guaranteed-lender

SFH Guaranteed Lender

COVID-19
An Important notice for servicers with loans insured or guaranteed by the Rural Housing Service CARES Act Forbearance Fact Sheet for Mortgagors and Servicers

Loan Status
We are currently reviewing new loan applications and conditions received on or before 06/19/2020

Subscribe to Notifications
Critical program information such as policy updates, funding status, and automation changes are sent by email through GovDelivery Sign Up to Receive Critical Updates.

Overview
On February 16, 2020 we integrated the Guaranteed Loan Program into a single integrated national team! For more information, please reference our Integration Information sheet.

USDA Rural Development’s Guaranteed Loan Program assists approved lenders in providing up to 100% financing for eligible borrowers (households that do not exceed 115% of the Median Household Income) purchasing homes in eligible rural areas. Automated underwriting assistance through GUS (Guaranteed Underwriting System) allows for expanded ratios and flexible credit.

We now have Single-Family Construction-to-Permanent Financial & single-close loan combines the features of a...