

Scanning the Funding Landscape

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Committed to the future of rural communities

Homeownership Loans (Section 502 Direct program)

RD has TWO separate and distinct loan programs
(both permitting 100% financing)

- Guaranteed loans for moderate income households
- Direct loans for low and very low income households
- Over \$513m in USDA RD housing assistance provided in Illinois in FY 2010:
- Grants = 5% of the total funding
- Direct and Guaranteed Loans = 95%



Borrower Eligibility

Guaranteed

- ✓ Income limits: Up to 115% of Area Median Income Depending on household size. For example:

McLean County	115% of Median
1 Person Household	\$88,100
2 Person Household	\$88,100
3 Person Household	\$88,100
4 Person Household	\$88,100
5+ Person Household	\$116,300

- ✓ Asset limits: No Asset limits for the guaranteed loan program!
- ✓ Recapture: No recapture on unsubsidized guaranteed loans!



Borrower Eligibility

Guaranteed (Other requirements)

- ✓ Income must be Stable and Dependable and demonstrate repayment ability (29% PITI / 41% TD Ratios*)
- ✓ Credit must be acceptable. There is not a minimum credit score, but scores greater than 620 are eligible for a quicker review. Less than perfect credit history may be accepted with explanations of temporary circumstances. Delinquency on any Federal Debt (e.g. student loans, previous government loans) are not accepted.
- ✓ Have legal capacity (18 years old or emancipated).
- ✓ Not suspended or debarred from participation in Federal programs.
- ✓ Be a U.S. citizen or permanent resident alien (individuals that are undocumented or hold temporary work or student VISAs are not eligible)



*Lenders underwrite their own guaranteed loans for credit, but require a written waiver from RD when the 29 / 41 ratios are exceeded.

The payments and calculations below are for illustration purposes only.						
Loan Term	VA	RD Guaranteed Loan	FHA	MI Split Premium	MI Single Premium	MI Monthly
Purchase Price	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000
Interest Rate	5%	5%	5%	5%	5%	5%
Loan Term	30 years	30 years	30 years	30 years	30 years	30 years
Downpayment	\$0	\$0	\$5,250	\$4,500	\$7,500	\$7,500
Base Loan	\$150,000	\$150,000	\$144,750	\$145,500	\$142,500	\$142,500
Guarantee Fee	\$3,225	\$5,440.41	\$1447.50	\$0	\$0	\$0
Upfront MI Amount	\$0	\$0	\$0	\$1,091.25	\$3,206.25	\$0
Total Loan Amount	\$153,225	\$155,440	\$146,197	\$146,591	\$145,706	\$142,500
P&I Payment	\$822.54	\$834.44	\$784.82	\$786.93	\$782.18	\$764.97
LTV	102.15%	103.62%	97%	98%	95%	95%
MI Coverage	0%	0%	.90%	18%	30%	30%
Monthly MI Amount	\$0	* \$0	\$109.65	\$68.41	\$0	\$142.50
Minimum Credit	None; VA Entitlement	≤580: No adverse credit	≤580: limited to 90% LTV	MI minimum typically 680 - 720+		
Total Monthly Payment	\$822.54	\$834.44	\$897.47	\$855.34	\$782.18	\$907.47
*35% coverage, plus 85% of loss after initial coverage (up to a maximum of 90% of original loan amount)						



Borrower Eligibility

Direct

- ✓ Income limits: Up to 80% of Area Median Income Depending on household size. For example:

McLean County	80% of Median
1 Person Household	\$42,900
2 Person Household	\$49,050
3 Person Household	\$55,150
4 Person Household	\$61,300
5 Person Household	\$66,200

- ✓ Asset limits: Up to \$15,000 in cash or convertible to cash; (\$20,000 if elderly or disabled). Assets above these limits must be used for closing costs or down payment



Borrower Eligibility

Direct (Other Requirements)

- ✓ Income must be Stable and Dependable and demonstrate repayment ability (29% PITI* / 41% TD Ratios)
- ✓ Credit must be acceptable. There is not a minimum credit score, but scores greater than 640 are eligible for a quicker review. Less than perfect credit history may be accepted with explanations of temporary circumstances. Delinquency on any Federal Debt (e.g. student loans, previous government loans) are not accepted.
- ✓ Unable to obtain conventional credit at affordable rates/terms.
- ✓ Have legal capacity (18 years old or emancipated).
- ✓ Not suspended or debarred from participation in Federal programs.
- ✓ Be a U.S. citizen or permanent resident alien (individuals that are undocumented or hold temporary work or student VISAs are not eligible)



*PITI = Principal, Interest, Taxes and Insurance typically 29% of Stable Monthly Income, but may be as high as 33% in some cases.

Payment Assistance

Direct

- ✓ Allows applicants to be eligible for a larger loan amount and home that meets their needs.
- ✓ A funded buydown (called payment assistance) reduces the monthly payment to as little as 24% of adjusted income (effectively as low as a 1% interest rate loan).
- ✓ Interest rate for November is 4%, but a funded buydown through Payment Assistance can effectively reduce that rate as low as 1%.
- ✓ Recapture of subsidy is calculated when the home is sold or loan is refinanced (recapture is always limited to 50% of appreciation – plus a 25% discount on recapture if refinanced and the borrower is still occupying the home).
- ✓ When homeowners are able to refinance USDA's loan, they must do so... USDA is not competing with other lenders for business.



Example: \$100,000 loan, \$2,400 taxes; \$600 insurance
4% = \$706 PITI; Reduced to 1% = \$547 PITI (\$159 less)

Property Eligibility

Property restrictions (Both Programs)

- ✓ Property must be located in an eligible rural area
 - Non-metro communities with less than 20,000 population, including: Carbondale, Charleston, Freeport & Jacksonville which are eligible through receipt of the 2010 census
- ✓ No income-producing land or structures
- ✓ Modest in size and cost
- ✓ Maximum loan limit (**for Direct loans only**)
 - Purchase loans vary by county (\$142,000 to \$200,000 in Illinois)
 - Exceptions for large households and those with special needs
- ✓ No in-ground swimming pools
- ✓ Adequate utilities and access
- ✓ New or Existing Homes (construction or “take out” financing)
- ✓ Minimum adequate site required, but no set acreage maximum
- ✓ Occupancy as primary residence, not a farmstead loan program

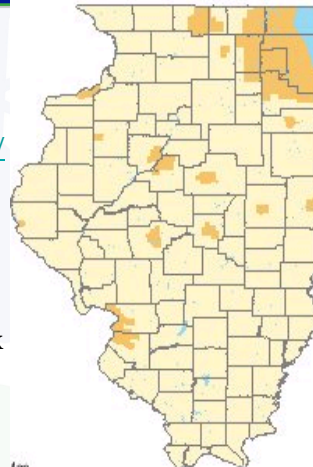


Contact the Rural Development for an application! More information online at <http://www.rurdev.usda.gov>

Property Eligibility

Property restrictions (Both Programs)

- ✓ Online access with street address and zip+4
- ✓ <http://eligibility.sc.egov.usda.gov/eligibility/>
- ✓ The 102 Illinois counties are:
 - 78 Entirely Eligible (no exceptions)
 - 21 Partially Eligible (Adams, Boone, Champaign, DeKalb, Grundy, Kane, Kankakee, Kendall, Knox, McHenry, McLean, Macon, Madison, Peoria, Rock Island, St. Clair, Sangamon, Tazewell, Vermilion, Will, & Winnebago)
 - 3 Ineligible (Cook, DuPage, Lake)



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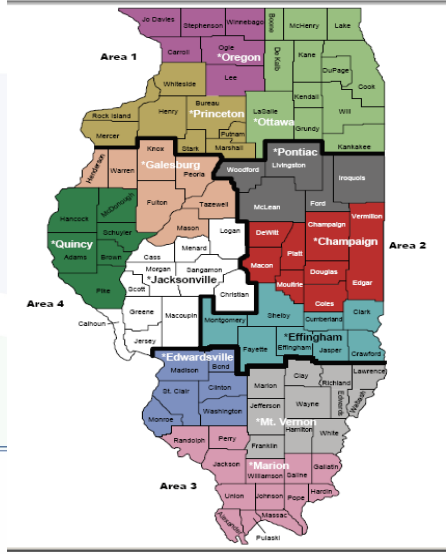
How Do I Apply?

Guaranteed

- ✓ Apply through any of the 200+ participating lenders

Direct

- ✓ Apply in person or by mail through one of 12 Rural Development offices located in Illinois or
- ✓ Contact us online: www.rurdev.usda.gov/il



Other USDA RD Programs

- ✓ Rural Rental Housing Direct Loans (1% financing for new MFH const/ rehab) with project based Rental Assistance available
- ✓ Rural Rental Housing Guaranteed Loans (25 – 40 year fixed rate negotiated with the lender)
- ✓ Site Loans (for NFPs up to 2 year term)
- ✓ Farm Labor Housing Loans and Grants (for NFPs)
- ✓ Housing Preservation Grants (for NFPs working with other funding sources)
- ✓ Rural Community Development Initiative grants (for NFPs)
- ✓ Business Loan Guarantees
- ✓ Renewable Energy Loan Guarantees and Grants
- ✓ Rural Business Enterprise Grants (for NFPs)
- ✓ Intermediary Relending Loan / Grants (for NFPs and Electric Cooperatives)
- ✓ Value Added Producer Grants
- ✓ Community Facility Loans and Grants (for NFPs)
- ✓ Water / Waste Disposal Loans and Grants (for NFPs and Municipalities)
- ✓ Broadband Loans and Grants



More information is available at www.rurdev.usda.gov !!

Questions?

- ✓ Rural Development is an Equal Opportunity Lender, Provider, and Employer. Complaints of discrimination should be sent to USDA, Director, Office of Civil Rights, Washington, D. C. 20250-9410.



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