

PREVIOUS USDA LOSS

An applicant with a previous Section 502 Single Family Housing Direct or Guaranteed loan that resulted in a loss paid by the Federal government, must provide the lender with the following information:

1. Explain and document the circumstances that led to the loss paid on their behalf. Example: If the loss was due to reduced wages, IRS tax transcripts would document the loss of income. Medical explanations are not required to submit private health information; Explain why the loss is unlikely to recur. Example: Losses due to unemployment and no medical insurance would show a new stable work history with medical benefits; and

The lender must provide the documentation and recommendation for loan approval along with the final and complete application submission. Explain positive aspects of the loan file which attribute to future success. Examples: Stable job time of 2 years or more, low qualifying ratios, reserves available post loan closing, etc. USDA will review the explanation and supporting documentation and make the final determination of the applicant(s) eligibility for a new guaranteed loan.

RENT/MORTGAGE PAYMENT HISTORY

An indicator of future mortgage payment probability is the applicant's payment of their current rent or housing. Lenders should include the current rent or mortgage payment amounts on the Income and Expenses GUS application page and/or the loan application.

GUS Accept/Accept with Full Documentation files:

No Verification of Rent (VOR) required. No credit exception required.

GUS Refer, Refer with Caution, or manually underwritten loan files:

A VOR may be required. Refer to the GUS Underwriting Findings Report to determine if a VOR is required for a complete loan application. If a full 12-month VOR is not available, lenders may verify the amount of rental history that has been paid. One rent or mortgage payment paid 30 or more days past due in the previous 12 months is significant derogatory credit and will require a credit exception.