

# USDA Loan FAQ | USDA Home Loan FAQ

**Here are answers to frequently asked questions.**

## **1. What is a USDA Home Loan?**

A USDA Guarantee Home Loan is a government insured loan, which is issued and serviced by a lender. USDA mortgages have become popular in locations like Texas, because they offer a number of advantages over FHA and Conventional loans which include:

- Zero money down purchases
- No mortgage insurance
- Flexible credit criteria
- Seller paid closing costs

## **2. Do I need to be a first-time homebuyer to qualify for a USDA Home Loan?**

No, the USDA puts no restrictions on previous home ownership.

## **3. Do I need to come up with a down payment to qualify for USDA home loan?**

No, there is no down-payment requirement, which is one of the great benefits of the program. It enables many buyers who don't have cash on hand. USDA Guaranteed loans offer 100% financing. 100% of the purchase price can be financed, as well as the 3.5% Guarantee Fee, which the government charges to conduct the program. Borrowers should also know that the USDA allows for 102% financing of the appraised value, which is a great tool for financing closing costs. *I specialize in finding USDA homes with little to no out-of-pocket expenses.*

## **4. Are USDA Guaranteed loans only for low-income borrowers?**

No, USDA Guaranteed loans are for Moderate- to Low-Income borrowers. For example, in most counties in Texas, a 1-4 person family can earn up to \$74,750 per year and in some counties the income limit is as high as \$98,650 per year. Income limits also increase for families greater than 4.

## **5. Are there restrictions on where I can purchase a home using a USDA Mortgage?**

Yes, the USDA requires the property to be located in a rural area. To determine which areas of the state are eligible for USDA financing, call me.

## **6. Is the loan process for a USDA home loan similar to other types of home loans?**

Yes, from the borrowers prospective a USDA home loan works just like any other kind of home loan. The loan process typically takes between 15 to 30 days, depending on the speed at which the appraisal is obtained and how long it takes the USDA regional office to approve the loan.

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## 7. What are the USDA Mortgage Loan Requirements?

To decide if you qualify for an USDA Mortgage Loan, they will look at:

- *Your income and your monthly expenses.* Standard debt-to-income ratios are 29/41 for USDA Loans. These ratios may be exceeded with compensation factors.
- *Your credit history.* While it's important, the USDA's credit standards are flexible. A FICO score of 620 or above is required for all loans through most lenders.
- Your overall pattern rather than individual problems you may have had.
- *To be eligible for an USDA mortgage,* your monthly housing costs (mortgage principal and interest, property taxes and insurance) must meet a specified percentage of your gross monthly income (29% ratio). Your credit background will be fairly considered. At least a 620 FICO credit score is required to obtain an USDA approval through most lenders. You must also have enough income to pay your housing costs, plus all additional monthly debt (41% ratio). These percentages may be exceeded with compensating factors. Applicants for loans may have an income of up to 115% of the median income for the area. Families must be without adequate housing but be able to afford the mortgage payments, including taxes and insurance.

## 8. Can I get an USDA Mortgage Loan after bankruptcy?

Criteria for USDA loan approvals state that if you have been discharged from a Chapter 7 bankruptcy for three years or more, you are eligible to apply for an USDA mortgage. If you are in a Chapter 13 bankruptcy and have made all court approved payments on time and as agreed for at least one year, you are also eligible to make an USDA loan application.

## 9. What are the USDA Down-Payment Requirements?

USDA Mortgages have no down-payment requirement. Other loan programs don't allow this.

## 10. What types of property are eligible?

While USDA Mortgage Guidelines require that the property be Owner Occupied (OO), they do allow you to purchase condos, planned unit developments, manufactured homes, and single-family residences.

## 11. What is the maximum amount that I can borrow?

The maximum amount for an USDA Mortgage Loans is determined by:

*Maximum loan amount:* There is no set maximum loan amount for a USDA Mortgage. Instead, your debt-to-income ratios will dictate how much you can afford to borrow (29/41 ratios).

Additionally, your total household monthly income must be within the USDA allowed maximum income limits for your area. Maximum USDA Loan income limits for your area can be found

[here](#). *Maximum financing:* The maximum USDA Mortgage amount will be 100% of the appraised value of the home, plus the agency guarantee fee.

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## 12. What kinds of loans does the USDA offer?

*Fixed-rate loans.* All USDA loans are fixed-rate mortgages. In a fixed rate mortgage, your interest rate stays the same during the whole loan period, normally 30 years. The advantage of a fixed-rate mortgage is that you always know exactly how much your monthly payment will be, so you can plan for it.

## 13. What is the Maximum Loan Amount for a USDA Loan?

There is no maximum loan amount for a USDA mortgage. However, it is limited by the appraised value and your repayment ability, which is determined by your household income.

## 14. Can Closing Costs be Financed in the Loan?

Yes, any difference between the contract price and the appraisal value can be used to finance normal closing costs for a USDA mortgage.

## 15. What is a USDA Loan Guarantee?

The USDA Rural Development Single Family Housing Program serves as a safety net for mortgage lenders. The USDA provides the full faith and assurance of the U.S. government that any financial loss resulting from servicing the loan will be reimbursed in full up to an amount not exceeding 90% of the original loan amount. All loss up to an amount not exceeding 35% of the original loan is fully reimbursed. Any loss amount exceeding the 35% is 85% reimbursed. This leaves the lender only an exposure of 15% on the loss amount above the 35% of original loan. In the majority of cases, the total loss does not exceed 35% of the original loan and the lenders are fully reimbursed. *This guarantee provides lenders an expanded level of protection against losses.* The quality of this guarantee also allows lenders to sell the loans easily on the secondary market.

\*All data is provided by other sources, USDA Loans requirements could change at any time. Buyer should independently verify same before relying thereon.\*\*\*

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