

**Mortgage Tidbits**

**Keeping you informed and in the know….**

**USDA Buyers and qualifying them - Compensating Factors**

**When it comes to the percentage of PITI and monthly debt in relation to the borrower’s income, USDA is very strict. This is true for all purchasing transactions NOT refinances.**

Normal ratios that will be approved are 29% for a house payment and 41% for total Debt to income. USDA does offer an option to exceed the normal ratios by allowing up to 32% house and 44% total DTI with these guidelines:

1. A credit score of 680 or above is required

**AND**

1. At least one of the allowed compensating factors listed below has been verified and have the documentation to back it up

**Acceptable Compensating Factors and Supporting documentation are the following:**

The proposed PITI is equal to or less than the previous 12 months of verified housing costs with **NO** late payments.

* + Verification of housing expenses may be documented on a VOR or credit report
	+ Must include the actual payment amount and report no late payments or delinquency for the previous 12 months
	+ Rent or mortgage payment history from family members will not be accepted

3 months or more of PITI in reserves post loan closing must be available

* A verification of deposit or 2 consecutive bank statements dated within 45 days of loan application that document the average balance
* Cash on hand will not be eligible as a compensating factor
* This is not an acceptable compensating factor for self-employed buyers

Borrower can show at least 2 years at the same employer

* Self-employment will not be used to meet this compensating factor

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