



# Ratio Analysis

## Single Family Housing Guaranteed Loan Program

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Welcome to Ratio Analysis, presented by USDA's Single Family Housing Guaranteed Loan Program!



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## Training Objectives

- Where is the topic located?
  - \* 7 CFR Part 3555 and HB-1-3555
- Learning Checks
- Resources

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The objectives of the training include:

1. Demonstrating where the training topic is located in the program regulation, 7 CFR Part 3555 and the technical handbook, HB-1-3555.
2. Providing learning checks to help you gain a working knowledge of the topic, and
3. Links to online resources to assist in locating program information.



**Things change!**

- Every effort has been made to ensure training references are accurate at the time of publication.
- Always reference the most recent USDA publications available online.

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Every effort has been made to ensure this training and all references are accurate, however, new program revisions and clarifications may occur.

Therefore, please ensure you always reference the most recent USDA publications available online.

This training module is not intended to replace the need to reference the regulation, technical handbook, and additional USDA published documents regarding the Guaranteed Loan Program.



**Guaranteed Loan Program Regulation**  
**7 CFR Part 3555**

- The regulation is the rule!
- 8 Subparts: A – H
- Appendix 1

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7 CFR Part 3555 is the program regulation. It is the first place users should look for the answers to their questions.

The regulation is the rule and it cannot be overridden by the technical handbook.

The 7 CFR Part 3555 is comprised of 8 subparts, A through H.

You can access the full regulation online as Appendix 1 from the Regulations and Guidelines website.

The screenshot displays the USDA Rural Development website. At the top, the USDA logo and 'Rural Development' text are visible. Below this is a banner image of a rural landscape. The main heading is '7 CFR Part 3555' with a URL: <http://www.rd.usda.gov/publications/regulations-guidelines>. The website's navigation bar includes links for Home, About RD, Programs & Services, Browse by State, Newsroom, Publications, and Contact Us. A sidebar on the left lists various publication categories, with 'Regulations & Guidelines' selected. The main content area is titled 'Regulations & Guidelines' and contains text explaining that federal regulations are available on Regulations.gov and that the website provides instructions, administrative notices, and forms in PDF, Word, and Text formats. A list of available documents is provided under the 'Rural Development' section.

The Regulations and Guidelines website is located from the link shown on the slide. Under “Rural Development” there are many items available from this home page. To access the regulation, select “Handbooks.”

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## 7 CFR Part 3555

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Publications

- Overview
- Fact Sheets
- Regulations & Guidelines
- Reports
- Dispute Appeals
- Publications for Cooperatives
- Rural Cooperatives Magazine

**Handbooks**

- HB-1-3550** Direct Single Family Housing Loans and Grants - Field Office Handbook
- HB-2-3550** Direct Single Family Housing Loans and Grants - Centralized Servicing Center Handbook
- HB-1-3555** SFH Guaranteed Loan Program Technical Handbook
- HB-1-3556** MFH Loan Origination Handbook
- HB-2-3556** MFH Asset Management Handbook
- HB-1-3556** MFH Project Servicing Handbook
- HB-1-3555** Guaranteed Rural Rental Housing Program Origination and Servicing Handbook
- Application Information Systems Support Handbook
- HB-1-3550** Direct Single Family Housing Loans and Grants - Field Office Handbook

**HB-1-3555 SFH Guaranteed Loan Program Technical Handbook**

**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
- Chapter 14** - Funding Priorities
- Chapter 15** - Submitting the Application Package
- Chapter 16** - Closing the Loan and Requesting the Guarantee
- Chapter 17** - Regular Servicing-Performing Loans
- Chapter 18** - Servicing Non-Performing Loans - Accounts with Repayment Problems
- Chapter 19** - Custodial and Real Estate Owned Property
- Chapter 20** - Loss Claims - Collecting on the Guarantee

**Acronyms**

**Glossary**

- Appendix 1** - 7 CFR part 3555
- Appendix 2** - Forms and Instructions
- Appendix 3** - Review and Appeals
- Appendix 4** - Agency and Employee Addresses
- Appendix 5** - Income Limits
- Appendix 6** - Interest Assistance
- Appendix 7** - Calves Access Instructions
- Appendix 8** - EDI Documentation
- Appendix 9** - Penalties
- Appendix 10** - Unnumbered Letter and State Supplements

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A list of all USDA Rural Development handbooks will display. Be sure to select the correct technical handbook: HB-1-3555. Once HB-1-3555 is selected, the entire handbook, including all appendix will display for selection. Appendix 1 is the full regulation, 7 CFR Part 3555.



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## 7 CFR Part 3555

### Subpart D: Underwriting the Applicant

- **.151: Eligibility requirements**
- .152: Calculation of income and assets

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Ratio analysis is located in Subpart D, Section 3555.151.



**3555.151(h): Repayment ability**

1. Repayment ratios
2. Compensating factors
3. Loan ratio exceptions
4. Additional applicants
5. Mortgage credit certificates
6. Section 8 Homeownership vouchers
7. Buydown accounts

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3555.151(h) outlines many topics regarding the successful repayment of the mortgage obligation including:

- Repayment ratios
- Compensating factors to support the applicant(s) can handle higher ratios
- Loan ratio exceptions, requesting and supporting ratios outside of the baseline thresholds
- Adding more applicants to the loan in an effort to increase repayment ability
- Using Mortgage Credit Certificates
- Using Section 8 Homeownership vouchers
- Using Buydown accounts



**Guaranteed Loan Program Technical Handbook**  
**HB-1-3555**

- Provides guidance to support the regulation
- HB is not the rule
- 20 Chapters

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The 7 CFR Part 3555 regulation cannot cover every topic and every potential scenario, therefore a technical handbook has been published to support the regulation and provide additional clarification. HB-1-3555 has 20 chapters.

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# HB-1-3555

**HB-1-3555 SFH Guaranteed Loan Program Technical Handbook**

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- Chapter 1** - Overview
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**Acronyms**

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- Appendix 10** - Unnumbered Letter and State Supplements

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The handbook may be accessed from the Regulations and Guidelines website. Ratio Analysis is located in Chapter 11.



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## **HB-1-3555**

- CHAPTER 11: RATIO ANALYSIS**
  - 11.1 INTRODUCTION
  - 11.2 THE RATIOS
    - A. The PITI Ratio
    - B. The Total Debt Ratio
  - 11.3 DEBT RATIO WAIVERS AND COMPENSATING FACTORS
    - A. Debt Ratio Waivers
    - B. Compensating Factors for Refinance Transactions
  - 11.4 MORTGAGE CREDIT CERTIFICATES
  - 11.5 FUNDED BUYDOWN ACCOUNTS
  - 11.6 SECTION 8 HOMEOWNERSHIP VOUCHERS
    - A. Repayment Income
    - B. Offset to Principal, Interest, Taxes and Insurance (PITI)
  - 11.7 OBLIGATIONS NOT INCLUDED IN DEBT-TO-INCOME RATIOS

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This screen shot displays the Table of Contents of Chapter 11. This helps the user to locate specific topics more quickly.



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## HB 11.2: The Ratios

**A. PITI: 29%**

- Principal
- Interest
- Real estate taxes
- Homeowners insurance
- Annual fee
- Additional assessments, HOA fees, etc. may also be applicable

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Ratios represent an applicant's ability to afford not only the mortgage but all of their additional monthly obligations as well. Let's take a closer look at some ratio specifics! The PITI represents everything about the mortgage payment: the principal, interest, real estate taxes, homeowners insurance, USDA annual fee, and additional assessments that may apply such as HOA fees.

The baseline PITI ratio is 29% of an applicant's gross monthly repayment income.



**HB 11.2: The Ratios**

**B. Total Debt (TD): 41%**

- PITI
- Regular assessments
- Long-term obligations (10 months or more repayment)
- Revolving accounts
- 30 day accounts
- Alimony
- Garnishments

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The Total Debt (TD) baseline threshold is 41%.

The total debt includes not only the PITI but also the additional monthly obligations the applicant is legally responsible to pay.

Handbook Chapter 11, section 11.2 B is where additional information on each of these debt types is located.

Take a moment to review each of the debts listed on this slide that may apply to the total debt ratio.



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## HB 11.2: The Ratios

### B. Total Debt (TD): 41%

- Student loans
- Previous mortgage (divorce, sale, trade, transfer)
- Co-signed debts
- Business debts
- Non-Purchasing Spouse debts, as applicable
- Collections, as applicable

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This slide continues to list additional total debt considerations.



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## HB 11.2: The Ratios

### B. Total Debt (TD): 41%

- Judgments
- Self-employed loss
- Auto allowance and expense payments
- Rental loss
- Short-term obligations (significant impact on repayment)
- Balloon
- Deferred payments

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Even more total debt examples are displayed on this slide.



**Debt Ratio Waivers 101**

- GUS Accept = no waiver required
- GUS Accept with full documentation = no waiver required
- GUS Refer, Refer with Caution, or manual uw = waiver required
- No USDA published form, use 1008/similar uw form

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If the PITI will exceed 29% and/or the Total Debt will exceed 41% a debt ratio waiver may need to be requested from USDA.

If the Guaranteed Underwriting System (GUS) is utilized, one or more of the ratio thresholds are exceeded, and a GUS Accept underwriting recommendation is rendered, a ratio waiver is not required.

If GUS renders an Accept underwriting recommendation, one or more of the ratio thresholds are exceeded, and the file is required to submit "FULL DOCUMENTATION" to USDA, a debt ratio waiver is not required.

GUS Refer, Refer with Caution, and manually underwritten loan files with one or more of the ratio thresholds exceeded will require a debt ratio waiver request.

There is no official USDA form to use when requesting a debt ratio waiver. Lenders may submit their documented requests on the underwriting transmittal summary (1008) or similar form.



**HB 11.3 A : Debt Ratio Waivers: Purchases Manual UW**

- All applicants = 680 credit score or higher
- Maximum ratios: 32% PITI / 44% TD
- 1 compensating factor with supporting documentation
  - Proposed PITI less than or equal to previous 12 months of verified housing cost with no late payments
  - 3 months or more of PITI in reserve post loan closing
  - All applicants employed with current employer for 2 years

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When a purchase loan receives a GUS Refer, Refer with Caution, or it is manually underwritten the following requirements apply to all debt ratio waiver requests:

- Every applicant on the loan must have a 680 credit score or higher
- The maximum ratio thresholds are 32% PITI and 44% Total Debt. Ratios above these thresholds are ineligible for a guaranteed loan.
- At least one compensating factor to support the debt ratio waiver request must be documented:
  - a. The proposed PITI must be less than or equal to the previous 12 months of verified housing costs paid with no late payments
  - b. The applicant has 3 or more months of PITI payments in reserve and available post loan closing
  - c. Every applicant has been employed with their current employer for a minimum of 2 years



**HB 11.3 B: Debt Ratio Waivers: Refinances**

- Streamlined-Assist = **no** debt ratios calculated
- Streamlined and Non-Streamlined = ratios calculated

Compensating factors:

- 680 credit score for all applicants
- Continuous employment with primary job
- Ability to accumulate savings
- 12 months mortgage paid as agreed

**Refer to the Refinance training module for more info!**

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When a refinance loan requires a debt ratio waiver the requirements are different. Streamlined-assist refinance loans do not, so a debt ratio waiver request will never be required.

For streamlined and non-streamlined refinances that exceed 29% PITI and/or 41% total debt ratios the following must be met:

- Every applicant must have a 680 credit score or higher
- The mortgage must have been paid on time for the previous 12 months prior to loan application
- Eligible compensating factors include continuous job employment and the ability to accumulate savings available post loan closing.

Refer to the Refinance training module for more information.



**HB 11.4: Mortgage Credit Certificate**

**HB 11.5: Funding Buydown Accounts**

**HB 11.6: Section 8 Homeownership Vouchers**

A. Repayment income

B. Offset to principal, interest, taxes, and insurance

**HB 11.7: Obligations not included in total debt ratio**

- Childcare, 401k loans, etc.

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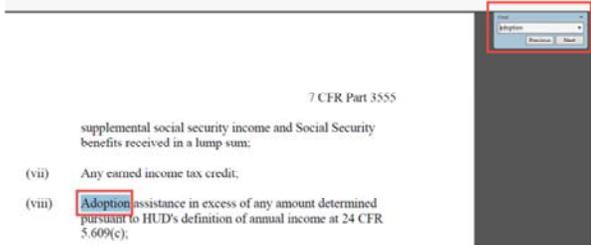
Additional sections of HB Chapter 11 include information about

- Mortgage Credit Certificates
- Buydown accounts
- Section 8 Homeownership Vouchers, and
- Obligations that may be excluded in the total debt ratio

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## TIPS

- Underwriter = USDA Approved Lender
- USDA = not an underwriter
- Research Rule & HB questions: Table of Contents
- Research Rule & HB questions: Control + F



7 CFR Part 3555

supplemental social security income and Social Security benefits received in a lump sum:

- (vii) Any earned income tax credit;
- (viii) **Adoption** assistance in excess of any amount determined pursuant to HUD's definition of annual income at 24 CFR 5.609(c).

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A few helpful tips:

- The underwriter of the loan is the approved lender's underwriter.
- USDA is NOT the underwriter of the loan.
- When researching topics, it is helpful to begin with the Table of Contents for the regulation and the handbook.
- A great best practice when searching for information is to open the regulation or a handbook chapter, select the "Control" button on the keyboard, hold it down, and then also select the "F" key. A keyword search box will appear. Enter a keyword or phrase to locate information more quickly.



**7 CFR PART 3555 / HB-1-3555  
LEARNING CHECKS**

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The best way to learn information is to test your knowledge!



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## Question Slide

**“Topic”**

- Question will be bulleted with scenario, or
- Include a statement/question

TRUE/FALSE or other answer options will be displayed

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Each question slide will list:

- the topic
- a question or scenario, and
- potential responses.



**ANSWER SLIDE**

**“Topic”**

**ANSWER: 7 CFR Part 3555 and HB-1-3555 references provided**

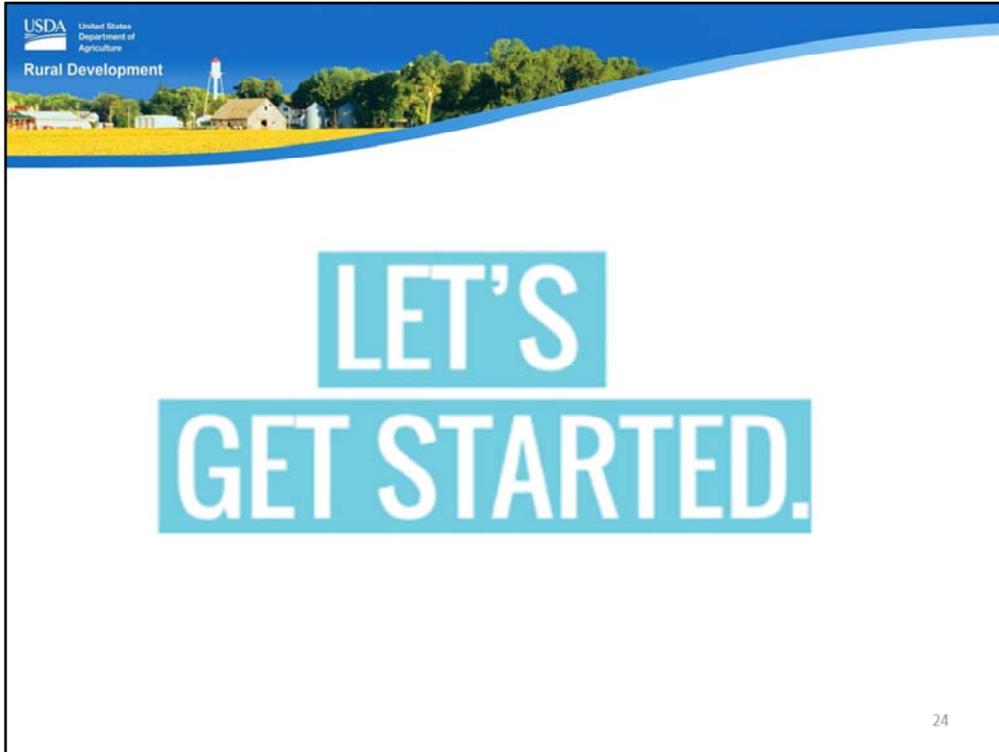
X. Correct Response

- Additional guidance for clarification may be provided

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The answer slide will list:

- The topic
- The reference to the answer from the regulation and handbook
- The correct response, and
- Any additional clarification that may be helpful.



Let's get started!



**Ratio Analysis**

- Annual HOA fee of \$600 applies to home purchase
- The HOA fee does not need to be included in the PITI amount

A. TRUE      B. FALSE

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Read the question on the slide and select a response.



**Ratio Analysis**  
**ANSWER: 3555.151(h)(1)(i), HB 11.2 A**

B. FALSE

- HOA fees, taxes, annual fee escrow, hazard and flood insurance premiums must be included in PITI regardless of escrowed status
- The PITI is part of the TD

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False

The HOA fee along with other applicable mortgage considerations must be included in the PITI payment. This applies even if the amount is not escrowed by the lender.

The PITI is also included in the total debt ratio, and therefore will be reflected as part of this measure as well.



**Ratio Analysis**

Student Loans on credit report:

- A. Balance \$6,000 Payment \$40 (fixed rate/term plan)
- B. Balance \$8,000 Payment \$65 (fixed rate/term plan)
- C. Balance \$12,000 Payment \$35 (income-based plan)

Which student loan payment(s) is not eligible to be utilized in the ratios?

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Read the question on the slide and select a response.



**Ratio Analysis**  
**ANSWER: 3555.151(h)(1)(i), HB 11.2 B**

C. Balance \$12,000 Payment \$35 (IBR)

- An income based payment is not eligible, it is subject to change
- 1% of the loan balance documented on the credit report must be used, no additional documentation required
- A fixed payment loan is defined as: fixed payment, fixed interest rate, and fixed term with no future adjustments

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#### Response C

Income based repayments are not fixed payments, and therefore are subject to change. All non-fixed student loan payments (adjustable, graduated, IBR, ICR, etc.) must use 1% of the loan balance documented on the credit report in the total debt ratios. When 1% is utilized in the debt ratios, no additional documentation is required.

A fixed payment may be used when it is documented as such. A fixed payment is not subject to change for the life of the loan agreement. The interest rate is fixed, and so is the loan term. Applicant's must provide the lender with evidence to support they have a true fixed payment.



**Ratio Analysis**

- Bill co-signed for his daughter's car
- 12 months of bank statements are provided to prove she paid the debt
- Two late payments are listed for the debt on the credit report within the last 12 months
- The debt may be excluded from Bill's ratios

A. TRUE      B. FALSE

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Read the question on the slide and select a response.



**Ratio Analysis**  
**ANSWER: 3555.151(h)(1)(i), HB 11.2 B**

B. FALSE

- Late payments in the last 12 months = debt must be counted
- “Individual” account on credit report = debt must be counted, regardless of who is making the payment

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False

There are late payments on this debt in the last 12 months. Therefore regardless if the applicant is making the payments at this time or not, the late payments render it ineligible to be excluded from the ratios.

Any debt that is coded as “individual” on the applicant’s credit report must be included in the debt ratios, because complete legal liability to pay the debt rests with this individual.



**Ratio Analysis**

- Christy has a previous mortgage with ex-spouse
- Divorce decree awarded home to ex-spouse 16 months ago, no late payments
- No refinance of the mortgage has occurred
- Mortgage debt may be omitted for Christy

A. TRUE      B. FALSE

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Read the question on the slide and select a response.



**Ratio Analysis**  
**ANSWER: 3555.151(h)(1)(i), HB 11.2 B**

B. TRUE

Required documentation must be retained:

- Retain copy of divorce decree
- Document the mortgage has no late payments (credit report or verification from loan servicer)
- Divorce decree effective less than 12 months/Late payments in last 12 months = count the debt

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True

The mortgage may be excluded because the “new owner” has made the payments on time for the previous 12 months.

The credit report may be used to document that no late payments have occurred, or the lender may contact the loan servicer for verification.

The divorce decree must be retained to document the transfer of ownership/who the court awarded the home. The divorce decree must also be effective for the previous 12 months, otherwise additional documentation may be required to exclude the debt as outlined in this section of the regulation and handbook.



## Ratio Analysis

- Credit report includes a charge-off account
- Balance is \$1,250
- What payment must be included in the TD ratio

A. \$62.50 (5%)    B. \$0.00

Read the question on the slide and select a response.



**Ratio Analysis**  
**ANSWER: 3555.151(h)(1)(i), HB 11.2 B**

B. \$0.00

- Charge-off accounts may be excluded from TD ratio
- Underwriter must continue to review credit history per HB Chapter 10 to determine if applicant is credit eligible

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\$0

The charge-off account is eligible to be excluded in the capacity analysis.

The capacity analysis is performed AFTER the credit analysis. This means that before the underwriter determines debts to include in the ratios, they have already reviewed the full credit history of all applicants and deemed them acceptable credit risks.



**Ratio Analysis**

- GUS Refer uw recommendation
- Ratios: 31/42
- Credit Scores: Applicant 1: 735 Applicant 2: 682
- Job Time: Applicant 1: 6 mo. Applicant 2: 4 years
- Current Rent (16 mo.): \$850 New PITI: \$783
- Loan is eligible for a ratio waiver

A. TRUE    B. FALSE

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Read the question on the slide and select a response.



**Ratio Analysis**  
**ANSWER: 3555.151(h)(2), HB 11.3 A**

A. TRUE

- Ratios do not exceed 32% PITI / 44% TD
- Both applicants have 680 credit score or above
- New PITI is at or below the current rent paid for previous 12 months

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True

A GUS Refer is a manually underwritten loan file.

The ratios are at the maximum ratio thresholds of 32/44.

Both applicants have credit scores of 680 or higher.

The new PITI is also at or below the current rent that has been paid for the previous 12 months.



## Ratio Analysis

- GUS Refer uw recommendation
- Ratios: 32/32
- Ratio waiver is not required because TD ratio does not exceed 41%

A. TRUE    B. FALSE

Read the question on the slide and select a response.



**Ratio Analysis**  
**ANSWER: 3555.151(h)(1) and (3), HB 11.3 A**

B. FALSE

- If either ratio is exceeded without a GUS Accept uw recommendation = ratio waiver request required

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False

If either ratio threshold is exceeded a debt ratio waiver is required.

The exception to this requirement is if the loan receives a GUS Accept underwriting recommendation.

GUS Accept loan files do not require debt ratio waiver requests.



**Ratio Analysis**

- GUS Refer uw recommendation
- Ratios: 27/42
- Credit Scores: Applicant 1: 682 Applicant 2: 766
- Job Time: Applicant 1: 1 year Applicant 2: 1.5 years
- No current rent
- No reserves
- Loan is eligible for a ratio waiver

A. TRUE    B. FALSE

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Read the question on the slide and select a response.



**Ratio Analysis**  
**ANSWER: 3555.151(h)(2), HB 11.3 A**

B. FALSE

- TD ratio exceeds 41%
- Both applicants have 680 credit score or above BUT
- They lack one eligible compensating factor: Job time is below 2 years, no reserves, and no current housing for comparison

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False

While both applicants have credit scores of 680 or higher, they do not have one eligible compensating factor. Their current job times are both below 2 years. They have no reserves. They have no current housing costs for the previous 12 months for comparison.



**Ratio Analysis**

- GUS Refer uw recommendation
- Ratios: 31/42
- Applicant credit score: 750
- Job time: 3.5 years
- Ratio waiver request documented to USDA
- USDA issued conditional commitment
- The ratio waiver has been approved by USDA

A. TRUE    B. FALSE

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Read the question on the slide and select a response.



**Ratio Analysis**  
**ANSWER: 3555.151(h)(3), HB 11.3 A and B**

A. TRUE

- Issuance of Form RD 3555-18/18E (conditional commitment) serves as notice of debt ratio waiver approval by USDA

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True

When USDA issues a conditional commitment (Form RD 3555-18/18E) it signifies the debt ratio waiver request has been approved.



**Ratio Analysis**

- Sean has a business loss of \$15,000
- Sean has negative net rental income of \$5,000
- Which one of these is a recurring monthly liability in the TD ratio

A. Business loss      B. Rental income loss

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Read the question on the slide and select a response.



**Ratio Analysis**

**ANSWER: 3555.151(h)(1)(i), HB 11.2B**

B. Rental income loss

- A net rental loss is included in the total debt ratio
- A business loss is deducted from repayment income

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Response B

Net rental losses are included in the total debt ratio.

A business loss is deducted from repayment income.



**Ratio Analysis**

- Christine has car payment of \$350
- She receives a monthly car allowance of \$200
- Which amount should be used in the debt ratios?

A. \$350      B. \$150

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Read the question on the slide and select a response.



**Ratio Analysis**  
**ANSWER: 3555.151(h)(1)(i), HB 11.2B**

A. \$350

- Monthly car payment = recurring debt.
- No offset allowed to payment due to car allowance

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Response A

The applicant is responsible for the entire liability payment. If the allowance were to cease, the applicant must be able to maintain the mortgage debt in addition to all other monthly liabilities

Therefore, the car allowance may not offset the monthly auto liability.



**Ratio Analysis**

- Chad's gross monthly repayment income: \$3,600
- Auto payment: \$500, 8 months repayment remain
- Lender excludes auto liability from ratios
- Chad's ratios: 29% PITI and 40% TD
- UW may decide to include the auto payment in the ratios due to its significant impact on repayment

A. TRUE    B. FALSE

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Read the question on the slide and select a response.



**Ratio Analysis**  
**ANSWER: 3555.151(h)(1)(i), HB 11.2 B**

B. TRUE

- Significant impact defined as 5% of gross monthly repayment income
- Gross monthly income  $\$3,600 \times 5\% = \$180$
- Underwriter must include debts determined to be significant in regards to repayment ability

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True

- Lenders and underwriters must be aware of short term debts that represent a significant impact on the applicant's ability to successfully repay the mortgage. The first 12 months of the mortgage are the most critical. In order to avoid early payment default, lenders and underwriters should consider each debt carefully.
- A significant impact on repayment is defined as a debt that is 5% or more of the applicant's gross monthly repayment income.
- In this example 5% of \$3,600 is \$180. With the debt excluded the applicant's ratios were 29% / 40%.
- When the \$500 auto payment is added back to the total debt ratio it rises to 54%.
- Clearly this debt may impose a potential hardship to the applicant.
- Underwriters must include debts determined to be significant impacts for repayment ability.



## Ratio Analysis

- Lindsey has a 401k loan
- \$150 is deducted from each paycheck
- 18 months repayment remain
- The \$150 payment must be included in debt ratios

A. TRUE    B. FALSE

Read the question on the slide and select a response.



**Ratio Analysis**  
**ANSWER: 3555.151(h)(1)(i), HB 11.2 B and 11.7**

B. FALSE

- 401k loans and other loans against personal assets are not included in debt ratios
- The applicant has borrowed against their own asset

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False

401k loans (and other loans against personal secured assets) are not included in the total debt ratio.

The applicant has essentially borrowed their own money.



**Ratio Analysis**

- Michael has a Mortgage Credit Certificate (MCC)
- The benefit will be \$2,000/annually or \$166.67/monthly
- Lender should add \$166.67 to Michael’s repayment income on the “Asset and Liabilities” GUS application page

A. TRUE    B. FALSE

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Read the question on the slide and select a response.

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## Ratio Analysis

**ANSWER: 3555.151(h)(5), HB 11.2 B**

B. FALSE

- Enter the monthly MCC amount on the “Additional Data” GUS application page in the data field provided. GUS will deduct the benefit from the PITI.

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False

The lender must add the MONTHLY benefit in the “Monthly Mortgage Credit Certificate (MCC)” data field on the GUS “Additional Data” application page.

This will allow GUS to deduct the benefit from the PITI prior to calculating ratios.

For loan files that are not submitted through GUS, the MCC monthly benefit may continue to be deducted from the full PITI prior to calculating ratios for repayment.



**Ratio Analysis**

- Michael has a Mortgage Credit Certificate (MCC)
- The lender has a statement regarding the approval of the MCC
- No additional documentation is required

A. TRUE    B. FALSE

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Read the question on the slide and select a response.



**Ratio Analysis**  
**ANSWER: 3555.151(h)(5), HB 11.4**  
B. FALSE

Loan file must contain copies of the following:

- MCC showing the rate of credit allowed (and annual cap)
- Lender calculation of the adjustment to income
- Copy of the borrower's IRS Form W-4 to reflect the tax credit is taken on a pay-period basis
- Lender certification that the applicant completed/processed all necessary documents to receive the credit

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False

The loan file must include all of the documentation listed in the regulation and handbook. If a loan file is approved with the use of a Mortgage Credit Certificate and then the MCC is not issued/approved, the lender must update the loan file in GUS/with USDA.

## Ratio Analysis

- Jane is using a temporary buydown
- Year 1: 2.5%, Year 2: 3.5%, Year 3 -30: 4.5%
- The loan may be underwritten at 2.5%

A. TRUE    B. FALSE

Read the question on the slide and select a response.



**Ratio Analysis**  
**ANSWER: 3555.151(h)(7), HB 11.5**

B. FALSE

- The loan must be underwritten at 4.5%, the full note rate
- Additional buydown requirements apply under 3555.151(h)(7)

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FALSE

Loans that utilize a temporary buydown must be underwritten and the full note interest way.

Additional buydown requirements are outlined in 3555.151(h)(7).



## Ratio Analysis

- Mary receives a Section 8 Homeownership voucher
- The benefit is paid directly to Mary
- Lender must apply the benefit as an “offset” to the PITI payment

A. TRUE      B. FALSE

Read the question on the slide and select a response.



**Ratio Analysis**  
**ANSWER: 3555.151(h)(6), HB 11.6**

B. FALSE

- Benefit paid to recipient = add to repayment income
- Benefit paid to loan servicer = “offset” PITI
- Section 8 benefits are not included in annual income calculations

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FALSE

When the Section 8 Homeownership Voucher is paid directly to the recipient, the amount may be added to repayment income.

If the benefit is paid directly to the mortgage loan servicer, then this amount may be deducted from the PITI payment prior to calculating repayment ratios.

Section 8 Homeownership benefits are excluded from the annual income calculation.



**Ratio Analysis**

- Susie and Billy are married
- They are moving from a non-community property state to a community property state
- Susie is the only applicant
- Billy's debts are not included because they currently reside in a non-community property state

A. TRUE      B. FALSE

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Read the question on the slide and select a response.



**Ratio Analysis**

**ANSWER: 3555.151(h)(1)(iv), HB 11.2B**

B. FALSE

- Applicants who reside or are purchasing in a community property state, the debts of the non-purchasing spouse (NPS) must be included in the applicant's debt ratio.
- Debts specifically excluded by state law may be omitted.

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FALSE

Community property state laws apply on two conditions: 1. the applicant(s) resides in a community property state or 2. the property is located in a community property state.

Debts of a non-purchasing spouse may be eligible to be excluded under the State's community property state lending laws.

USDA is not responsible to make NPS debt determinations.

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**WAY  
TO GO!**

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Way to go! You have completed the learning checks!

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## Regulations

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**Regulations & Guidelines**

All Federal regulations can be found at [Regulations.gov](http://Regulations.gov) and customers can search, review and submit comments on Federal documents that are open for comment and published in the Federal Register.

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This will conclude the training module. Thank you and have a great day!