



Section 502 Direct Loan Program Self-Assessment, Pre-Qualification and Application Processes

Revision Date: October 13, 2022



Self-Assessment Tool

Single Family Housing Direct Self-Assessment Tool


<https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=assessmentType>

Potential applicants
may enter information at any time
to determine whether the program is a good fit.

Self-Assessment Tool – Help icon

Single Family Housing Self-Assessment

Assessment Type

Select an Assessment Type to create a new Assessment  Click on this icon to see Help topic

or, Enter a reference id for an existing Assessment

ide to provide accurate and complete information on this website, based on Rural Development eligibility requirements. Rural Development, however, does not guarantee the accuracy, or completeness of any information, product, process, or determination provided by this system. **Final determination of eligibility must be made by Rural Development upon receipt of a complete application. Entering information on this website does not constitute a final determination by Rural Development.** To proceed with the Self-Assessment, you must accept this disclaimer.

Accept Decline

The Help icon appears throughout the tool to provide information and program guidance.

Single Family Housing Self-Assessment

Home Tutorials

Single Family Housing Guaranteed

Single Family Housing Direct

Multi-Family Housing

Rural Business

OneRD Loan Guaranteed

Water and Environmental Guaranteed

Water and Environmental Direct

Community Facilities Guaranteed

Self-Assessment

Income Limits

Loan Basics

Property Eligibility

Previous Eligibility Areas

Single Family Housing Self-Assessment

Assessment Type

Select an Assessment Type to create a new Assessment ?

Build a Single-Family Home
Purchase a Single-Family Home
Refinance an Existing Single-Family Home

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Accept

Decline

Self-Assessment Determination Summary

Self-Assessment Determination Summary

This program appears to be a good fit, based on unverified information as entered, a standard repayment period of 33 years, and the program guidelines in effect as of 6/28/2022. You are welcome to submit a complete application (as defined in [Handbook-1-3550, Chapter 3, Attachment 3-J](#)) for an official determination. The official determination will be based on verified information, a credit report, the applicable repayment period (which will be 30 years for a manufactured home or may be 38 years under certain conditions), and the prevailing program guidelines. To qualify, an applicant must show adequate repayment ability, have a credit history that demonstrates a willingness and ability to meet their debt obligations, and meet the other program requirements. Once we receive a complete application from you, an eligibility determination can be made.

[Contact Us](#) for further details on the Direct Loan Program.

Income Summary

Annual Household Income:	\$36,000.00
Total Deductions:	\$1,360.00
Household Adjusted Annual Income:	\$34,640.00
Maximum Adjusted Annual Income for Selected State and County:	\$65,300.00

Repayment Summary

Adjusted Monthly Income:	\$2,886.67
Monthly Debt Obligations:	\$250.00
Monthly Insurance/Taxes:	\$166.67
Estimated Maximum Loan Amount:	\$274,230.00

* To save this assessment, enter your email address and click on Save:

Save

Print

Prev

Start Over

Self-Assessment Determination Summary with Credit Assessment

Self-Assessment Determination Summary

This program does not appear to be a good fit at this time, based on unverified information as entered, a standard repayment period of 33 years, and the program guidelines in effect as of 6/28/2022. You are welcome to submit a complete application (as defined in [Handbook-1-3550, Chapter 3, Attachment 3-J](#)) for an official determination. The official determination will be based on verified information, a credit report, the applicable repayment period (which will be 33 years for a manufactured home or may be 38 years under certain conditions), and the prevailing program guidelines. To qualify, an applicant must show adequate repayment ability, have a credit history that demonstrates a willingness to meet their debt obligations, and meet the other program requirements. Once we receive a complete application from you, an eligibility determination can be made.

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Credit Assessment Summary

The Applicant/Co-Applicant has indicated that they may have:

- Outstanding Tax Lien with No Satisfactory Agreement
- Delinquent Federal Debts

These indicators are not automatic disqualifiers. The Loan Approval Official can make exceptions in limited circumstances, if there is an acceptable explanation for the problem that might justify an exception.



Pre-Qualification Definition

A pre-qualification involves using unverified information from an interested party to evaluate the likelihood of them being able to obtain a Section 502 direct loan.



Pre-Qualification Process

First refer potential applicants to the Eligibility Self-Assessment Tool!

In limited situations:

- Pre-qualification reviews may be completed, but are not required
- Process is detailed in Handbook-1-3550, Chapter 3
- The interested party should be encouraged to obtain their free annual credit report by calling 1-877-322-8228 or logging into <http://www.annualcreditreport.com>
- Infile report pulled by Agency is a hard hit



Pre-Qualification Counseling

- Be consistent
- Stress that results are not official
- Application may be submitted at any time



Packager Role

Packagers working with applicants who appear ineligible should:

- Provide counseling on the reasons
- Advise they will not continue processing the application
- Advise applicants they can directly apply to the Agency

Pre-Qualification vs. Application



Pre-
Qualification



Application



Application Process

An interested party can begin the application process by:

- Engaging the service of a loan application packager
- Requesting the Agency send an application package (or obtain in person at their local RD office)
- Applying online via eForms

Applying via a Packager

- Packager can assist with
 - Eligibility/credit counseling
 - Assembling the application
 - Ensuring the program is a good fit

- Find a packager

<https://www.rd.usda.gov/programs-services/single-family-housing-direct-home-loans>

Using the map, select your state to view the contact information



Processing the Application

Upon receipt of an application, it is:

- Review the application to determine if it is complete within 3 business days
 - The credit report fee must be remitted within 3 business days (Note: the credit report is not required to be ordered at the time of remittance of the credit report fee, the TMCR will be ordered at the time the application is selected for processing)
 - If incomplete, HB Letter 11 is sent identifying missing items and providing 15 days for their receipt



Processing the Application, continued

- The application must be reviewed to determine if the loan estimate disclosure requirement has been triggered
- The application must be entered into UniFi and the 'Date Application Received' field must be entered.
- An electronic case file is established



Eligibility

- Verified information from the applicant and third parties
- Make an official decision on the applicant's loan request by:
 - Calculating income
 - Assessing ability and willingness to meet debt obligations
 - Determining repayment ability
 - Determining if they meet other borrower eligibility requirements



Certificate of Eligibility (COE)

- Maximum loan amount based on specified criteria (i.e., county where they wish to live, down payment, taxes, insurance, term, interest rate, and other funding sources)
- Homeownership education course requirements
- COE expiration
 - Typically 45 days
 - 60 days when leveraging is involved

Effect on the COE

COE issued for \$175,000

Subsidized payment of	\$ 600
Taxes	\$ 200
Insurance	\$ 100
Total PITI:	\$ 900

Monthly Income:	\$3,000
Debt Payments:	\$ 300
Total Debt:	\$1,200

Repayment Ratios: 30/40

Proposed Property Purchase Price \$175,000

Subsidized payment of	\$ 600
Taxes	\$ 245
Insurance	\$ 100
Flood Insurance Total	\$ 75
PITI:	\$1,020

Monthly Income:	\$3,000
Debt Payments:	\$ 300
Total Debt:	\$1,320

Repayment Ratios: 34/44

Adverse Decision : Applicant vs. Property

Applicant does not qualify

Over Income
Repayment Ratios
Credit
Assets
Other Eligibility Factors

Application is denied by sending HB Letter 15, Standardized Adverse Decision Letter.

Property does not qualify

Not in Rural Area
Issue with Appraised Value
Not Modest
Other Issues

Property is denied (denial letter varies depending on reason); applicant is not denied and another COE is issued.



Adverse Decision

While most adverse decisions are appealable, there are decisions that are not appealable such as decisions based on:

- Parties outside the Agency
- The Agency's interest rate
- An official's refusal to request an administrative waiver
- Lack of funds (i.e., program was not appropriated funds)
- Confirmed income is above the program's limits
- Rural area designation



Appealable Decisions

Applicants are informed and can take the following options if they believe the Agency's decision, or the facts used to make the decision are in error:

- Option 1: Informal Administrative Review
- Option 2: Mediation
- Option 3: Appeal



Appeal Hearing

- The Agency and the applicant provide detailed case information to support their decision/claim.
- The applicant has a right to a face-to-face hearing or may authorize a hearing by phone.
- Both sides present their case, and the NAD Administrative Judge makes a decision.



A Poorly Written Adverse Decision Letter

Your credit report does not demonstrate acceptable credit handling because you have late car payments, a bill in collection, and a credit score of 600.

A Well Written Adverse Decision Letter

In accordance with 7 CFR 3550, 3550.53 (h), an applicant must have a credit history which “indicates a reasonable ability and willingness to meet debt obligations”. The following indicators of unacceptable credit as reported on your credit report were considered in our decision: ABC Auto was paid 30 days or more late on three occasions within the last 12 months (see 7 CFR 3550, 3550.53 (h)(1)(i)); and an unpaid collection to XYZ Finance in the amount of \$5,000 with no record of payments (see 7 CFR 3550, 3550.53 (h)(1)(vii)). While your written explanation regarding these accounts was considered, the Agency determined that a credit exception was not warranted and you have a pattern of unacceptable credit handling.



Withdrawing an Application

- Applicant choice
- Applicant fails to respond to a request for information

Self-Assessment, Pre-Qualification and Application Processes

In this webinar, we have examined the program's self-assessment, pre-qualification and application processes from a high-level perspective.

The following aspects of the application process will be separately discussed in detail: Income, Credit, Repayment Ability, Assets, and Other Eligibility Requirements.

Section 502 Direct Loan Program Overview

Sign up for Govdelivery to receive email updates on this program.

Using the link below, enter your email and select the “SFH Direct Loan and Grant Programs” (and any other programs of interest) and then click “Submit”.

https://public.govdelivery.com/accounts/USDARD/subscriber/new?qsp=USDARD_25

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To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD 3027, found online at http://www.ascr.usda.gov/complaint_filing_cust.html and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by mail at: U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410; by fax (202) 690-7442; or email at program.intake@usda.gov.





**Are you interested in learning more about the
Single Family Housing Direct Programs?**

**Please contact your applicable RD State Office.
<https://www.rd.usda.gov/contact-us/state-offices>**

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