

Qualifying Ratios

Ratios are calculated using repayment income from applicants that will be a party to the Promissory Note. (Ch. 9)

Qualify at note rate

Ratios

- GUS Accept/Eligible – GUS determines acceptable ratios, a waiver is not required
- Manual Underwrite – 29/41 – A debt ratio waiver request with suitable compensating factors must be submitted to USDA when ratios exceed 29/41. USDA will not grant waivers in excess of 32/44 ratios

Manually underwritten loans – purchase transactions (Ch. 11)

Debt ratio waiver may be granted if all of the following conditions are met:

1. Either:

- a. The PITI ratio is greater than 20 percent, but less than or equal to 32 percent, accompanied by a TD ratio not exceeding 44 percent; or
- b. The TD ratio is greater than 41 percent but less than or equal to 44 percent, accompanied by a PITI ratio not exceeding 32 percent;

AND:

2. The credit score of all applicants is 680 or greater; and
3. At least one of the acceptable compensating factors listed below is identified and supporting documentation is provided.

The proposed PITI is equal to or less than the applicant's current verified housing expense for the 12-month period preceding loan application;

- i. Verification of housing expenses may be documented on a verification of rent (VOR) or credit report. The VOR or credit report must include the actual payment amount due and report no late payments or delinquency for the previous 12 months. Rent or mortgage payment histories from a family member will not be considered unless 12 months of canceled checks, money order receipts, or electronic payment confirmations are provided. A history of less than 12 months will not be considered an acceptable compensating factor.

- b. Accumulated savings or cash reserves available post loan closing are equal to or greater than 3 months of PITI payments;

- i. A verification of deposit (VOD) or two most recent consecutive bank statements document the average balance held by the applicant are required. Cash on hand is not eligible for consideration as a compensating factor.

- c. The applicant(s) (all employed applicants) has been continuously employed with their current primary employer for a minimum of 2 years.

- i. A "Request for Verification of Employment" (VOE) (Form RD 1910-5, comparable HUD/FHA/VA or Fannie Mae form, or other equivalent), or VOEs prepared by an employment verification service (e.g., The Work Number) must be provided. This compensating factor is not applicable for self-employed applicants.

Debt ratio waivers must be requested and documented by the approved lender.