

USDA 502 Direct Loan FAQ:

Q. What are the income limits for the program?

- A. The income limits are based on household size, household income and also the county you live in. It is best to email that information to us or you can check on the usda website at <https://www.rd.usda.gov/sites/default/files/RD-DirectLimitMap.pdf>

Q. How much can I borrow?

- A. In our 8 county service area, the maximum amount that can be loaned would be \$265,400. ***Please note this amount changes based on income and your current debt to income ratio.***

Q. What is the interest rate and loan terms?

- A. The interest rate (as of 11/9/2020) is 2.5% and the term is extended to 33 years instead of the traditional 30. ***Interest rates subject to change per USDA, please verify at time of application.***

Q. What is Escrow?

- A. Escrow is an account that is used to “save” money for your annual property taxes and your homeowners insurance. Those are large amounts that are due typically at the end of the year. Instead, you will pay a prorated portion each month with your mortgage payment. That money will go into your escrow account and then be used to pay your taxes and insurance when they are due. Nice and easy!

Q. Will my payment amounts ever change?

- A. They can. **The amount of your mortgage is fixed.** However, your escrow account amount can change both up or down. For example, you might do some shopping and find a better homeowners insurance rate. If so, this would cause your annual amount due to decrease, therefore your monthly escrow payment would decrease. Likewise, if there is an increase in your insurance or if property tax rates increase (and they usually do), that will increase your escrow payments.

Q. Do I have to use a loan packager to get a loan from USDA?

- A. No, you can certainly go directly to USDA by submitting the prequalification application directly to them.

Q. Why should I consider using a packager for my loan?

- A. We are here as a service to help you. When going through the loan process, it is beneficial to have someone to answer questions, look over paperwork, guide you as to what is needed/missing etc. If you submit incomplete applications to the USDA office, they can be declined. Our role is to help you get through the process as simply and quickly as possible.

Q. What steps do I need to take to apply?

- A. First, complete the prequalification application in full. This allows us to verify income and debt ratio eligibility for the program.
- B. Second, complete the credit report review with your packager. This is a preliminary review of your credit (not a hard inquiry) that is pulled typically from a source such as Credit Karma. It allows us to see if there are any items we need to be aware of and address before or along with the application.
- C. Finally, assuming steps 1 and 2 are in order, we would then assist you in completing the official full formal loan application and submitting the supporting documentation.

Q. What does COE mean?

- A. This stands for Certificate of Eligibility. Think of this like a "Pre Approval" from a traditional lender. This is what USDA provides to you to show how much you are eligible to spend and what the terms of the loan will be. This is helpful when you want to put in a contract on a home to show that you are a qualified buyer.

Q. How long do I have to find a house?

- A. The original COE is usually set for 45 days but should you need longer, extensions are available.

Q. Which real estate agent do I have to use?

- A. You are welcome to use any real estate agent of your choice.

Q. Are there restrictions on what types of homes I can buy? If so, what are they?

- A. Yes. Homes cannot exceed 2000sqft
(certain circumstances can provide exceptions but are very rare).
- B. Homes cannot have an in-ground pool.
- C. Homes must not be located on any income producing property such as working farms.
- D. Homes must be located in a USDA eligible area. To verify, it is best to ask your packager and/or use the property eligibility tool found on the USDA website at <https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

Q. What does DTI mean?

- A. It stands for Debt To Income, usually figured in a percentage.
- B. It is figured based on how much income you have coming in each month vs. how much debt you have already committed to that is fixed.
 - a. Fixed debt includes things such as: car payments, personal or payday loans, student loans, credit cards, bank loans, child support and or alimony payments that you pay out.
 - b. Income includes any regularly received income from sources such as: employment, social security, disability, child support, alimony, SNAP benefits, veterans pay, etc.

C. It is used to determine what portion of your income is already being used to support monthly expenses so that they don't lend more than a family can comfortably afford and still have the ability to pay for day to day expenses such as food, medical, etc.

Q. Am I eligible for this program if I have filed for bankruptcy?

- A. Yes. If it is a chapter 7 (all debts are cleared), you are eligible after 3 years of the date of discharge and pending your new credit since the event is all in good standing.
- B. If it is chapter 13 (debt restructuring), you must have at least 12 months of positive payment history prior to the home loan application with USDA.
- C.

Q. What credit score do I need?

- A. There is not a specific number that is required. The entire report is reviewed and considered.
- B. If the score is above 640, you may be eligible for streamlined processing.

Q. Do I have to apply with a co-applicant?

- A. No, only if you would choose to do so. Spouses, partners etc. are not required to be on the loan application with you.
- B. If you choose to apply with a co-applicant, each person's credit must be reviewed and approved individually. One cannot "make up for" the other.

Q. Do I need a co-signer?

- A. Not necessarily but if it is determined that it would help you, it is certainly an option.

Q. How long does the whole process take?

- A. It varies quite a bit. The initial application review is usually only a day or two including credit review. The full application is the longest portion because it often takes individuals or families a while to locate all of the required documentation. Once that is completed, however, it is submitted to the compliance team for final review (another safeguard built in for you), which takes an average of 1-3 days. After that, it goes on to USDA for final approval which is usually completed within 30 days but can take longer.