



502 Direct Updates/Training
and Tips



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How the Process Works

The 502 Direct Program:

RD is a genius!

- USDA with minimal to \$0 for outreach and marketing.
 - Minimal staffing to process the applications from beginning to end.
 - Have other organizations and individuals originate, outreach, market and prequalify the applications for the USDA.
-
- The Direct Packaging Program works because of the incentive that is given to the Qualified Employers and Certified Packagers. (Not just the money) 😊
 - This program assists applicants that would never typically qualify for a conventional loan. But the 502 Direct program does assist homeownership to low and very low house holds.

The 502 Direct Program:

- Allowing only Qualified Employers that are submitting applications through Intermediaries a “**Priority Statues**”, from other applications.
- Allowing only applications that are submitted through the Packaging Program to have access to the general pooled funds when available and unallocated.
- RD has charged the participating Intermediary for the Direct program to assist Qualified Employers and Certified Packagers with perfecting the application and loan origination.
- Qualified Employers participating in the Packaging Program are able to utilize their Intermediary’s knowledge with the marketing of the Direct program.
- Qualified Employers have an extra set of eyes to perform the Quality Control on all applications.
- The **Think Tank** is at your disposal.



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Things to Know

Fahe is here for you!

- Think of Fahe as your organizations personal 502 Direct Wikipedia.
- We are a resource waiting to be tapped into.
- Marketing assistance. (target market)
- Marketing material ideas that are USDA SFH RD approved.
- We know your target market.
- We are always willing to share our experience and information.
(Just ask us for help!)





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502 Direct Updates

**what's
new?**

- 2/1/2021 – the new 4-A Income Worksheet was released.
- New household income limits effective 2/01/2021 and more to come 03/01/2021.
- Increased Area Loan Limits effective 02/01/2021 and more to come on 03/01/2021.
- Square footage per each 502 Direct home. (2000 sq. ft. maximum and 400 sq. ft. minimum)
- Current interest rate remains at 2.5%.
- New Submission Checklist. New order of stacking.
- RD SFH is still operating under the Continuing Resolution.
- Federal program funds are currently pooled thru 2/10/2021.
- *Credit report fee's are \$25. A physical copy does not need to be mailed to a RD Service Center. (voided check is sufficient)
- Student loan debt that in a forbearance is counted as .5% of the total amount due.
- Appraisals can be ordered by Certified Packagers. Note: (If an application does not close the applicant and/or the Certified Packager is responsible for the appraisal fee)



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Key Things



Key things to remember when working with the Direct program:

- If the applicant does not appear to qualify or is not ready for the Direct program, work with them. "Help get them ready!"
- There is a fee that will be charged for utilizing your services.
- There are two additional fees: credit report fee and a property inspection fee.
- Explain how the process works.
- Explain that as a Packager you cannot guarantee approval.
- Conduct a pre-qualification assessment- NEVER issue a pre-approval.
- Advise the applicants to avoid locating a property until a Certificate of Eligibility has been issued.
- Transparency is key to the program. This is a lengthy process. Let you applicant know a realistic time from origination to closing. (60 to 90 days from submission)



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Begin Stacking

Most recent and up to date Submission Checklist (rev. 10/16/20)

Phase 1 – Application Submission via eForms

The application and applicable accompanying documentation must be grouped together and organized as shown below. Please note:

- **Each bolded header (e.g. Application Processing, Eligibility-Income, etc.) must be a separate attachment for grouping the applicable items listed below.**
 - Each attachment will be named the header title followed by the applicant's last name (e.g. ApplicationProcessing-Jones, EligibilityIncome-Jones, etc.).
- Verify that all applicable documents are included, fully completed, signed (as needed), and readable prior to submitting to Rural Development.
- Incomplete application submissions, application submissions that don't follow the stacking order, and/or application submissions not received via eForms will be returned.

Application Processing.

- ☐ Fully completed Form RD 410-4, Uniform Residential Loan Application (URLA). There are three ways to complete this form: Import the industry standard form 1003, complete within eForms, or export the form, complete offline, and then import the completed form into eForms. The eForms submission of the URLA constitutes a signature.
- ☐ A signed [Form RD 3550-1, Authorization to Release Information](#), for each adult member of the household.
- ☐ Homebuyer education certificate of completion.
- ☐ Verification of applicant's identity. A copy of a Government-issued photo identification, evidence of date of birth (only required if not listed on photo identification), and a copy of their Social Security card (only required if no other evidence of the full taxpayer identification number).
- ☐ Evidence that a non-citizen applicant is a qualified alien. (If application is marked citizen, no additional evidence is necessary)

Eligibility – Income. Include verification of all applicable household income sources, such as:

- ☐ Copies of the last four week's consecutive pay stubs.
- ☐ Copies of recent benefit statements for regular unearned income (such as social security, public assistance, retirement income, etc.).
- ☐ Last 12-month payment history of alimony and/or child support received. If this is not available,



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- Collect the \$25 credit report check made out to USDA or it can be a voided blank check.

Joe Smith
1234 Anystreet Court
Anycity, AA 12345 1234

Pay to the order of _____

_____ Dollars

Bank Anywhere

123456789 123456789123 1234

Routing Number **Account Number** **Check Number**

SAMPLE


- Advise the applicants to avoid locating a property until a Certificate of Eligibility has been issued.





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Tips To Complete a GOOD Application

- Make sure the application is completely filled out.
- Do not submit an application that is incomplete or out of order.
 - *This causes unnecessary time spent on the application.
- Provide all required documentation.
- The Loan Narrative is KEY!
 - RD staff only knows what they see on paper.
 - You are the boots on the ground.
 - YOU KNOW THE STORY! "Now tell it!" 
 - Paint a beautiful picture of the applicant to RD. Tell RD how you came to the conclusion that your applicant qualified for this program.
- If the applicant cannot provide an item with the application, have them write a Letter of Explanation (LOE).





Tips To Submit a GOOD Application Cont.



Dig into the applicant's information. Don't just check the items off of the list once they are provided.

- Paystubs – review them for any questionable items, good & bad.
- Ask questions.
- Look for tax returns that increase and decrease over the years.
- Check tax returns for self-employment.
- Pay attention to the W-2's and what is disclosed on the 410-4 as employment.
- Complete the Attachment 4-A. If you don't know how to, ask for help!
- Do a preview of the bank statements. Bank statements tell a lot about the applicant.
- Look for questionable deposits. Have the applicant provide a LOE.
- EBay, Facebook yard sales, Venmo, Cash App, Square Trade are all income if consistent.
- Tips are income! Claimed or not on the applicant's tax returns.
- Provide the most recent bank statements.



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Tips To Submit a GOOD Application Cont.



- Credit Karma is not an adequate check of the applicant's credit.
 - Inflated scores
 - Missing trade lines
 - Sells the applicants info to 3rd parties



- Have the borrower use <http://www.annualcreditreport.com>
- Review the credit report. . . Review the credit report again!
- Good non-traditional credit CANNOT & DOES NOT make bad credit on the credit report go away.
- When using non-traditional make sure the following info is provided:
 - Due dates, payment dates, account numbers, applicant's name on the account and company names and contact info.
 - Check for late payments on non-traditional. (It does happen)

Ask Questions! RD will most likely want to know.



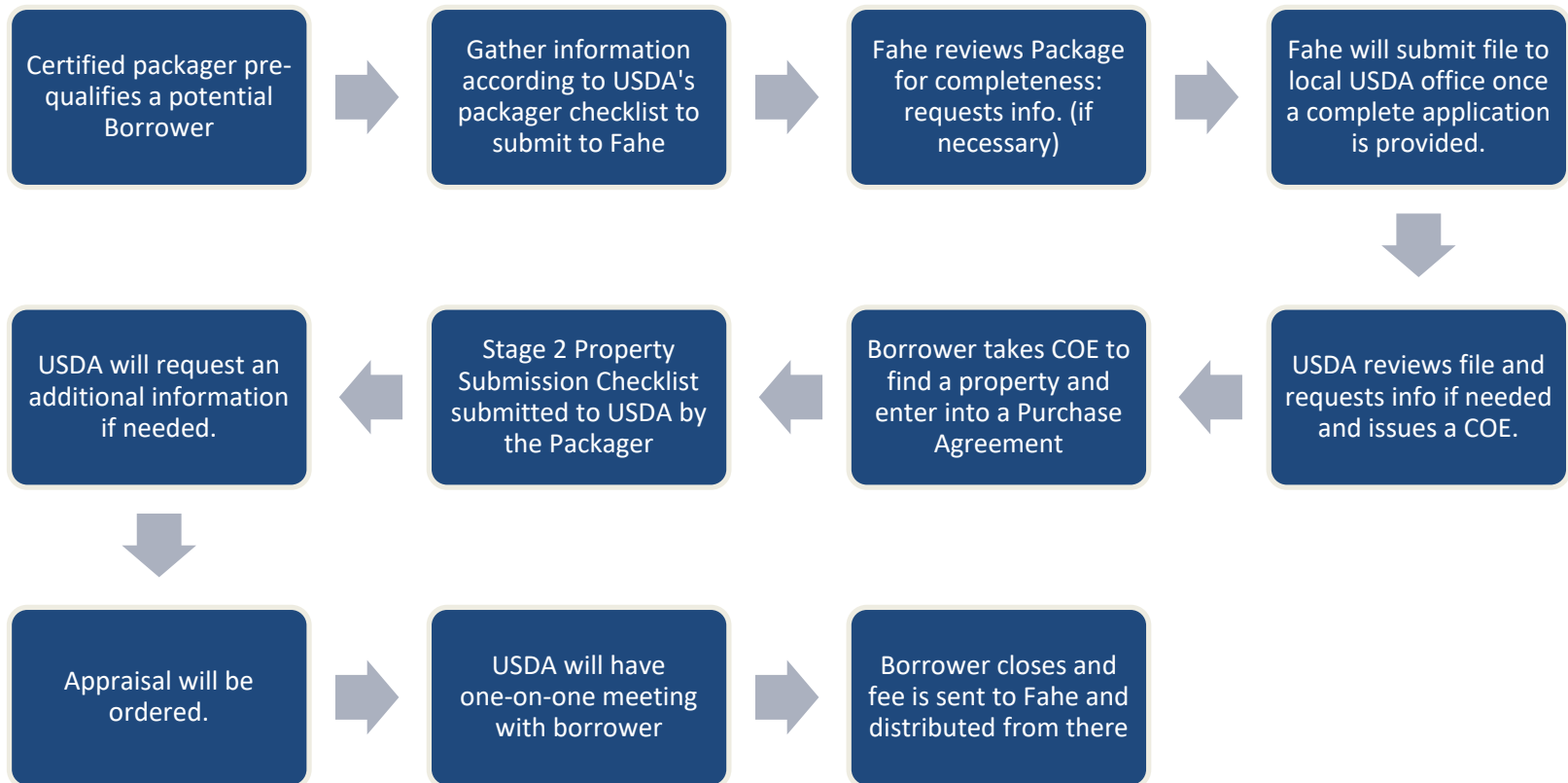
Sending the Application to the Intermediary

- Always email the package securely along with Fannie Mae file (if available) to your Intermediary. If you don't know how to, ask your Intermediary for help and/or suggestions.
- Package will be reviewed in 3-5 business days of receipt to verify all items are present. An e-mail will be sent to you as the Packager requesting any items needed.
- Complete package will be sent to the local RD office for the county in which the buyer is interested in purchasing a home.
- RD will contact the applicant and/or the Certified Packager with additional items needed and copy Fahe if necessary.



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Workflow





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Questions





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Fahe's Website

www.justchoicelending.com/usda-502-packaging/

**JustChoice
Lending**
866-367-0855

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FAHE USDA 502 PACKAGING

**GETTING
STARTED**

**TRAINING
& SUPPORT
DOCUMENTS**

**NOTICES &
PUBLICATIONS**

Fahe (DBA JustChoice Lending) is a participating intermediary in the USDA 502 Packaging Program. This page is a portal for resources intended for certified packagers, potential packagers, and qualified employers participating in the program. Please follow the links above to learn how to get started, access training and support documents, or to get updates on the 502 Packaging Program.



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Loan & Income Limits

<http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

[Contact Us](#) ▼



ELIGIBILITY

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Rural Housing Services

Property Eligibility Disclaimer

Every effort is made to provide accurate and complete information regarding eligible and ineligible areas on this website, based on Rural Development rural area 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 property eligibility must be made by Rural Development upon receipt of a complete application. Viewing eligibility maps on this website does not constitute a final determination by Rural Development. To proceed with viewing the eligibility map, you must accept this disclaimer.

[Accept](#) [Decline](#)



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Eligibility Information

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

The screenshot displays the USDA Rural Development website. The header includes the USDA logo, the text 'United States Department of Agriculture Rural Development', and navigation links: 'About USDA', 'Ask The Expert', 'Help', and 'En Español'. A search bar is located on the right. Below the header is a navigation menu with links: 'Home', 'About RD', 'Programs & Services', 'Browse by State', 'Newsroom', 'Publications', and 'Contact Us'. Social media icons for Twitter, Facebook, and YouTube are also present. The main content area is titled 'Single Family Housing Direct Home Loans' and includes a 'Program 101' tab, a 'Forms & Resources' tab, and an 'Interest Rates' tab. The 'Program Status: Open' and 'Program Factsheet PDF' are displayed. A section titled 'What does this program do?' explains that the program assists low- and very-low-income applicants in obtaining decent, safe, and sanitary housing. A 'Who may apply for this program?' section lists eligibility criteria. A 'Program Contact' section prompts users to select their state. A 'Related Programs' section lists 'Single Family Housing Guaranteed Loan Program' and 'Single Family Housing Repair Loans & Grants'. A list of requirements for properties financed with direct loan funds is provided, including square footage, market value, swimming pools, and income-producing activities. A note states that borrowers are required to repay all or a portion of the payment subsidy.

USDA United States Department of Agriculture Rural Development

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- For Developers

Single Family Housing Direct Home Loans

Program 101 Forms & Resources Interest Rates

Program Status: Open
Program Factsheet: PDF

What does this program do?
Also known as the Section 502 Direct Loan Program, this program assists low- and very-low-income applicants obtain decent, safe and sanitary housing in eligible rural areas by providing payment assistance to increase an applicant's repayment ability. Payment assistance is a type of subsidy that reduces the mortgage payment for a short time. The amount of assistance is determined by the adjusted family income.

Who may apply for this program?
A number of factors are considered when determining an applicant's eligibility for Single Family Direct Home Loans. At a minimum, applicants interested in obtaining a direct loan must have an adjusted income that is at or below the applicable low-income limit for the area where they wish to buy a house and they must demonstrate a willingness and ability to repay debt.

Applicants must:

- Be without decent, safe and sanitary housing
- Be unable to obtain a loan from other resources on terms and conditions that can reasonably be expected to meet
- Agree to occupy the property as your primary residence
- Have the legal capacity to incur a loan obligation
- Meet citizenship or eligible noncitizen requirements
- Not be suspended or debarred from participation in federal programs

Properties financed with direct loan funds must:

- Generally be 2,000 square feet or less
- Not have market value in excess of the applicable area loan limit
- Not have in-ground swimming pools
- Not be designed for income producing activities

Borrowers are required to repay all or a portion of the payment subsidy

Program Contact

Please select your state in the dropdown menu above to find your local contact for this program.

Related Programs

- Single Family Housing Guaranteed Loan Program
- Single Family Housing Repair Loans & Grants



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In Conclusion

- Know your RD handbook - make it a browser favorite!
- Sign up for e-grams if you have not already (link below):
https://public.govdelivery.com/accounts/USDARD/subscriber/new?qsp=USDARD_25
- Explanations can save a file! You have the personal relationship with the applicant. If we need to understand, write it up!



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Contacts

Questions?

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