



# USDA / Rural Housing Service (RHS) Program Guidelines



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## CHAPTER 1: Program Overview

### 1.1 Rural Housing Service (RHS) Program Overview

The Rural Housing Service (RHS) Program, through the U.S. Department of Agriculture (USDA), provides very low-, low-, and moderate-income rural residents with better access to affordable housing finance options with little or no down payment or out-of-pocket costs.

Borrowers may obtain a loan to purchase a new or existing home that is located in the designated rural area. A rural community generally has a population of 10,000 or less; however, a community with a population of 20,000 or less can be considered rural if it is located outside a metropolitan statistical area (MSA) and has a serious lack of mortgage credit for lower or moderate-income families.

To be eligible for RHS assistance, borrowers must lack sufficient resources to obtain conventional financing without RHS guarantee assistance. For example, the borrower is unable to secure the necessary down payment which is generally 20%.

The program offers assistance to low- and moderate-income rural residents whose income is equal to or less than 115% of the area median income. Moderate income is defined as the greater of 115% of the U.S. median family income, or 115% of the average of the state-wide and state non-metro median family income or 115/80th's of the area low-income limit.

Rural housing loans are limited to one (1) loan per borrower and co-borrower.

**The information outlined in the program guidelines are the requirements set for by the investor. As you review the information provided specifically by the USDA Rural Development for reference, you may see more lenient parameters – please understand that the more restrictive investor parameters prevail.**

### 1.2 Program Code

- RHS30 Rural Housing Service 30 Year Fixed Rate

### 1.3 Loan Purpose

- Purchase
- Rate/Term Refinance

**Note:**

- Cash-out is not permitted
- Only existing Guaranteed Rural Housing loans are eligible for refinancing.

## CHAPTER 2: Eligibility Overview

### 2.1 Eligibility Terms

- 30 Year Fixed Rate

### 2.2 Occupancy

- Owner-occupied primary residences only

### 2.3 Maximum LTV/CLTV

For the first mortgage, 100% of the market appraised value and may include all of the recurring and non-recurring closing costs.

**Note:**

The maximum LTV may exceed 100% of the appraised value only by the amount of the Guarantee Fee being financed in the loan amount.

- Purchase Transactions: May exceed 100% LTV only by the maximum 1.00% Guarantee Fee
- Refinance Transactions: May exceed 100% LTV only by the maximum 1.00% Guarantee Fee

### 2.4 Eligible Borrower Requirements

All borrowers are subject to the following eligibility requirements:

- U.S. Citizens
- Permanent and Non-Permanent Resident Aliens

In addition, the following must also be met:

- Each borrower must have a valid social security number
- Each borrower must have screened using CAIVRS (Credit Alert Verification Reporting System) to determine if an applicant is delinquent on a federal loan
- Title must be held in the name of an individual only
- Borrowers must lack sufficient down payment resources to secure conventional financing
- Borrowers may have only one (1) primary residence
- Borrowers may be the current owner of a structurally sound, functionally adequate house, as long as it is sold prior to or concurrently with the purchase of a new home. Exceptions may apply: The Ameritrust Mortgage Corporation underwriting team may contact the local Rural Development office for details.
- When applicant is not a U.S. Citizen or a permanent or non-permanent resident alien, use the SAVE (Systematic Alien Verification for Entitlements) system to determine applicant eligibility. (See AN 4556 for guidance and requirements)
- Each borrower must be screened against the GSA (General Services Administration) list prior to request for commitment and no greater than 30 days before loan closing, as documented in the Request for Single Family Housing Guarantee, Form 3555-21. Borrowers are ineligible if they appear on the GSA list.

## 2.5 Ineligible Borrowers

- Inter Vivos Revocable Trusts
- Non-Occupant Co-Borrowers

## 2.6 Eligible Properties

- Single Family 1-Unit Non-Farm Residences
- Approved Condominiums
- PUDs (Planned Unit Developments)

In addition, the following must also be met:

- The property must be located in a rural area, as designated by the local RHS office
- The property must be contiguous to and have access to a paved and all-weather surface street, road, or driveway
- The property must have dependable water and waste disposal systems that are approved by local authorities
- Leaseholds are permitted if long-term leasing of homesites is a well-established local practice, and such leaseholds are freely marketable in the area

### Note:

The former rule of the value of the site should not exceed 40% of the total value of the property has been removed.

## 2.7 Ineligible Properties

2-4 Unit	Non-Warrantable Condominiums
Manufactured Homes	Condotels
Geodesic Dome	Timeshare
Co-Operative	Mixed Used
Working Farm and Ranches	Unimproved Vacant Land

- Properties that are located in a flood or mudslide zone. This restriction may be waived for existing homes in some states. In those states, National Flood Insurance must be available and flood insurance is required.  
Exceptions may apply: The Ameritrust Mortgage Corporation underwriting team may contact the local Rural Development office for details.
- Properties that are located in an area that is not designated as rural by RHS

## 2.8 Ineligible Mortgages

- Properties necessitating Construction Modifications
- Properties necessitating Escrow Holdbacks
- Spot Relocation Mortgages
- Energy Efficient Mortgages: Automatic waivers for 31/43% are allowed in states that meet the International Energy Code of 2000



## 2.9 Minimum / Maximum Loan Amounts

Minimum	Maximum
No minimum loan amount	100% of the conforming loan limit Or 101.01% when the Guarantee Fee is financed

## CHAPTER 3: Credit Overview

### 3.1 Calculation of the Guarantee Fee

The Guarantee Fee may be calculated in two (2) ways, depending upon whether the fee will be financed or not.

Transaction Type	Not Financed	Financed
<b>Purchase / Rate/Term Refinance Transactions</b>	Multiply the loan amount by 1.00% and round to the nearest cent  <b>Example:</b> $\$100,000 \times .01 = \$1,000$	The fee is calculated as follows: <ul style="list-style-type: none"> <li>• Divide the base loan amount by .99 and round down to the nearest dollar</li> <li>• Multiply the number by .01 (1.00%) and round to the nearest cent</li> </ul> <b>Example:</b> $\$100,000 \div .99 = \$101,00.10101$ (round to \$101,010.00)  $\$101,010.00 \times .01 = \$1,010.10$ (round to \$1,010.10)

### 3.2 Annual Fee

- .35%

### 3.3 Documentation Type

- Full documentation
- Alternative documentation permitted, as follows:
  - If a Verification of Employment (VOE) is not available, applicant income may be verified by both W-2 tax forms for the previous two (2) years **and** telephone verification of the applicant’s permanent employment, **plus one** of the following:
    - Paycheck stubs or payroll earnings statements covering the most recent thirty (30) day period; **OR**
    - Electronic or computer-generated verification of earnings for the most recent thirty (30) day period.
  - If both the borrower and the co-borrower have a minimum credit score of 620:
    - Documentation of rent payment history is not required
    - Documentation of adverse credit history waivers is not required, except for those involving a delinquent Federal debt or previous RHS loan
    - No action is necessary for any derogatory items, except those involving a delinquent Federal debt or previous RHS loan



### 3.4 Age of Credit Documentation

Credit documents may not be more than 120 days old as the time of loan closing, regardless if the property is existing or new construction

**Note:**

If the credit report used in GUS (Guaranteed Underwriting System) expires and the new one has no changes or no adverse impact; a new resubmission of GUS and to RD is not required.

### 3.5 Income

The borrower’s gross income may not exceed 115% of the U.S. median income.

**Note:**

If Bond financing is involved, the borrower’s income cannot exceed the lesser of 115% area<sup>1</sup> income or income limits specified by the Bond program

An income calculator is available on the Rural Development website when you select Single Family Housing under Income Eligibility: <https://eligibility.sc.egov.usda.gov>

### 3.6 Credit Scores

620 or Greater
Waivers are not required for adverse credit history except for delinquent Federal debt or previous Rural Housing loan

- Must not have any foreclosure, including pre-foreclosure or short sale, within 3 years, or late mortgage payments during most recent 12 months.

### 3.7 Credit Report

Acceptable credit report requirements are as follows:

- RMCR (Residential Mortgage Credit Report) - Required if any of the following apply:
  - Applicant disputes account
  - Applicant claims collections, judgments, or liens have been paid but cannot provide supporting documents
  - Applicant states the debt on the credit report has different balances or payment and cannot provide a statement less than 30 days old
- MMCR (Multi-Merged Credit Report)

When MMCRs are used, the following also applies:

- Three-merge reports are preferred
- Two-merge reports are acceptable only if they represent all of the data available for the borrower
- If only one in-file report is available, an RMCR is required

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<sup>1</sup> Moderate income is defined as the greater of 115% of the U.S. median family income or 115% of the average of the state-wide and state non-metro median family incomes or 115/80th’s of the area low-income limit.

### 3.8 Underwriting Requirements

- No Score and One Score allowed. Contact the Lock Desk for any pricing adjustments.
- Borrower must have a minimum credit score greater than or equal to 620
- GUS Accept or manual underwrite
- Two trade lines that have existed for 12 months. They can be open, closed, disputed, or authorized user.

### 3.9 Debt Ratio

- 29/41% qualifying ratio
- Ratios may be automatically waived to 31/43% in states that meet the International Energy Code of 2000.  
Exceptions may apply: The Ameritrust Mortgage Corporation underwriting team may contact the local Rural Development office for verification. In addition, exceptions for higher ratios may be requested.
- Co-Signer debt, non-purchasing spouse debt in community property states, student loans and all installment debt due in the next 24 months must be included in the debt ratio.

### 3.10 Down Payment and Source of Funds

Required.

### 3.11 Homebuyer Education

Required for FTHB (First-Time Homebuyers) only if required by the RHS office issuing the conditional commitment.

### 3.12 Cash Reserves

Not required.

### 3.13 Secondary Financing

Not allowed.

### 3.14 Mortgage Insurance

Not required.

**Note:**

A one-time Guarantee Fee of 1.00% of the Guaranteed Loan amount is due at closing. The fee can be financed in the loan amount, included as part of the Seller's contribution, or collected directly from the borrower at closing.

## CHAPTER 4: Collateral Overview

### 4.1 Appraisal Requirements

- The Uniform Residential Appraisal must be completed using the sales comparison (market) and cost approach to market value
- Use the most recent revision of URAR
- Appraisal must be completed within six (6) months of the date the request for conditional commitment is submitted to RHS.

Appraisals must be completed by an FHA Roster appraiser for Rural Housing loans. When prepared in accordance with HUD Handbooks 4905.1 and 4150.2, the appraisal constitutes acceptable documentation to comply with existing dwelling inspections made in accordance with RD Instruction 1980-D, section 1980.341(b)(1)(i). The lender should be careful to select an appraiser familiar with and who can certify that the requirements of HUD Handbooks 4905.1 and 4150.2 have been met.

**Note:**

All USDA appraisals must be requested via the link in the TPO Website. The Loan Officer/Loan Processor may not select the appraiser.

## CHAPTER 5: Closing Costs and Contributions

### 5.1 Gifts

Acceptable from someone who is not a member of the household. A fully completed gift letter stating that no repayment of the gift is required must be provided. Evidence of funds must also be included in the loan file.

In GUS, enter gift funds in the Transaction Details screen in the Other Credits section. Select Other in the Description of Other Credits field, enter the amount of the gift, and in the Describe Source field, type gift funds. If gift funds are entered on the Assets and Liabilities screen, GUS will not recognize the funds as a gift.

USDA does not consider gift funds as reserves or as a compensating factor.

### 5.2 Temporary Buydowns

- Allowed only if the seller or third party/lender pays the cost
- Permanent interest rate buydowns are permitted. However, they cannot be included in the loan amount funded unless the borrower is under 80% of the area median income
- Funded buydown accounts are not allowed on refinance transactions

### 5.3 Sales and Financing Contributions

Sales and financing requirements are as follows:

- An amount of 6% of the sales price may be contributed towards all closing costs.

## CHAPTER 6: Refinance Requirements

Refinance transactions must comply with all of the following requirements:

Description	Requirement
<b>6.1 Term</b>	Fixed rate 30 year terms only
<b>6.2 Interest Rate</b>	Cannot exceed the rate on the existing loan
<b>6.3 Eligible Property</b>	The loan security must include the same property as the original loan. The security property <u>must be</u> owner-occupied as the borrower's principal residence.
<b>6.4 Guarantee Fee</b>	The fee amount is 1.00% of the total principal obligation of the new loan. The fee may be financed into the new loan amount. The LTV of the new loan may exceed 100% only if the excess amount represents a financial guarantee fee of no more than 1.00%
<b>6.5 Household Income</b>	The total adjusted income for the household cannot exceed the moderate level for the areas.
<b>6.6 Loan Amount</b>	<ul style="list-style-type: none"> <li>• Maximum loan amount cannot exceed the balance of the loan being refinanced, plus the guarantee fee and reasonable and customary closing costs (including funds necessary to establish a new tax and insurance escrow account).</li> <li>• Subordinate financing, such as HELOCs and DPA "silent" seconds cannot be included in the new loan amount.</li> <li>• Unpaid fees, such as late fees due to the servicer, cannot be included in the new loan amount.</li> </ul>
<b>6.7 Subordinate Financing</b>	Any existing secondary financing must be subordinate to the first lien
<b>6.8 Appraisal Requirements</b>	A full appraisal is required only in cases where any accrued interest, closing costs and/or fees (other than the guarantee fee) will be financed into the new loan amount.
<b>6.9 Cash-Out</b>	<ul style="list-style-type: none"> <li>• No allowed. The borrower may receive reimbursement from loan proceeds at settlement for personal funds that were advanced for eligibility loan purposes relating to the refinance transaction, such as an appraisal fee or credit report fee.</li> <li>• At loan closing, a nominal amount of cash out to the borrower may occasionally result due to final escrow and interest calculations. This amount, if any, must be applied as a principal reduction of the new loan amount.</li> </ul>
<b>6.10 Non-Rural Areas</b>	Refinance loans are allowed for properties in areas that have been determined to be non-rural since the existing loan was made.

## Refinance Requirements - Continued

Description	Requirement
<b>6.11 Additional Borrowers</b>	Additional borrowers may be added to the new loan or existing borrowers may be deleted from the current loan. All applicants that will be on the Note for the new loan must meet all eligibility requirements.
<b>6.12 Qualifying Ratios</b>	Maximum 29/41% Request for waiver of these ratios may be allowed with supporting documentation. A satisfactory payment history of the mortgage is considered a strong compensating factor.
<b>6.13 Required Documentation</b>	<ul style="list-style-type: none"> <li>• Signed copy of final loan application</li> <li>• Current credit report</li> <li>• Any late mortgage payments within the last 36 months on the existing Guaranteed loan must be addressed in the underwriting decision</li> <li>• Verification of current employment and income</li> <li>• Verification that the total adjusted income of the household does not exceed the current moderate income level established for the area</li> <li>• Signed “Request for Single Family Housing Loan Guarantee” (form RD 1980-21)</li> <li>• Signed “Debarment Certification” (form AD-1048)</li> </ul>
<b>6.14 Additional Requirements</b>	Loans that were originated under the Direct/Leveraged program may not be refinanced under the Guaranteed program



## CHAPTER 7: Additional Information

### 7.1 Geographic Restrictions

The property must be located in a designated rural area as designated by the RHS office.

To determine whether the property is located in a designated rural area, visit the Rural Development website at <https://eligibility.sc.egov.usda.gov>. Under Property Eligibility, select Single Family Housing. Enter the subject property address for an instant determination for RHS approved financing eligibility.

### 7.2 Assumability

Not permitted.

### 7.3 Prepayment Penalty

Not permitted.

### 7.4 Impound Accounts

Impound accounts are required for both property taxes and hazard insurance.

## CHAPTER 8: Supporting Information

### 8.1 RHS Required Supporting Documents

Standard Fannie Mae ® / Freddie Mac ® conventional or FHA loan documents are allowed. Additionally, the following documents are required during the process:

The fully underwritten loan package and the following forms will be submitted to the applicable USDA regional office by Ameritrust Mortgage Corporation:	
	Required Documentation
Income Eligibility Calculation Worksheet	CLD Form: <a href="#">Click Here</a>
Request For Reservation of Funds	1980-86: <a href="#">Click Here</a>
Request for Single Family Housing Loan Guarantee (4 pages)	3555-21
Property Certification [Existing Homes]; <b>or</b> HUD-92541 Builders Certification [New Construction] or Form 1924-25 Plan Certification [New Construction]	Provided by Ameritrust Mortgage Corporation
Credit report of the non-borrowing spouse if located in a community property state	
Appraisal with 1004MC	
Final GUS findings	
Standard Flood Hazard Determination	
Evidence of Alien criteria if Non-U.S. citizen	

If new construction (built less than 12 months and never occupied), submit to the applicable USDA regional office by Ameritrust Mortgage Corporation:	
One of the following documents: <ul style="list-style-type: none"> <li>• Copy of the building permit issued by local jurisdiction</li> <li>• Certificate of occupancy</li> <li>• Certification from qualified individual/organization that reviewed the plans and specs and determined they meet applicable building codes (may use RD 1924-25 or reviewers form)</li> </ul>	
One of the following combinations of documents: <ul style="list-style-type: none"> <li>• Certification of Occupancy <u>and</u> 1-year builder warranty</li> <li>• Copies of 3 construction inspections (footing/foundation, shell complete, final inspection) <u>and</u> 1-year builder warranty</li> <li>• Final inspection <u>and</u> 10-year insured builder warranty</li> </ul>	

Conditional Commitment is issued by RD within 48 hours of receipt of application – includes Lender Certification.	
Conditional Commitment for SF Housing Loan Guarantee	3555-18

**Note:**

Receipt of the Conditional Commitment from RD is the “**permission to close**” trigger. The commitment is valid for a period of 90 days. Any revision to the terms of the commitment must be approved by RD and the RD 1980-18/3555-18 Conditional Commitment revised.



Ameritrust Mortgage Corporation executes the Lender Certification (page 2 of the Conditional Commitment)	
Lender Certification	3555-18
Ameritrust Mortgage Corporation will advise RD of the intent to sell the loan on the secondary market by executing the GHR Lender Record Change.	
Guaranteed Rural Housing Lender Record Change	3555-11
Ameritrust Mortgage Corporation will prepare the Guaranteed Loan Closing Report and deliver it, the guarantee fee, and Lender Certification to the local RD office.	
Guaranteed Loan Closing Report	<b>Form only required if Lender Loan Closing (LLC) system not used</b>
RD will review the items submitted by the lender to assure compliance with the conditions of the guarantee. If all requirements have been met, the local office will execute the Original Loan Note Guarantee and send the original from to Ameritrust Mortgage Corporation.	
Original Loan Note Guarantee [Issued by RD to Lender]	3555-17

## 8.2 Supporting Websites

- USDA Rural Development Income and Property Eligibility Site [Eligibility](#)
- Responsible Home Counseling [MGIC](#)

## 8.3 Supporting Reference Materials

- A Guide to Credit Waivers
- 7 CFR 3555 Handbook

## 8.4 Supporting Reference Administrative Notices

- 3555 SFH Guaranteed Loan Program Technical Handbook [3555 Handbook](#)
- Administrative Notice Website [Administrative Notices Website](#)

The information outlined in the program guidelines are the requirements set for by the investor. As you review the information provided specifically by the USDA Rural Development for reference, you may see more lenient parameters – please understand that the more restrictive investor parameters prevail.