

Comparison of Direct and Guaranteed USDA Rural Housing Loan Programs (Georgia)

Highlights of the “Section 502” Single Family Housing Direct and Guaranteed Loan Programs as processed in Georgia

USDA is an equal opportunity provider, employer and lender.

Table 1: Program Benefits

	<u>Direct Home Loan Program</u>	<u>Guaranteed Home Loan Program</u>
Who makes and processes the loan?	<p>Applications are accepted and processed through your local Rural Development Service Center year round.</p> <p>This list shows the phone number for the USDA Rural Development Georgia Service Centers for each Georgia County.</p>	<p>Applications must be submitted through an approved lender, (a bank, mortgage company or credit union). USDA does not endorse any specific private sector lenders.</p> <p>Some Nationally Approved Lenders are on this list of participating lenders; the list is not inclusive of all approved lenders however.</p>
Governing Regulation and Handbook	<p>The Housing Act of 1949 as amended, 7 CFR, Part 3550</p> <p>HB-1-3550 - Direct Single Family Housing (SFH) Loans Field Office Handbook</p>	<p>7 CFR, Part 3555</p> <p>HB-1-3555 – Single Family Housing (SFH) Guaranteed Loan Program Technical Handbook</p>
No Down Payment	<p>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.</p> <p>Refer to HB-1-3550 Chapter 6.</p>	<p>The program offers 100 percent financing. The appraised value can be exceeded but only by the amount of the one-time, up front Guarantee Fee.</p> <p>Refer to HB-1-3555 Chapter 7.</p>
USDA RD is <i>not</i> “FHA”	<p>USDA Rural Development (RD) has its own Regulations and accountability. Though we may adopt some Federal Housing Administration (FHA) guidelines, RD does not follow FHA guidelines on all matters.</p>	<p>USDA Rural Development (RD) has its own Regulations and accountability. Though we may adopt some Federal Housing Administration (FHA) guidelines, RD does not follow FHA guidelines on all matters.</p>

Property Location Rural Only	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 . Refer to HB-1-3550 Chapter 5	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 . Refer to HB-1-3555 Chapter 12
Target Customers	“Very-Low” to “Low” income households Refer to HB-1-3550 Chapter 1	Up to “Moderate” income households Refer to HB-1-3555 Chapter 1
Rates and Terms	The rate is fixed, 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 is 33 years and may be 38 years in some cases.	The rate is fixed at the Lender’s market rate but capped at FNMA actual/actual 90-day rate plus 1 percent rounded to the nearest ¼ percent. Rates are subject to change monthly. The loan term is 30 years.
Fees	A \$25 credit report fee is due payable. All other typical fees may be part of the loan.	A one-time, upfront Guarantee Fee is charged (currently 1 percent and can be loaned above the appraised value). An Annual Fee of 0.35 percent is charged.
First-Time Homebuyers (FTHs)	Loans are not just for First-Time Homebuyers (FTHs). A FTH is a borrower who hasn’t owned a home in the past three years. Homebuyer Education Certificate is required for FTHs.	Loans are not just for First-Time Homebuyers (FTHs). A FTH is a borrower who hasn’t owned a home in the past three years. Homebuyer Education Certificate is recommended for FTHs.
Primary Home and Other Credit	The applicant cannot already own an adequate home that meets family needs and must be unable to obtain a loan from other lenders offering reasonable rates and terms. Very-Low income applicants automatically meet this requirement.	The applicant cannot already own an adequate home that meets family needs and must meet test for inability to obtain conventional credit.

Table 2: Income and Ratios

	<u>Direct Home Loan Program</u>	<u>Guaranteed Home Loan Program</u>
Maximum Income Limits	The maximum Adjusted Household Income is the “Low” limit. Applicants must meet <u>income eligibility</u> ; adjusted income limits by county and state can be found at the URL <u>https://www.rd.usda.gov/files/RD-DirectLimitMap.pdf</u> . Refer to HB-1-3550 Chapter 4	The maximum Adjusted Household Income is the “Moderate” limit found at <u>http://www.rd.usda.gov/files/RD-GRHLimitMap.pdf</u> Refer to HB-1-3555 Chapter 9
Household Income	Verified income of ALL household members cannot exceed the Income Limit for the desired county. Refer to HB-1-3550 Chapter 4	Verified income of ALL household members cannot exceed the Income Limit for the desired county. Refer to HB-1-3555 Chapter 9
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. Refer to HB-1-3550 Chapter 4	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. Refer to HB-1-3555 Chapter 9
Household Assets	Non-retirement assets more than \$15,000 (\$20,000 for elderly) must be used toward the purchase of the property. Refer to HB-1-3550 Chapter 4	Income from assets valued over \$5,000 must be calculated in the household income. Refer to HB-1-3555 Chapter 9
Grossing-up	Non-taxable income may be grossed up by 120 percent to boost repayment income only (but never for household income which is compared to income limits.)	Non-taxable income may be grossed up by 125 percent to boost 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. Refer to HB-1-3550 Chapter 6	Not Applicable
Repayment Ratios	The principle, interest, property taxes and insurance (PITI) cannot exceed 29 percent of repayment	The principle, interest, property taxes and insurance (PITI) cannot exceed 29 percent of repayment income for Very

	<p>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.</p> <p>Refer to HB-1-3550 Chapter 6</p>	<p>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.</p> <p>Refer to HB-1-3555 Chapter 11</p>
<p>Maximum Loan Amount</p>	<p>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.</p> <p>Refer to HB-1-3550 Chapter 5</p>	<p>No limit.</p> <p>Refer to HB-1-3555 Chapter 7</p>

Table 3: Credit

	<u>Direct Home Loan Program</u>	<u>Guaranteed Home Loan Program</u>
Credit History	<p>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.</p> <p>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.</p> <p>“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.</p> <p>Refer to HB-1-3550 Chapter 4</p>	<p>Automated Merged and Residential Mortgage Credit Reports are Acceptable. A “validated” credit score of 640 or more is considered acceptable credit but Federal Judgments are unacceptable regardless of score.</p> <p>Alternate credit is allowed.</p> <p>“Validated” score consists of two or more trade lines open for 12 or more months when a verified rental history is obtained; three trade lines are required if there is no rental history.</p> <p>Refer to HB-1-3555 Chapter 10</p>
Verification of Rent	<p>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.</p> <p>Refer to HB-1-3550 Chapter 4</p>	<p>A two year rental history is evaluated if the applicant’s credit score is less than 680. No rental history is evaluated if the applicant’s credit score is more than 680 (unless ‘Refer’).</p> <p>Refer to HB-1-3555 Chapter 10</p>

Table 4: Property Requirements

	<u>Direct Home Loan Program</u>	<u>Guaranteed Home Loan Program</u>
Property Types Allowed	<ul style="list-style-type: none"> • Existing Single Family Homes • New Construction (less than one year old and never occupied) • Proposed Construction • Can be Site Built • Modular • PUD • Condominiums meeting certain criteria • Manufactured homes must be new <p>Refer to HB-1-3550 Chapter 5</p>	<ul style="list-style-type: none"> • Existing Single Family Homes • New Construction (less than one year old and never occupied) • Proposed Construction • Can be Site Built • Modular • PUD • Condominiums meeting certain criteria • Manufactured homes must be new <p>Refer to HB-1-3555 Chapter 12</p>
Required Repairs	<p>Only repairs necessary to make the property structurally sound, functionally adequate and in good repair are required. 100 percent of repair costs can be financed based on the as-improved value. Refer to HB-1-3550 Chapter 5</p>	<p>Only repairs necessary to make the property structurally sound, functionally adequate and in good repair are required. 100 percent of repair costs can be financed based on the as-improved value. Refer to HB-1-3555 Chapter 12</p>
Income Producing	<p>No income producing (commercial) properties. Typical in-home businesses are allowed. Refer to HB-1-3550 Chapter 6</p>	<p>No income producing (commercial) properties. Typical in-home businesses are allowed. Refer to HB-1-3555 Chapter 12</p>
Termite Letters	<p>Always required on new construction. Not required on Existing single family home unless inspection reveals infestation or is part of the contract. Refer to HB-1-3550 Chapter 5</p>	<p>Always required on new construction. Not required on Existing single family home unless lender or inspector (FHA appraiser) requires one. Refer to HB-1-3555 Chapter 12</p>
Septic	<p>Property must have an adequate and properly functioning waste water disposal system. The system must be inspected and certified by a private company. Refer to HB-1-13550 Chapter 5</p>	<p>Property must have an adequate and properly functioning waste water disposal system. The system must be inspected and certified by the lender's inspector (FHA appraiser). Refer to HB-1-3555 Chapter 12</p>
Wells	<p>Individual wells require well test to certify the water quality meets state and local requirements. Shared wells or community wells</p>	<p>Individual wells require well test to certify the water quality meets state and local requirements. Shared wells or</p>

	are acceptable under certain conditions. Refer to HB-1-3550 Chapter 5	community wells are acceptable under certain conditions. Refer to HB-1-3555 Chapter 12
In-ground Swimming Pools	Not allowed. Refer to HB-1-3550 Chapter 5	Allowed. (statement that pool doesn't contribute to the value is not required any longer). Refer to HB-1-3555 Chapter 12
Georgia Building Codes	<p>The Georgia Department of Community Affairs is the “keeper” of Georgia’s Construction Codes.</p> <p>There are eight mandatory codes that all residential structures must meet in Georgia regardless of local code enforcement.</p> <ol style="list-style-type: none"> 1. International Building Code, 2012 Edition, with Georgia Amendments (2014/2015 GA Amendments) 2. International Residential Code, 2012 Edition, with Georgia Amendments (2014/2015 GA Amendments) 3. International Fire Code, 2012 Edition (2014 GA Amendments) 4. International Plumbing Code, 2012 Edition, with Georgia Amendments (2014/2015 GA Amendments) 5. International Mechanical Code, 2012 Edition, with Georgia Amendments (2014/2015 GA Amendments) 6. International Fuel Gas Code, 2012 Edition, with Georgia Amendments (2014/2015 GA Amendments) 	<p>The Georgia Department of Community Affairs is the “keeper” of Georgia’s Construction Codes.</p> <p>There are eight mandatory codes that all residential structures must meet in Georgia regardless of local code enforcement.</p> <ol style="list-style-type: none"> 1. International Building Code, 2012 Edition, with Georgia Amendments (2014/2015 GA Amendments) 2. International Residential Code, 2012 Edition, with Georgia Amendments (2014/2015 GA Amendments) 3. International Fire Code, 2012 Edition (2014 GA Amendments) 4. International Plumbing Code, 2012 Edition, with Georgia Amendments (2014/2015 GA Amendments) 5. International Mechanical Code, 2012 Edition, with Georgia Amendments (2014/2015 GA Amendments) 6. International Fuel Gas Code, 2012 Edition, with Georgia Amendments (2014/2015 GA Amendments) 7. National Electrical Code, 2014 Edition (No Georgia Amendments) 8. International Energy Conservation Code, 2009 Edition, with Georgia Supplements and Amendments (2014/2015 GA

	<p>7. National Electrical Code, 2014 Edition (No Georgia Amendments)</p> <p>8. International Energy Conservation Code, 2009 Edition, with Georgia Supplements and Amendments (2014/2015 GA)</p>	
Home Inspections	<p>For 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.</p> <p>For homes less than one year old and never occupied built in a Code County or City, If the city or county has adopted all eight building codes (“code city/county”), their periodic inspections are acceptable</p>	
Single Close Construction Loan	<p>One loan closing includes construction costs and is converted to permanent loan when the house is complete. Refer to HB-1-3550 Chapter 5</p>	<p>One loan closing includes construction costs and is converted to permanent loan when the house is complete. The Loan Note Guarantee is issued before construction begins. Refer to HB-1-3555 Chapter 12</p>
Flood Zones	<p>Existing homes in a Flood Zone are not eligible unless flood insurance is available and obtained. An Elevation Certificate must prove that the first floor is above the 100-year flood plain. New construction is only allowed in flood zones if reasonable alternative to a proposed purchase or construction is not available. Refer to HB-1-3550 Chapter 5</p>	<p>Existing homes in a Flood Zone are not eligible unless flood insurance is available and obtained. An Elevation Certificate is no longer required. New construction is only allowed in flood zones if reasonable alternative to a proposed purchase or construction is not available. Refer to HB-1-3555 Chapter 12</p>
Surveys	<p>An existing survey may be used if it meets the requirements of the title insurance company issuing the title insurance. HB-1-3550 Chapter 5</p>	<p>Survey is obtained at the lender’s discretion. HB-1-3555 Chapter 12</p>

Table 5: The Process

	<u>Direct Home Loan Program</u>	<u>Guaranteed Home Loan Program</u>
Application	Two forms and supporting verifications are required, 1) Form RD 410-4 “Application” and 2) Form RD 3550-1 “Authorization to Release Information.” Once the complete application is submitted, eligibility is determined within 30 days. Refer to HB-1-3550 Chapter 3	The lender submits completely underwritten file typically through the Guaranteed Underwriting System (GUS). Only one additional government form is required, Form 3555-21 Refer to HB-1-3555 Chapter 15
Certificate of Eligibility (COE)	A COE will show the amount and the county for which the applicant qualify. This will assist the realtor. If a contract is already in hand, no COE is issued. Just proceed to inspection/appraisal. Refer to HB-1-3550 Chapter 4	Not Applicable
Sales Contract / Loan Closing	Once 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 closing is scheduled. Refer to HB1-3550 Chapter 8	After Agency review (typically a few days, depending on current volume), possible results are either 1) Conditional Commitment is issued giving lender authorization to close the loan; 2) More information or clarification is required; or 3) Loan denial. Once a completely underwritten package is received from the Lender, the Agency review turn time is typically 2-3 days. This may vary depending on loan volumes received. Refer to HB-1-3555 Chapter 15
Contact Us	For program information and to apply for the Direct Home Loan program, <u>contact the Rural Development Service Center that corresponds with your county.</u>	Lenders can contact the Guaranteed Rural Housing staff by email at <u>ra.gagrh@ga.usda.gov</u> Check file review timeframes at (706) 552-2565 or see the Alert section of our website: <u>https://www.rd.usda.gov/ga</u>