

RD 410-4
Application for Rural Assistance
(Nonfarm Tract)



Uniform Residential Loan Application TUTORIAL



National Council on Agricultural Life & Labor Research Fund, Inc.

Application for Rural Assistance
(Nonfarm Tract)
UNIFORM RESIDENTIAL LOAN APPLICATION

This application is designed to be completed by the applicant with the lender's assistance.

SECTION I - TYPE OF MORTGAGE AND TERMS OF LOAN

Form RD 410-4
(Rev. 10-06)

Position 3

Form Approved
OMB No. 0575-0172

APPLICATION FOR RURAL ASSISTANCE (NONFARM TRACT)
Uniform Residential Loan Application

This application is designed to be completed by the applicant with the lender's assistance. Applicants should complete this form as "Applicant #1" or "Applicant #2", as applicable. All Applicants must provide information (and the appropriate box checked) when the income or assets of a person other than the "Applicant" (including the Applicant's spouse) will be used as a basis for loan qualification or the income or assets of the Applicant's spouse will not be used as a basis for loan qualification, but his or her liabilities must be considered because the Applicant resides in a community property state, the security property is located in a community property state, or the Applicant is relying on other property located in a community property state as a basis for repayment of the loan.

I. TYPE OF MORTGAGE AND TERMS OF LOAN

Mortgage Applied for:	<input type="checkbox"/> V.A.	<input type="checkbox"/> Conventional	<input type="checkbox"/> Other:	Agency Case Number	Lender Account Number
	<input type="checkbox"/> FHA	<input type="checkbox"/> USDA/Rural Housing Service			
Amount	Interest Rate	No. of Months	Amortization Type:	<input type="checkbox"/> Fixed Rate	<input type="checkbox"/> Other (<i>Explain</i>):
\$	%			<input type="checkbox"/> GPM	<input type="checkbox"/> ARM (<i>Type</i>):

- | | |
|-------------------------------------|---|
| Item | What to do: |
| Mortgage applied for: | <i>Select - USDA/Rural Housing Service</i> |
| Agency and Lender's Case No. | <i>Leave blank</i> |
| Amount: | <i>Indicate the mortgage amount requested</i> |
| Interest Rate: | <i>Insert the interest rate effective at the time of the loan application. This will be the note rate NOT the subsidized rate.</i> |
| Number of Months: | <i>Indicate the term of the loan in months.</i> |
| | <ul style="list-style-type: none"> • 396 months (33 years) • 456 months (38 years) |
| Amortization Type: | <i>Fixed rate</i> |

SECTION II - PROPERTY INFORMATION AND PURPOSE OF LOAN

II. PROPERTY INFORMATION AND PURPOSE OF LOAN					
Subject Property Address (Street, City, State, ZIP)					No. of Units
Legal Description of Subject Property (Attach description if necessary)					Year Built
Purpose of Loan <input type="checkbox"/> Purchase <input type="checkbox"/> Construction <input type="checkbox"/> Other (Explain): <input type="checkbox"/> Refinance <input type="checkbox"/> Construction-Permanent			Property will be: <input type="checkbox"/> Primary Residence <input type="checkbox"/> Secondary Residence <input type="checkbox"/> Investment		
<i>Complete this line if construction or construction-permanent loan.</i>					
Year Lot Acquired	Original Cost \$	Amount Existing Liens \$	(a) Present Value of Lot \$	(b) Cost of Improvements \$	Total (a + b) \$
<i>Complete this line if this is a refinance loan.</i>					
Year Acquired	Original Cost \$	Amount Existing Liens \$	Purpose of Refinance	Describe Improvements <input type="checkbox"/> Made <input type="checkbox"/> To be made Cost: \$	
Title will be held in what Name(s)			Manner in which Title will be held	Estate will be held in: <input type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold (Show expiration date)	
Source of Down Payment, Settlement Charges and/or Subordinate Financing (Explain)					

Subject Property Address: Complete if known when file submitted to Rural Development.

No. of Units: 1

Legal Description of Subject Property: Complete if known when file submitted to Rural Development.

Year Built: "To be Built" or "Proposed"

Purpose of Loan: For the purposes of entering on the UniFi system show the loan as a construction loan.

Property will be: Primary Residence

Complete the construction/ construction-permanent line:

Year lot acquired: N/A, if lot is to be purchased. If borrower already owns the lot to be built on, indicate the year acquired and obtain the deed showing title to property.

Original Cost: Enter the amount the

applicant will pay for the lot. If the applicant inherited the property or already owns the property, enter the estimated value of the property. If the applicant has no idea of the value, consult a realtor for an estimated value.

Amount of Existing Liens: N/A. If the applicant owns the lot, indicate the amount of the existing mortgages or liens placed against the lot. If there is an existing mortgage on the lot be sure that this information is notated in the "Real Estate Owned Section" and the "Liability Section" of the Application.

Present Value of Lot: If the lot is to be purchased with this loan closing, insert the purchase price of the lot. If the applicant already owns the lot, list the estimated value of the lot. This will be substantiated by the appraisal.

Cost of Improvements: Insert the estimated cost of construction and all other cost (except the lot cost).

SECTION II - PROPERTY INFORMATION AND PURPOSE OF LOAN (continued)

II. PROPERTY INFORMATION AND PURPOSE OF LOAN						
Subject Property Address (Street, City, State, ZIP)						No. of Units
Legal Description of Subject Property (Attach description if necessary)						Year Built
Purpose of Loan <input type="checkbox"/> Purchase <input type="checkbox"/> Construction <input type="checkbox"/> Other (Explain): <input type="checkbox"/> Refinance <input type="checkbox"/> Construction-Permanent				Property will be: <input type="checkbox"/> Primary Residence <input type="checkbox"/> Secondary Residence <input type="checkbox"/> Investment		
<i>Complete this line if construction or construction-permanent loan.</i>						
Year Lot Acquired	Original Cost	Amount Existing Liens	(a) Present Value of Lot	(b) Cost of Improvements	Total (a + b)	
	\$	\$	\$	\$	\$	
<i>Complete this line if this is a refinance loan.</i>			Purpose of Refinance		Describe Improvements	
Year Acquired	Original Cost	Amount Existing Liens			<input type="checkbox"/> Made <input type="checkbox"/> To be made	
	\$	\$			Cost: \$	
Title will be held in what Name(s)				Manner in which Title will be held		Estate will be held in:
Source of Down Payment, Settlement Charges and/or Subordinate Financing (Explain)						<input type="checkbox"/> Fee Simple <input type="checkbox"/> Leasehold (Show expiration date)

Total: Total of the lot and the costs of improvement.

Refinance: N/A

Title will be held in what names: List the legal names and correct spellings of those individuals who will take title to the property at closing. These are the individuals upon which repayment of the loan is based.

Manner in which Title will be held:
Joint or Individual

Estate will be held in: Indicate either "Fee Simple" or "Leasehold"

A "Fee Simple" estate is used when the owner is entitled to all rights to dispose of the property or to pass it on to heirs.

A "leasehold" is used on most American Indian Land or trust land. A leasehold is created when the owner of the property grants to the leasor the right to a parcel of land and possession on that land for a period of time in exchange for rent.

Show the expiration date of the lease. Provide the lease, if available.

Source of Down Payment, Settlement Charges and/or Subordinate Financing:

N/A, if none is required. If it becomes evident during the taking or processing of the application that a down payment is required, or that cash will be needed for closing costs, indicate what assets will be liquidated or where the dollars will come from: i.e. Cash in Bank; gift from parents; etc. If the application will have other funds used to reduce the mortgage or if the loan will be leveraged, explain here.

COLOR LEGEND

- Blue Print — RD Requirement
- Purple Print — Suggested Practice & Documentation
- Green Print — Suggested Questions

SECTION III - APPLICANT INFORMATION

III. APPLICANT INFORMATION							
Applicant #1				Applicant #2			
Name (Include Jr. or Sr. if applicable)				Name (Include Jr. or Sr. if applicable)			
Social Security Number	Home Phone (Incl. Area Code)	DOB <small>mm/dd/yy</small>	Yrs. School	Social Security Number	Home Phone (Incl. Area Code)	DOB <small>mm/dd/yy</small>	Yrs. School
<input type="checkbox"/> Married <input type="checkbox"/> Separated	<input type="checkbox"/> Unmarried (Include single, divorced, widowed)	Dependents (Not listed by Applicant #2) No. Ages		<input type="checkbox"/> Married <input type="checkbox"/> Separated	<input type="checkbox"/> Unmarried (Include single, divorced, widowed)	Dependents (Not listed by Applicant #1) No. Ages	
Present Address (Street, City, State, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent _____ No. Yrs.				Present Address (Street, City, State, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent _____ No. Yrs.			
Mailing Address if different from Present Address				Mailing Address if different from Present Address			
If residing at present address for less than two years, complete the following:							
Former Address (Street, City, State, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent _____ No. Yrs.				Former Address (Street, City, State, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent _____ No. Yrs.			

Freddie Mac Form 65

Page 1 of 10

Fannie Mae Form 1003

Complete the information for Applicant #1 and Applicant #2 as requested on the form. No sections should be left blank.

Name: Full legal name, no nicknames.

Social Security Number: Complete

Home Phone: Complete

Age: To be eligible for a loan, the applicant must be considered an adult under state law, and must have legal capacity to incur the loan obligation. Assume that any applicant has the legal capacity to enter into the loan unless there is evidence to the contrary. An applicant with a court appointed guardian or conservator who is empowered to obligate the applicant in real estate

matters is eligible for a loan.

If the age of the applicant or co-applicant is 62 years or older, a \$400 deduction from annual income as well as medical expenses for the entire family, not reimbursed from insurance or other sources, in excess of 3% of annual income may be deducted from annual income.

Years School: Complete

Married; Separated; Unmarried (include single, divorced, widowed): Ask if they are married, unmarried or separated. Do not ask if they are divorced. Equal Credit Opportunity Act (ECOA)

Dependents (Not listed by Applicant #2) Number and Ages:

If the borrowers are married all dependents living in the household should be listed in the Applicant #1 category. If the borrowers are not married, list the dependents as appropriate. The names and ages of the dependents can be listed separately or at the bottom of page 5.

Line 6C of IRS Form 1040 & 1040A provides dependent information claimed in the previous year.

VERIFICATION METHOD

A copy of the legal document establishing the guardianship or conservator and its powers should be included in the file.

COLOR LEGEND

- Blue Print — RD Requirement
- Purple Print — Suggested Practice & Documentation
- Green Print — Suggested Questions

SECTION III - APPLICANT INFORMATION (continued)

III. APPLICANT INFORMATION							
Applicant #1				Applicant #2			
Name (Include Jr. or Sr. if applicable)				Name (Include Jr. or Sr. if applicable)			
Social Security Number	Home Phone (Incl. Area Code)	DOB <small>mm/dd/yy</small>	Yrs. School	Social Security Number	Home Phone (Incl. Area Code)	DOB <small>mm/dd/yy</small>	Yrs. School
<input type="checkbox"/> Married <input type="checkbox"/> Separated	<input type="checkbox"/> Unmarried (Include single, divorced, widowed)	Dependents (Not listed by Applicant #2) No. Ages		<input type="checkbox"/> Married <input type="checkbox"/> Separated	<input type="checkbox"/> Unmarried (Include single, divorced, widowed)	Dependents (Not listed by Applicant #1) No. Ages	
Present Address (Street, City, State, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent _____ No. Yrs.				Present Address (Street, City, State, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent _____ No. Yrs.			
Mailing Address if different from Present Address				Mailing Address if different from Present Address			
If residing at present address for less than two years, complete the following:				If residing at present address for less than two years, complete the following:			
Former Address (Street, City, State, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent _____ No. Yrs.				Former Address (Street, City, State, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent _____ No. Yrs.			

Freddie Mac Form 65

Page 1 of 10

Fannie Mae Form 1003

Number & Ages:

Each dependent who is 17 years or younger qualifies for a \$480 deduction from annual income.

VERIFICATION METHOD

No verification of minor dependent status is required.

Are there any foster children or adults in the household?

This would indicate types of income received by the household for the care of foster children or foster adults. This income does not count as annual income but does count as repayment income.

VERIFICATION METHOD

A copy of the Foster Care Agreement should be included in file.

Are there any full-time students in the household?

The applicant may be eligible to receive a deduction of \$480 in annual income for dependents 18 years old or older who are attending

VERIFICATION METHOD

The applicant must provide documentation from the school that the dependent is enrolled as a full-time student.

Are there any household members with disabilities?

The applicant may be eligible to receive a deduction of \$480 in annual income and reasonable expenses for the care of an individual with disabilities in excess of 3% of annual income for dependents 18 years of age or older who qualify as an individual with a disability and is not a party to the note.

If the individual identified as disabled is a party to the note, an "elderly household" deduction of \$400 can be deducted from annual

income. In addition, reasonable expenses for the care of the individual with disabilities that are in excess of 3% of annual income can be deducted from annual income as well as any medical expenses, for the entire household, that will not be reimbursed by insurance or another source and that when combined with any disability assistance are in excess of 3% of annual income, can be deducted from annual income.

Disability expenses can be deducted from annual income when the expenses:

- Enable the individual with disabilities or another family member to work;
- Are not reimbursable from insurance or any other source; and
- Do not exceed the amount of earned income by the person who is able to work as a result of the expenses.

COLOR LEGEND

- Blue Print — RD Requirement
- Purple Print — Suggested Practice & Documentation
- Green Print — Suggested Questions

SECTION III - APPLICANT INFORMATION (continued)

III. APPLICANT INFORMATION							
Applicant #1				Applicant #2			
Name (Include Jr. or Sr. if applicable)				Name (Include Jr. or Sr. if applicable)			
Social Security Number	Home Phone (Incl. Area Code)	DOB <small>mm/dd/yy</small>	Yrs. School	Social Security Number	Home Phone (Incl. Area Code)	DOB <small>mm/dd/yy</small>	Yrs. School
<input type="checkbox"/> Married	<input type="checkbox"/> Unmarried (Include single, divorced, widowed)	Dependents (Not listed by Applicant #2) No. Ages		<input type="checkbox"/> Married	<input type="checkbox"/> Unmarried (Include single, divorced, widowed)	Dependents (Not listed by Applicant #1) No. Ages	
<input type="checkbox"/> Separated				<input type="checkbox"/> Separated			
Present Address (Street, City, State, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent _____ No. Yrs.				Present Address (Street, City, State, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent _____ No. Yrs.			
Mailing Address if different from Present Address				Mailing Address if different from Present Address			
If residing at present address for less than two years, complete the following:							
Former Address (Street, City, State, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent _____ No. Yrs.				Former Address (Street, City, State, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent _____ No. Yrs.			

Freddie Mac Form 65

Page 1 of 10

Fannie Mae Form 1003

Typical Disability Expenses:

- Care attendant to assist the individual with disabilities with activities of daily living directly related to permitting the individual or another family member to work.
- Special apparatus, such as wheelchairs, ramps, adaptations to vehicles or work place equipment, if directly related to permitting the individual with disabilities or another family member to work.

VERIFICATION METHOD

To qualify for this deduction, the applicant must describe the nature of the expenses, provide documentation of the cost, and demonstrate that the expense enables a family member to work. **Form RD 1944-4, Certification of Disability or Handicap** should be used to request verification of the individual's disability from a physician or other medical professional.

Are there any elderly household members?

In addition to the applicant or co-applicant being 62 years or older, if another member of the household is 62 years or older and will be joint on the note, the family may be classified as an "elderly household" and a \$400 deduction from annual income can be taken. In addition, medical expenses for the entire family not reimbursed from insurance or other sources in excess of 3% of annual income may be deducted from annual income.

If the household qualifies as an elderly household, does the household have extensive medical expenses?

A medical expense deduction is permitted for elderly households only, but, the medical expenses of the

entire family are considered. The qualifying individual must be a party to the note. Determining the allowable household medical expenses for the upcoming year is challenging. Some anticipated expenses can be documented such as Medicare or other health insurance premiums and ongoing prescriptions can be documented easily. Other expenses must be estimated.

VERIFICATION METHOD

Use historical information about medical expenses to estimate future expenses. Estimates must be realistic. **Verification of Medical Expenses in HB-1-3550** provides a format for documenting medical expenses.

SECTION III - APPLICANT INFORMATION (continued)

III. APPLICANT INFORMATION							
Applicant #1				Applicant #2			
Name (Include Jr. or Sr. if applicable)				Name (Include Jr. or Sr. if applicable)			
Social Security Number	Home Phone (Incl. Area Code)	DOB <small>mm/dd/yy</small>	Yrs. School	Social Security Number	Home Phone (Incl. Area Code)	DOB <small>mm/dd/yy</small>	Yrs. School
<input type="checkbox"/> Married <input type="checkbox"/> Separated	<input type="checkbox"/> Unmarried (Include single, divorced, widowed)	Dependents (Not listed by Applicant #2) No. Ages		<input type="checkbox"/> Married <input type="checkbox"/> Separated	<input type="checkbox"/> Unmarried (Include single, divorced, widowed)	Dependents (Not listed by Applicant #1) No. Ages	
Present Address (Street, City, State, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent _____ No. Yrs.				Present Address (Street, City, State, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent _____ No. Yrs.			
Mailing Address if different from Present Address				Mailing Address if different from Present Address			
If residing at present address for less than two years, complete the following:							
Former Address (Street, City, State, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent _____ No. Yrs.				Former Address (Street, City, State, ZIP) <input type="checkbox"/> Own <input type="checkbox"/> Rent _____ No. Yrs.			

Freddie Mac Form 65

Page 1 of 10

Fannie Mae Form 1003

Present Address and Former Address: List the names and addresses of present and, if needed, prior landlords at the bottom of page 1.

Own/Rent : An applicant who owns a dwelling is generally not eligible for a Section 502 loan.

No. Yrs: Landlord references are required for the past two years.

“Landlord Verifications” are required from current and previous landlords covering 2 years of residency. These verifications show the applicants’ manner of payment, rental experience, and the amount of rent currently being paid. The amount currently paid for rent will be compared to the future mortgage amount. **Ask the applicant if utilities are included in the rent will aid in this evaluation.**

VERIFICATION METHOD

Form RD 1944-60 Landlord Verification is used to verify the applicant’s past record of making timely rental payments. Landlord references are required for the past 2 years.

COLOR LEGEND

- Blue Print — RD Requirement
- Purple Print — Suggested Practice & Documentation
- Green Print — Suggested Questions

SECTION IV - EMPLOYMENT INFORMATION

IV. EMPLOYMENT INFORMATION			
Applicant #1		Applicant #2	
Name & Address of Employer	<input type="checkbox"/> Self-Employed	Yrs./Mos. on this job	Name & Address of Employer
		Yrs./Mos. employed in this line of work/profession	Yrs./Mos. employed in this line of work/profession
Position/Title/Type of Business	Business Phone (Incl. Area Code)	Position/Title/Type of Business	Business Phone (Incl. Area Code)
<i>If employed in current position for less than two years or if currently employed in more than one position, complete the following:</i>			
Name & Address of Employer	<input type="checkbox"/> Self-Employed	Dates (From >To)	Name & Address of Employer
		Monthly Income	Monthly Income
		\$	\$
Position/Title/Type of Business	Business Phone (Incl. Area Code)	Position/Title/Type of Business	Business Phone (Incl. Area Code)
Name & Address of Employer	<input type="checkbox"/> Self-Employed	Dates (From >To)	Name & Address of Employer
		Monthly Income	Monthly Income
		\$	\$
Position/Title/Type of Business	Business Phone (Incl. Area Code)	Position/Title/Type of Business	Business Phone (Incl. Area Code)

Information must be provided for both borrowers. The individuals who will be obligated for repayment of the loan and on whose repayment ability is based. *Employment information for all adults in the household should be provided on the "Continuation Section" on page 5. The applicant must list all family members on the application and provide employment status.*

VERIFICATION METHOD

Form RD 1910-5 Request for Verification of Employment is sent to each employer for verification. This form verifies the applicant's current wages or salary (as well as earnings from the last year), date of employment, position held, and probability of continued employment. Part II of VOE is for verification of present employment while Part III is for verification of previous employment. Pay stubs or other payroll records may be used to support or clarify

income information provided on the VOE. If the employer will not complete the verification form, alternative income documentation is needed. These might include paycheck stubs, certified copies of tax returns, or bank statements.

VERIFICATION METHOD

A complete, legible copy of the applicant's most recently filed Federal Income Tax form must be submitted for each applicant, unless the person was exempt from filing a return.

Name & Address of Employer: Complete

If there is an adult household member who has no employer information, determine if the person is employed (or has been in the recent past). An applicant, co-applicant or other adult household members who are currently unemployed should be made aware that the amount of housing payment they are required to pay is

based in part on the amount of income that the household receives. Applicants and other adult household members will be ask to clarify their current employment status:

- *Presently unemployed and do not intend to resume employment in the foreseeable future;*
- *Presently unemployed but actively seeking employment and will notify RHS when re-employed;*
- *Currently employed and will notify RHS if employment status changes.*

VERIFICATION METHOD

Unemployed applicants must complete Form RD 3550-4. Employment Certification/ Payment Assistance, which provides their current employment status and requires them to agree to inform RD immediately in writing if the employment status changes.

COLOR LEGEND

- Blue Print — RD Requirement
- Purple Print — Suggested Practice & Documentation
- Green Print — Suggested Questions

SECTION IV - EMPLOYMENT INFORMATION (continued)

IV. EMPLOYMENT INFORMATION			
Applicant #1		Applicant #2	
Name & Address of Employer	<input type="checkbox"/> Self-Employed	Yrs./Mos. on this job	Name & Address of Employer
		Yrs./Mos. employed in this line of work/profession	<input type="checkbox"/> Self-Employed
			Yrs./Mos. employed in this line of work/profession
Position/Title/Type of Business	Business Phone (Incl. Area Code)	Position/Title/Type of Business	Business Phone (Incl. Area Code)
<i>If employed in current position for less than two years or if currently employed in more than one position, complete the following:</i>			
Name & Address of Employer	<input type="checkbox"/> Self-Employed	Dates (From >To)	Name & Address of Employer
		Monthly Income	<input type="checkbox"/> Self-Employed
		\$	Dates (From >To)
			Monthly Income
			\$
Position/Title/Type of Business	Business Phone (Incl. Area Code)	Position/Title/Type of Business	Business Phone (Incl. Area Code)
Name & Address of Employer	<input type="checkbox"/> Self-Employed	Dates (From >To)	Name & Address of Employer
		Monthly Income	<input type="checkbox"/> Self-Employed
		\$	Dates (From >To)
			Monthly Income
			\$
Position/Title/Type of Business	Business Phone (Incl. Area Code)	Position/Title/Type of Business	Business Phone (Incl. Area Code)

If any adult household member is unemployed, determine for how long.

VERIFICATION METHOD

Document the file with a statement from the individual regarding the length of unemployment, the reason for unemployment and probability of re-employment.

If an applicant has recently become unemployed, contact the former employer to confirm that the applicant is no longer employed and that re-employment is not expected.

VERIFICATION METHOD

Send *Form RD 1910-5, Request for Verification of Employment* to the prior employer. Request the employer to furnish a "re-employment" statement on the form.

Self-Employed: A self-employed applicant is either a sole proprietor, a partner, or owns a percentage of a corporation. Ask the type of business and who prepares

the tax returns and financial reports, the applicant, a tax preparer or an accountant.

The type of business will determine the kind of tax documentation you will be requesting. Obtaining tax information for the previous two years may assist in establishing a consistent pattern on income or a growth pattern.

Evaluation of a self-employed applicant with at least one year but less than two years of history requires an analysis of the applicants previous experience and training to determine that income is stable and likely to continue. Additional information such as a market feasibility study may be needed.

If the applicant purchased an operating business less than two years prior, try to obtain records from the previous owner to demonstrate an income and growth pattern. Determine if the applicant has past experience or education in this field and document.

*For a **sole proprietorship** obtain 2 years complete personal tax returns (1040's), including Schedule C or F, verification of business expenses. A current financial statement including a Profit and Loss and Balance sheets is recommended.*

*For a **Partnership** obtain 2 years complete individual tax returns (1040's) and 2 years complete partnership returns (1065). Financial statements are part of the 1065 and should be attached (Schedule L - Balance sheet and Schedule M-1 - Profit and Loss). Obtain other financial statements if available.*

*For a **Corporation** obtain complete personal tax returns (1040s) and 2 years corporate tax returns (1120 or 1120s). Financial statements are a part of the 1120 /1120s and should be attached (Schedule L - Balance sheet and Schedule M-1 - Profit and Loss). Obtain other financial statements if available. Corporate stock dividends are reported on Form 1099-D and verified by Schedule B of borrower's 1040.*

COLOR LEGEND

- Blue Print — RD Requirement
- Purple Print — Suggested Practice & Documentation
- Green Print — Suggested Questions

SECTION IV - EMPLOYMENT INFORMATION (continued)

IV. EMPLOYMENT INFORMATION			
Applicant #1		Applicant #2	
Name & Address of Employer <input type="checkbox"/> Self-Employed	Yrs./Mos. on this job	Name & Address of Employer <input type="checkbox"/> Self-Employed	Yrs./Mos. on this job
	Yrs./Mos. employed in this line of work/profession		Yrs./Mos. employed in this line of work/profession
Position/Title/Type of Business	Business Phone (Incl. Area Code)	Position/Title/Type of Business	Business Phone (Incl. Area Code)
<i>If employed in current position for less than two years or if currently employed in more than one position, complete the following:</i>			
Name & Address of Employer <input type="checkbox"/> Self-Employed	Dates (From >To)	Name & Address of Employer <input type="checkbox"/> Self-Employed	Dates (From >To)
	Monthly Income		Monthly Income
	\$		\$
Position/Title/Type of Business	Business Phone (Incl. Area Code)	Position/Title/Type of Business	Business Phone (Incl. Area Code)
Name & Address of Employer <input type="checkbox"/> Self-Employed	Dates (From >To)	Name & Address of Employer <input type="checkbox"/> Self-Employed	Dates (From >To)
	Monthly Income		Monthly Income
	\$		\$
Position/Title/Type of Business	Business Phone (Incl. Area Code)	Position/Title/Type of Business	Business Phone (Incl. Area Code)

Yrs./Mos. on this job:
Complete

If there is an adult household member who has recently changed jobs, determine the reason for the job change.

There is no minimum history requirement for employment in a particular position. Key is whether there is a history of receiving stable income and a reasonable expectation that it will continue.

Reasons for recent job changes include termination, lay-off, better salary, better professional advancement, better job stability, and employment to an area of schooling or training. While length of employment will probably be a major factor in considering income stability, recent job changes do not always have to negatively impact a file. The reasons must be documented.

Information on current employment as well as "Dates" from prior employment is used to establish a pattern of employment and stability.

VERIFICATION METHOD

Document the reason for recent job changes with a statement from the individual.

Yrs./Mos. Employed in this line of work/profession:

Current short-term employment may be acceptable if it can be established that while in another job the applicant was in the same line of work or has received schooling to perform the new job.

VERIFICATION METHOD

A statement from the applicant could provide positive information on training previously received to perform the new job.

Position/Title/Type of Business: Enter the

applicant's job function and the employer's main service.

Business Phone: Complete

If employed in current position for less than two years or if currently employed in more than one position, complete the following:

If the applicant and co-applicant has been employed in his or her current job for less than two years, complete this section covering a two full-year period. Use space at the bottom of page 2, if more space is needed. A verification request should be sent to all previous employers during that two-year period.

There will be times when circumstances prevent you from obtaining direct verifications of previous employment. One reason may be that the company is no longer in business.

COLOR LEGEND

- Blue Print — RD Requirement
- Purple Print — Suggested Practice & Documentation
- Green Print — Suggested Questions

SECTION IV - EMPLOYMENT INFORMATION (continued)

IV. EMPLOYMENT INFORMATION			
Applicant #1		Applicant #2	
Name & Address of Employer	<input type="checkbox"/> Self-Employed	Yrs./Mos. on this job	Name & Address of Employer
		Yrs./Mos. employed in this line of work/profession	Yrs./Mos. employed in this line of work/profession
Position/Title/Type of Business	Business Phone (Incl. Area Code)	Position/Title/Type of Business	Business Phone (Incl. Area Code)
<i>If employed in current position for less than two years or if currently employed in more than one position, complete the following:</i>			
Name & Address of Employer	<input type="checkbox"/> Self-Employed	Dates (From → To)	Name & Address of Employer
		Monthly Income	Monthly Income
		\$	\$
Position/Title/Type of Business	Business Phone (Incl. Area Code)	Position/Title/Type of Business	Business Phone (Incl. Area Code)
Name & Address of Employer	<input type="checkbox"/> Self-Employed	Dates (From → To)	Name & Address of Employer
		Monthly Income	Monthly Income
		\$	\$
Position/Title/Type of Business	Business Phone (Incl. Area Code)	Position/Title/Type of Business	Business Phone (Incl. Area Code)

VERIFICATION METHOD

Send Form RD 1910-5, Request for Verification of Employment to all previous employers during the two year period. Part III, Verification of Previous Employment, verifies prior employment.

When using tax returns and W-2 forms to verify prior employment, the borrower should list the periods of employment for each W-2 form provided.

VERIFICATION METHOD

Complete tax returns with all attachments along with W-2 forms from all employers for the previous two years may be acceptable.

If W-2 forms are not available, check stubs may provide the additional information needed if the applicant has retained them for the period that you have been unable to verify.

When all the attempts fail to

provide evidence of prior employment, check with Rural Development. They may accept a letter regarding prior employment history and the attempts made to verify the employment.

VERIFICATION METHOD

Place a statement in the file from the individual regarding prior employment including dates of employment, salary, position and reasons for leaving. Document your efforts to verify the information.

For a discharged Veteran, prior military employment may be verified by his/her copy of DD-214 (separation or discharge form). This form indicates the length of time in the military, and the date of discharge.

VERIFICATION METHOD

A copy of the DD-214 (Separation/Discharge Form) should be placed in file.

Dates: (From → To):

What if there are gaps between employment for the last two years?

VERIFICATION METHOD

Employment gaps should be explained by the applicant in a letter and included in the application file.

Monthly Income: and Position/Title/Type of Business:

When an application appears to reflect unstable employment and job hopping, look at the previous monthly incomes earned and the position/title and type of business of the previous jobs. A different light may be shed on the application. Documentation from VOEs will provide this information.

VERIFICATION METHOD

A statement from the applicant regarding the circumstances would be appropriate along with any additional documentation available.

COLOR LEGEND

- Blue Print — RD Requirement
- Purple Print — Suggested Practice & Documentation
- Green Print — Suggested Questions

SECTION V - MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION

V. MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION

Gross Monthly Income	Applicant #1	Applicant #2	Total	Combined Monthly Housing Expense	Present	Proposed
Base Empl. Income*	\$	\$	\$	Rent	\$	
Overtime				First Mortgage (P&I)		\$
Bonuses				Other Financing (P&I)		
Commissions				Hazard Insurance		
Dividends/Interest				Real Estate Taxes		
Net Rental Income				Mortgage Insurance		
Other (Before completing see the notice in "describe other income," below				Homeowner Assn. Dues		
				Other		
Total	\$	\$	\$	Total	\$	\$

*Self Employed Applicant may be required to provide additional documentation such as tax returns and financial statements.

Income is used to 1) determine if the applicant is eligible for the loan; 2) calculate repayment ability; 3) determine the loan amount and payment subsidy. Verify that the income listed is from all sources of income, including income from applicants, spouses of applicants (even if the spouse is a minor), and any other adult household members. Use Section V (gross monthly income and other income section) for income of household members who will be a party to the note. Income (annual income) that is from any other household member can be listed at the bottom of page 2 in addition to page 6.

Eligibility for program and repayment is based on "projected" income. When "Projecting" income for a 12 month period. Current income can be used to estimate the next 12 months unless there is verifiable evidence that there will be a change in circumstances.

VERIFICATION METHOD

Form RD 1910-5, Verification of Employment, is used to supply this information. The employer is asked to indicate if the applicant will be receiving any pay increases or decreases in the next 12 months.

Gross Monthly Income (Applicant #1 & Applicant #2): Complete with monthly figures only. Remember all income listed (including part-time) must be fully documented.

Consistency should be used in the computation of income (part-time and full-time)

- Hourly wage x 2080 hours (or the anticipated hours for part-time employment) ÷ 12
- Weekly wage x 52 weeks ÷ 12
- Bi-weekly wage x 26 weeks ÷ 12
- Monthly wage
- Bi-monthly wage x 24 pay periods ÷ 12

Base Employment Income

(*): Use only for salaried income. Base income is the gross amount, before any payroll deductions, of wages and salaries. If a cost of living allowance or a proposed increase in income has been estimated to take place on or before loan approval, loan closing or the effective date of the payment assistance agreement it is included in the annual and repayment income.

VERIFICATION METHOD

Form RD 1910-5 Request for Verification of Employment (VOE) is sent to each employer for verification. The VOE verifies base income, overtime, bonus, commission and pay raises anticipated over the next 12 months. Pay stubs of other payroll records may be used to support or clarify income information provided on the VOE. If the employer will not complete the verification form, alternative income documentation is needed. These might include paycheck stubs, certified copies of tax returns, or bank statements.

*Income from temporarily absent family members. Members of the household may be absent for a variety of reasons. These might include temporary employment and students** who live away from home for the school year. The income from these household members are considered when computing annual income and, if the person is a party to the note, for the repayment income. If the person is not considered a member of the household and is not a party to the note, their income is not considered nor are they considered for any adjustments to income or income limit.*

*(**See Full-Time Student, Pg. 20 of this document)*

COLOR LEGEND

- Blue Print — RD Requirement
- Purple Print — Suggested Practice & Documentation
- Green Print — Suggested Questions

SECTION V - MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION

V. MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION

Gross Monthly Income	Applicant #1	Applicant #2	Total	Combined Monthly Housing Expense	Present	Proposed
Base Empl. Income*	\$	\$	\$	Rent	\$	
Overtime				First Mortgage (P&I)		\$
Bonuses				Other Financing (P&I)		
Commissions				Hazard Insurance		
Dividends/Interest				Real Estate Taxes		
Net Rental Income				Mortgage Insurance		
Other (Before completing see the notice in "describe other income," below				Homeowner Assn. Dues		
				Other		
Total	\$	\$	\$	Total	\$	\$

*Self Employed Applicant may be required to provide additional documentation such as tax returns and financial statements.

Seasonal worker: Seasonal job income may be considered stable income when the applicant has worked in the same line of seasonal work for at least two years. Seasonal unemployment compensation must be associated with seasonal layoffs, expected to recur and be reported on federal tax returns. Seasonal income is based on the past history, rather than annualizing the current income. Confirm that the same seasonal pattern is expected and document.

VERIFICATION METHOD

Past history can be documented with Tax Returns and **Form RD 1910-5, Request for Verification of Employment.**

VERIFICATION METHOD

A statement from the employer or applicant would confirm future seasonal pattern.

All regular pay, special pay (except for persons exposed to hostile fire), and allowances of a member of the armed forces who is the applicant or spouse, whether or not that family member lives in the home is counted as annual and repayment income. Combat pay is non-taxable.

VERIFICATION METHOD

Form RD 1910-5, Request for Verification of Employment. Circle the Pay Data section "For Military Personnel Only".

Is the applicant or co-applicant **employed by a family member?**

VERIFICATION METHOD

Tax returns should be used as a back-up to the VOE.

Part-time employment as a second job should be considered in relation to its effects on the self-help program. Will the part-time, second job, continue when the applicant starts to build? The treatment of this income should be appropriately documented and noted in file.

VERIFICATION METHOD

Form RD 1910-5, Request for Verification of Employment and a statement from the individual regarding future part-time employment would be appropriate.

Overtime: List as estimated monthly income if overtime is typical for the occupation, substantiated by previous years' earnings and will be continuous as verified by the employer on the VOE. When overtime earnings are considered, the employer must verify the number of

overtime hours worked per week and that it is guaranteed. "Year to Date" and previous year's overtime are used to verify and determine a figure.

Bonuses: List as monthly income figure. Generally, bonus income should be typical for the occupation, guaranteed to continue by the employer, and the employer needs to provide the amount earned from the bonuses "year to date" and "previous year". The manner in which the bonus is paid, annually, semi-annually or monthly helps when comparing the amount with YTD.

VERIFICATION METHOD

Request with the VOE that the employer indicate how the bonus is paid, annual, semi-annual or monthly, etc.

Commissions: List as an average monthly figure. Generally, commissions should be typical for the occupation with the employer providing the amount of commissions earned "year to date" and "previous year". You should also look at commission income from the previous two years tax returns. Especially when a

SECTION V - MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION

V. MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION

Gross Monthly Income	Applicant #1	Applicant #2	Total	Combined Monthly Housing Expense	Present	Proposed
Base Empl. Income*	\$	\$	\$	Rent	\$	
Overtime				First Mortgage (P&I)		\$
Bonuses				Other Financing (P&I)		
Commissions				Hazard Insurance		
Dividends/Interest				Real Estate Taxes		
Net Rental Income				Mortgage Insurance		
Other (Before completing see the notice in "describe other income," below				Homeowner Assn. Dues		
				Other		
Total	\$	\$	\$	Total	\$	\$

*Self Employed Applicant may be required to provide additional documentation such as tax returns and financial statements.

major portion of the applicant's income is coming from commissions, establish the stability of the income. Commissions can come from real estate sales, car sales, insurance sales, etc.

The length of the applicant's employment will more than likely be a major factor in considering the stability of commission income. If the borrower has been employed in this type of position for a relatively short period of time, stability could be difficult to substantiate unless the product or service is similar to what the applicant has dealt with in a prior position. This should be documented. When an applicant changes from one company to another with a similar product, try to establish the borrower's earning potential with the new company.

VERIFICATION METHOD

Request that the employer provide on the VOE an explanation on

- the basis for commission payment and;
- how the commission is paid.

VERIFICATION METHOD

Through prior VOEs' or a statement to file, the applicant should document that commissions have been earned with a similar service or product.

VERIFICATION METHOD

Providing a statement from the new employer regarding the earnings of previous commissioned employees selling the same product in the same area would be helpful.

Dividend/Interest: List as an average monthly figure.

Calculating income from assets for repayment income is different from the calculation used for annual income. For repayment income use only the assets of the parties to the note and only the actual income derived from the assets.

Types of interest and dividend income:

- Interest on checking accounts
- Interest on savings accounts
- Dividends on stocks and mutual funds
- Dividends from interest in business
- Interest on Certificates of Deposits
- Income from a Trust Fund

Please refer to HB-1-3550,

Chapter 4, Section 2, 4.6 for more detailed instruction on evaluating and calculating borrower assets for both annual income and repayment income.

VERIFICATION METHOD

Form RD 1944-62, Request of Verification of Deposit sent to the financial institutions holding checking, savings and some retirement accounts and certificates of deposits verifies account balances but not income earned.

VERIFICATION METHOD

Year-end statements from financial institutions and brokerages can provide information on the annual interest and dividends earned for the previous year.

VERIFICATION METHOD

Obtain a copy of the Trust and IRS Form 1041 "Estates & Trusts" and Schedule K-1.

VERIFICATION METHOD

Corporate Stock dividends is verified by Schedule B of the borrower's 1040.

Net Rental Income: \$0 should be inserted in this blank since borrower can not own property and qualify for this program.

COLOR LEGEND

- Blue Print — RD Requirement
- Purple Print — Suggested Practice & Documentation
- Green Print — Suggested Questions

SECTION V - MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION

OTHER INCOME SECTION

A1/A2	Describe Other Income <small>Notice: Alimony, child support, or separate maintenance income need not be revealed if the Applicant #1, (A 1) or Applicant #2 (A2) does not choose to have it considered for repaying this loan.</small>	Monthly Amount

Other Income: This line is used to show income derived from other sources not previously listed. Examples of other income would be income from self-employment, pensions, social security, trust income, etc. Descriptions of other types of income are shown below in "Describe Other Income":

Describe Other Income: *Because this is a federally subsidized program, the law requires that applicants must disclose income from alimony, child support or separate maintenance.*

Use this section to provide a detailed description of other income and list the income as monthly. This section should contain "other income" used for the calculation of both annual and repayment income that is received by the applicant and co-applicant (or the individuals who will be party to the note). Annual income (amount and type of income) received by "other adult household individuals" should be detailed below.

Alimony (taxable), Child Support (non-taxable) or Separate Maintenance (taxable) Income:

Alimony and child support awarded in a divorce decree or separation agreement is counted as both annual income and repayment income. Borrowers must provide documentation indicating the amount of the required support payments. The applicant also must report the amount received during the past 12 months. Ask for the amount that was received in the past 12 months.

VERIFICATION METHOD

Alimony, Child Support or Separate Maintenance should be verified with a copy of the divorce decree, separation agreement, or other documents that show the amount to be received.

When the applicant reports that the amount required by the agreement are not being received, additional documentation is required to show that a reasonable effort has been made to collect the payments through the official entity responsible for enforcing such payments has been requested.

VERIFICATION METHOD

A sample format for Verification for Support Payments can be used to document the amount of support received when it is less than the amount required.

Self-Employment: Self-Employed applicants may be required to provide additional documentation such as tax returns and financial statements.

Income is based on a two year history of self-employment in the same line of work.

Evaluation of a self-employed applicant with at least one year but less than two years of history requires an analysis of the applicant's previous experience and training to determine that income is stable and likely to continue.

In cases of unusual self-employment, additional information such as a market feasibility study may be needed.

When a applicant is self-employed for less than a full year, it is hard to justify consistent earnings.

SECTION V - MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION

OTHER INCOME SECTION

A1/A2	Describe Other Income <small>Notice: Alimony, child Support, or separate maintenance income need not be revealed if the Applicant #1, (A 1) or Applicant #2 (A2) does not choose to have it considered for repaying this loan.</small>	Monthly Amount

For the calculation of **net income** from a farm, business or profession, for both the annual income and repayment income, the following provisions apply:

→ Expenditures for business for farm operations, capital improvements, or payments of principal on capital indebtedness shall not be used as deductions in determining income. A deduction is allowed in the manner prescribed by Internal Revenue Service (IRS) regulations only for interest paid in amortizing capital indebtedness. Schedule F

→ Farm and nonfarm business losses are considered "0" in determining **annual income**. Schedule F

→ A deduction, based on straight line depreciation, is allowed in the manner prescribed by IRS regulations for the exhaustion, wear and tear, and obsolescence of depreciable property used in the operation of trade, farm or business by a member of the household. The deduction must be based on an itemized schedule showing the amount of straight line depreciation. Form 4562

→ Any withdrawal of cash or

assets from the operation of a farm, business, or profession will be included in income, except to the extent the withdrawal is for reimbursement of cash or assets invested in the operation by a member of the household. Previous Year-Partnership is found on K-1, Corporate is found on Schedule E.

→ A deduction is allowed for verified business expenses, such as lodging, meals, and fuel, for business trips made by salaried employees, such as long-distance truck drivers, who must meet these expenses without reimbursement. Form 2106, attached to Form 1040

→ For home-based operations such as child care, product sales, and the production of crafts, housing related expenses for the property being financed such as mortgage interest, real estate taxes, and insurance, which may be claimed as business expense deductions for income tax purposes, will not be deducted from annual income. Schedule C

Refer to Attachment 4-F in HB-1-3550 for method of calculating income for sole proprietor.

VERIFICATION METHOD

For a sole proprietorship - Signed 2 years complete personal tax returns (1040's), including Schedule C or F and other applicable schedules, and a financial statement showing net worth. Try to get a YTD P&L and Balance Sheet.

VERIFICATION METHOD

Self-employed, sole proprietor applicants, must provide current documentation of income and expenses using **Verification of Business Expense (HB-1-3550)** Current income and expenses can not be older than the previous fiscal year.

VERIFICATION METHOD

For a Partnership- 2 years complete individual tax returns (1040's) and 2 years complete partnership returns (1065). Financial statements (P&L and Balance Sheet) are part of the 1065 and should be attached (Schedules L & M-1). Try to get a YTD P&L and Balance Sheet.

VERIFICATION METHOD

For a Corporation-2 years complete personal tax returns (1040s) and 2 years corporate tax returns (1120/ 1120s). Financial statements (P&L and Balance Sheet) are a part of the corporate returns and should be attached (Schedules L & M-1). Try to get YTD P&L and Balance Sheets.

COLOR LEGEND

- Blue Print — RD Requirement
- Purple Print — Suggested Practice & Documentation
- Green Print — Suggested Questions

SECTION V - MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION OTHER INCOME SECTION

A1/A2	Describe Other Income <small>Notice: Alimony, child support, or separate maintenance income need not be revealed if the Applicant #1, (A 1) or Applicant #2 (A2) does not choose to have it considered for repaying this loan.</small>	Monthly Amount

Social Security: The full amount of periodic payments received from Social Security annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts (including Social Security received by adults on behalf of minors or by minors intended for their own support) are considered income for both annual and repayment. Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts are not counted.

VERIFICATION METHOD

A sample format for requesting Verification of Social Security Benefits is provided in HB-1-3550.

VERIFICATION METHOD

The borrowers will provide copies of their most recent award or benefit letters, prepared and signed by the authorizing agency. If the date of the letter is not within the last 12 months, require the applicant to submit information updating the award, for example, a cost-of-living (COLA) payment notice, Social Security Benefits Statement, or notice of change in benefits.

Social Security Retirement and Pensions is non-taxable income if the total income plus 1/2 of the social security is less than \$25,000 for a single person and \$32,000 for a couple. Incomes over these amounts are subject to tax up to 85%.

Workers Compensation (non-taxable), **Death Benefits** (non-taxable), or **Disability Benefits** (some are taxable, some are not): Ask the applicant for the Insurance Company that pays the benefit. The amount and the duration of the benefit is needed.

VERIFICATION METHOD

Ask the applicant for the most recent award or benefit letter from the insurance company. If the letter does not indicate the term, ask the Insurance Company for a letter.

Pensions and Retirement Income: Income from Pensions and Annuities are reported to the recipient on Form 1099-R. This form usually tells what part of the pension income is taxable and what is not. Line 16a on the 1040 provides non-taxable pensions and

annuities and line 16b provides those amounts that are taxable. For retired applicants, income that is derived from either retirement assets alone or retirement assets and other retirement income, the applicant will not be required to use retirement assets as a down payment even if retirement assets total more than allowed.

VERIFICATION METHOD

Verification of Pensions and Annuities Certification, HB-1-3550, can be used to verify the amount of income the applicant will receive in the next 12 months.

Educational Benefits: For repayment income only, educational benefits provided to the parties on the note may be considered. Any amount provided for living expenses may be counted as repayment income.

VERIFICATION METHOD

A sample format for requesting Verification of Student Income and Expenses is provided in HB-1-3550.

COLOR LEGEND

- Blue Print — RD Requirement
- Purple Print — Suggested Practice & Documentation
- Green Print — Suggested Questions

SECTION V - MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION OTHER INCOME SECTION

A1/A2	Describe Other Income <small>Notice: Alimony, child Support, or separate maintenance income need not be revealed if the Applicant #1, (A 1) or Applicant #2 (A2) does not choose to have it considered for repaying this loan.</small>	Monthly Amount

Support for Foster Children or Adults (non-taxable): Payments received for the care of foster children or foster adults (usually individuals with disabilities, unrelated to the borrower, who are unable to live alone) may be considered when calculating repayment income.

Documentation must be provided indicating the amount of money received for the care of foster children or adults, and the anticipated period of time the support will be provided.

The income received is non-taxable unless there are 5 or more foster adults being cared for in the home who are 19 years old or older.

VERIFICATION METHOD

The most recent award or benefit letter prepared and signed by the authorizing agency provides the documentation.

Public Assistance (non-taxable): Public assistance, except as indicated in Part I (15) HB-1-3550, Attachment 4-D is considered for both annual income and repayment income. The amount of public assistance received must be verified.

VERIFICATION METHOD

A sample format for Verification of Public Assistance is provided in HB-1-3550.

Developmentally Disabled Family Member : The amounts paid by a State Agency to a family with a developmentally disabled family member living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home is considered in repayment income.

VERIFICATION METHOD

The most recent award or benefit letter prepared and signed by the authorizing agency.

Tips: It is important to establish the consistency of tip income and amount. W-2's report the "allocated tips" in box 8. Line 7 of 1040 and 1040A (previous years tax returns) include not only wages and salaries but also tips, including allocated tips and non-reported tips.

VERIFICATION METHOD

On Form RD 1910-5, Verification of Employment, request additional information regarding "Allocated Tips" in the remarks section.

Unemployment Benefits: Applicants receiving unemployment benefits must verify the unemployment income. It is useful to establish a pattern for some types of employment that lay off employees at certain times of the year and for set periods of time. Any unemployment received during the previous year is reported on the tax form 1040, Line 19.

VERIFICATION METHOD

The most recent award or benefit letter prepared and signed by the authorizing agency.

VERIFICATION METHOD

A sample format Verification of Unemployment Benefits is provided in HB-1-3550.

Monetary Gifts: Recurring monetary gifts or contributions from someone who is not a member of the household is included as annual and repayment income when verified. Request information on the amount, frequency and period of the gifts. RD may also want documentation of the ability of the donor to continue with gifts.

COLOR LEGEND

- Blue Print — RD Requirement
- Purple Print — Suggested Practice & Documentation
- Green Print — Suggested Questions

SECTION V - MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION OTHER INCOME SECTION

A1/A2	Describe Other Income <small>Notice: Alimony, child Support, or separate maintenance income need not be revealed if the Applicant #1, (A 1) or Applicant #2 (A2) does not choose to have it considered for repaying this loan.</small>	Monthly Amount

VERIFICATION METHOD

Form RD 3550-2, Request of Verification of Gift/Gift Letter may be used to verify this information.

Full-Time Student: For annual income count only the first \$480 of earned income from an adult full-time student who is not the head or spouse. Income over \$480 will be counted toward repayment only if the student is to join on the note.

VERIFICATION METHOD

Form RD 1910-5, Request for Verification of Employment will document income.

Adoption Assistance income: The first \$480 is counted as annual income. Adoption assistance payments in excess of \$480 per adopted child is counted as repayment income.

Earned Income Tax Credit: Any earned income tax credit may be counted as repayment income. Earned Income Tax Credit (EIC) reduces the taxes owed. A family may receive a refund even when no taxes are owed. The amount of EIC received in the previous year may be used if the family income and composition remain the same. If

these factors are different, discuss with your CDM on how to count and document EIC. The applicant (or other household member who is a party to the note) receiving the Earned Income Credit (EIC) must execute copy of IRS Form W-5 which enables the employer to include all or a portion of the EIC with the regular paycheck. The EIC income may only be counted as repayment income when it is received at least monthly; it will not be counted as annual income. EIC income that cannot be paid through the employer cannot be included in repayment income but may warrant consideration as a *compensating factor*. Both applicants must get signed copies from the employer stating that the applicant has executed and the employer has accepted the document. the family income and composition remain the same.

VERIFICATION METHOD

Paycheck Stubs or payroll earnings statements equaling four (4) weeks, IRS Form W-5, Letter from employer or previous year that include Schedule EIC.

Low-Income Home Energy Assistance Program (non-taxable) : *Payments or allowances made under the Department of Health and Human Services Low-Income Home Energy Assistance Program may be considered in repayment income.*

VERIFICATION METHOD

Most recent Award of Benefit Letter, prepared and signed by the authorizing agency.

Food Stamps (non-taxable): *The value of the allotment provided to an eligible household under the Food Stamp Act of 1977 may be considered in repayment income.*

VERIFICATION METHOD

Most recent Award of Benefit Letter, prepared and signed by the authorizing agency.

Income from Net Assets For the purpose of computing **annual income**, the assets of **all household members** are considered. If the cash value of total family net assets are above \$5,000 , the amount of net family asset income included in annual income is the actual income to be derived from these assets. If

COLOR LEGEND

- Blue Print — RD Requirement
- Purple Print — Suggested Practice & Documentation
- Green Print — Suggested Questions

SECTION V - MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION OTHER INCOME SECTION

V. MONTHLY INCOME AND COMBINED HOUSING EXPENSE INFORMATION						
Gross Monthly Income	Applicant #1	Applicant #2	Total	Combined Monthly Housing Expense	Present	Proposed
Base Empl. Income*	\$	\$	\$	Rent	\$	
Overtime				First Mortgage (P&I)		\$
Bonuses				Other Financing (P&I)		
Commissions				Hazard Insurance		
Dividends/Interest				Real Estate Taxes		
Net Rental Income				Mortgage Insurance		
Other (Before completing see the notice in "describe other income," below				Homeowner Assn. Dues		
				Other		
Total	\$	\$	\$	Total	\$	\$

*Self Employed Applicant may be required to provide additional documentation such as tax returns and financial statements.

A1/A2	Describe Other Income <i>Notice: Alimony, child support, or separate maintenance income need not be revealed if the Applicant #1, (A 1) or Applicant #2 (A2) does not choose to have it considered for repaying this loan.</i>	Monthly Amount

the greater of:

- (1) the actual income to be derived from the assets; or
- (2) an imputed income from assets that is calculated by multiplying the total cash value of assets by a locally determined passbook rate. Generally, the imputed income from assets is larger than the actual income to be derived from the assets when an applicant owns non-income producing assets of significant value.

For the purpose of computing **repayment income** only, the assets of the **parties to the note** are considered and only the actual income to be derived from the assets is used to compute repayment income.

Combined Monthly Housing Expense:

Present Housing Expense:

Rent: Indicate whether or not this amount includes any utilities.

Proposed Housing Expense:

These figures are transferred from Pre-Qualification Determination Worksheet after the interview.

- If First Mortgage (Principal & Interest)
- Other Financing (Principal & Interest)
- Hazard Insurance
- Real Estate Taxes
- Mortgage Insurance
- Homeowner Assn. Dues
- Other
- Total

COLOR LEGEND

- Blue Print — RD Requirement
- Purple Print — Suggested Practice & Documentation
- Green Print — Suggested Questions

SECTION VI - ASSETS AND LIABILITIES

VI. ASSETS AND LIABILITIES

This Statement and any applicable supporting schedules may be completed jointly by both married and unmarried Applicants if their assets and liabilities are sufficiently joined so that the Statement can be meaningfully and fairly presented on a combined basis; otherwise separate Statements and Schedules are required. If the Applicant #2 section was completed about a spouse, this Statement and supporting schedules must be completed about that spouse also.

Completed Jointly Not Jointly

ASSETS	Cash or Market Value
Description	
Cash deposit toward purchase held by:	\$

This Statement and any applicable supporting schedules may be completed jointly by both married and unmarried Applicants if their assets and liabilities are sufficiently joined so that the Statement can be meaningfully and fairly presented on a combined basis; otherwise separate Statements and Schedules are required. If the Applicant #2 section was completed about a spouse, this Statement and supporting schedules must be completed about that spouse also.

Completed :

Jointly Not Jointly

*Information about the applicant's **household** assets is needed at the time of application or whenever income determination is made. Applicants must provide sufficient information to enable the Loan Originator to verify the asset information and compute the market and cash value of the asset.*

The application and Additional Information Required for RHS Assistance addendum, does not specifically ask whether assets were disposed of for less than fair market value. Ask the applicant if assets have been disposed of during the last two years. If yes, ask

the kind of assets, the amount received for the assets, and the circumstances involved with the disposition of the assets.

VERIFICATION METHOD

*Document the applicant's response with the **Certification of Disposition of Assets** found in HB-1-3550..*

Applicants who disposed of assets for less than fair market value have, in essence, voluntarily reduced their ability to afford housing. Assets disposed of for less than fair market value during the 2 years preceding a determination of annual income must be used in the annual income calculation. Assets disposed of for less than fair market value as a result of foreclosure, bankruptcy, divorce, or separation are not included in this calculation.

The amount to be included in the annual income amount is the difference between the market value of the asset and the amount that was actually received (if any) in the disposition of the asset.

Assets → Cash or Market Value:

*The **Market value** is the dollar value on the open market. The **Cash value** is the market value less*

reasonable expenses to convert the asset to cash.

If an asset belongs to only one applicant, identify whom it belongs to by an "A1" for Applicant #1 or "A2" for Applicant #2.

If there are no assets of a specific type, indicate none in that block.

When assets such as automobiles, real estate, retirement accounts have liens placed against them, verification can be obtained in the "loans outstanding to applicants" section of the VOD.

VERIFICATION OF DEPOSITS

Form RD 1944-62 Request for information about the borrowers assets held by a lender.

Cash deposit toward purchase held by:

If applicant has optioned land individually, insert the option amount here and list the name of the company or individual that is holding the cash deposit.

List checking and savings accounts:

List names and addresses of institutions for checking and savings, the account numbers, and the total amount of deposits in each institution.

SECTION VI - ASSETS AND LIABILITIES (cont.)

RD recognizes as an asset "savings accounts and the average 2-month balance of checking accounts".

Stocks and Bonds (Company name/number & description): List the names and addresses of the institutions holding stocks and bonds and their market value. Use bottom of page 4 if more space is needed.

VERIFICATION METHOD

Form RD 1944-62, Request of Verification of Deposit to financial institutions verifies account balances.

Proof of savings bonds or marketable securities such as stocks and bonds must be submitted.

To verify savings bonds, the applicant must furnish a list with the serial numbers and the face amount of each of the bonds.

If the securities are to be converted to cash for a required down payment toward the mortgage, the completed verification of deposit is the preferred format.

RD recognizes as an asset "stocks, bonds, savings certificates, money market funds, and other investment accounts".

VERIFICATION METHOD

Stocks and securities can be verified by

- a completed Verification of Deposit
- a photocopy of the most current Brokerage firm statement, or
- a letter from a bank official confirming the securities by title and number of shares owned.

<i>List checking and saving accounts below</i>	
Name and Address of Bank, S&L, or Credit Union	
Acct. No.	\$
Name and Address of Bank, S&L, or Credit Union	
Acct. No.	\$
Name and Address of Bank, S&L, or Credit Union	
Acct. No.	\$
Name and Address of Bank, S&L, or Credit Union	
Acct. No.	\$
Name and Address of Bank, S&L, or Credit Union	
Acct. No.	\$
Stocks & Bonds (Company name/number & description)	
Life insurance net cash value	\$
Face amount: \$	
Subtotal Liquid Assets	\$
Real estate owned (Enter market value from schedule of real estate owned)	\$

Life insurance net cash value (Face amount \$):

List the face amount of the policy and any net cash value.

RD recognizes as an asset "cash value of life insurance policies".

VERIFICATION METHOD

Net cash value can be verified with **Form RD 1944-62 Request for Verification of Deposit.**

Subtotal Liquid Assets:

Total the liquid "Cash" asset dollar column. These are assets that the applicant has available in liquid form that can be applied to prepaid items, closing costs, and moving expenses, or down payment, etc.

Real estate owned (Enter market value from schedule of real estate owned):

The figure entered here is found in section: VI Assets & Liabilities (cont.) Schedule of Real Estate Owned. With this homeownership loan program, about the only time a market value will be entered is if the applicant owns raw land, land that will be built on, or if current housing will be sold prior to loan closing.

VERIFICATION METHOD

Obtain a copy of the deed showing property ownership.

VERIFICATION METHOD

If the borrower is selling the property to secure a RD loan, obtain a copy of the closing statement showing proceeds to the seller, a copy of the loan proceeds check received and a certified copy of the deed, showing property has been transferred.

If the household reports owning real estate, discuss with them the type of property that they own to determine that the reported market value is reasonable.

RD recognizes as an asset "equity in real property or other capital investments".

COLOR LEGEND

- Blue Print — RD Requirement
- Purple Print — Suggested Practice & Documentation
- Green Print — Suggested Questions

SECTION VI - ASSETS AND LIABILITIES (cont.)

Vested interest in retirement fund	\$
Net worth of business(es) owned (Attach financial statement)	\$
Automobiles owned (Make and year)	\$

Vested interest in retirement fund: Retirement assets are savings and investments that have been specifically designated as retirement funds. List voluntary retirement plans that are accessible to the applicant such as IRAs, 401 (k) plans and Keogh accounts as well as amounts that can be withdrawn from retirement pension funds without retiring or terminating employment.

VERIFICATION METHOD

Certification form *Verification of Pensions and Annuities* can be used to determine the current market value of assets held in a retirement or pension plan.

VERIFICATION METHOD

For some assets such as mutual funds or 401(K) accounts, copies of year-end statements can provide information about annual income.

RD recognizes as assets “retirement assets” amounts in voluntary retirement plans that can be withdrawn, such as individual retirement accounts (IRAs), or 401(k) plans, and Keogh accounts; and amounts in other retirement and pension plans that can be withdrawn without retiring or terminating employment. If the applicant can withdraw retirement funds without retiring or terminating employment, the funds are counted as assets,

even though penalties may apply.

Not all retirement assets are considered by Rural Development. If the applicant can receive the retirement funds only by borrowing them, or upon retirement or termination of employment, the funds are not counted as assets for determining income or for down payment requirements. Verification of these accounts are not required because these accounts are **not** considered as net family assets and do **not** have to be liquidated to remain within the dollar requirements for net assets.

RD recognizes a **limitation on Retirement Assets**. For non-retired applicants, if the market value of retirement assets is greater than the applicable adjusted median income limit, the cash value of assets in excess of that amount must be used toward the purchase of the property.

Net worth of business(es) owned (Attach financial statement): If the customer is self-employed, insert the net worth of the business. If the applicant is a partner or owns a percentage of a corporation, show only the applicant’s percentage or share of the business as “Net Worth”. The net worth of the business comes from the financial statement and the applicants share or interest in the partnership or corporation comes from Schedule K-1 (partnership) or Schedule E of the 1120/1120s

(corporation). This market value is considered in net worth but excluded from the computation of net assets for the 502 loan program.

VERIFICATION METHOD

Financial Statements for the business and the applicant’s Schedule K-1 (partnership) or Schedule E (corporation) is needed for documentation.

Assets that are part of any business, trade, or farming operation in which any member of the household is actively engaged is not considered as a RD Asset.

Automobiles (Make and Year): List the make, year and market value of the applicants’ motor vehicles. The value of all autos can be ascertained by consulting a recent NADA book for current value.

The value of necessary items of personal property such as automobiles is not considered as a RD Asset.

If the applicant has a new auto and no debt is shown in the “Liability” section, document that the vehicle is owned free and clear. For some market segments, this may be a way to show that they can save money and help to discount issues regarding lack of credit.

VERIFICATION METHOD

Obtain a copy of the title.

COLOR LEGEND

- Blue Print — RD Requirement
- Purple Print — Suggested Practice & Documentation
- Green Print — Suggested Questions

SECTION VI - ASSETS AND LIABILITIES (cont.)

Other Assets (Itemize)	\$
Total Assets a.	\$

Other Assets (Itemize):

List the estimated market value of furniture, household good and personal property and any other assets. Most borrowers have no idea of the worth of their furniture and household goods. Help them with estimating market value by reminding them of furniture, stereo and TV equipment, dishes, pots & pans etc.

Other assets could include a boat, motorcycle, and tools.

A question that could arise from listed items might be "Is there an unlisted debt?"

The value of necessary items of personal property, such as furniture is not considered as a RD asset, however,

-Personal property (such as jewelry) held as an investment is considered a RD Asset.

Other RD Assets:

-Trust funds that are available to the households.

VERIFICATION METHOD

Obtain a copy of the Trust.

-Lump sum receipts, such as inheritances, capital gains, and lottery winnings.

Not RD Assets:

-The value of an irrevocable trust fund, or the value of any trust over which no member of the household has control;

-Interest in American Indian trust land; and

VERIFICATION METHOD

Obtain a copy of the Trust.

-For income calculations, assets on hand that will be used to reduce the amount of the loan are not considered RD assets.

Limitation on Assets:

When the Cash value of non-retirement assets is greater than \$7,500 for non-elderly households and \$10,000 for elderly households, the cash value in excess of these amounts must be used toward the purchase of the property. Because assets above those listed must be used to pay for costs related to the purchase of the home, only assets of the parties to the note are considered.

Exception: If a family has unreimbursed medical expenses in excess of 3% of annual income. An increase of the applicable asset limit is allowed by the amount of the medical expenses in excess of 3% of annual income. This exception must be fully documented.

Show this reduction of mortgage in Section II, "Source of Down Payment, Settlement Charges and/or Subordinate Financing" and

in Section VII "Details of Transaction" Line I "Other Credits".

Total Assets a.	\$
-----------------	----

Total Assets: Total the dollar amount of the "Cash or Market Value column" from the "Sub-liquid assets" total down. RD's calculation of "net assets" is to determine if a down payment is required and if so how much, and for a annual income computation (see "Income" Section V). "Total assets" calculated for this application form is for the determination of "Net Worth".

SECTION VI - ASSETS AND LIABILITIES (cont.)

Liabilities and Pledged Assets

List the creditor's name, address, and account number for all outstanding debts, including automobile loans, revolving charge accounts, real estate loans, alimony, child support, stock pledges, etc. Use a continuation sheet, if necessary. Indicate by (*) those liabilities which will be satisfied upon sale of real estate owned or upon refinancing of the subject property.

Liabilities—Monthly Payment & Months Left to Pay—Unpaid Balance

If a liability belongs to only one applicant, identify whom it belongs to by an "A1" for Applicant #1 or "A2" for Applicant #2. If there are no liabilities, indicate none.

All debts and obligations, regardless of balance outstanding or the number of payments remaining to be paid off in full, must be included in this section.

VERIFICATION METHOD

The Residential Mortgage Credit Report will usually contain all information needed to verify open accounts, monthly payments, and unpaid balances.

Installment Debts – For any installment debts and any bank loans, list the bank name, account number, monthly payment, the number of the months remaining and the unpaid balance.

Liabilities and Pledged Assets. List the creditor's name, address and account number for all outstanding debts, including automobile loans, revolving charge accounts, real estate loans, alimony, child support, stock pledges, etc. Use continuation sheet, if necessary. Indicate by (*) those liabilities which will be satisfied upon sale of real estate owned or upon refinancing of the subject property.

LIABILITIES	Monthly Payment & Months Left to Pay	Unpaid Balance
Name and Address of Company	\$ Payment/Months	\$
Acct. No.		
Name and Address of Company	\$ Payment/Months	\$
Acct. No.		
Name and Address of Company	\$ Payment/Months	\$
Acct. No.		

Revolving or charge accounts

- For obligations from charge cards and department store charges, list the card name such as "VISA", store name or bank name, account number, monthly payment (minimum monthly payment) and the unpaid balance.

Other Debts - List the name (s) of creditors, the account numbers, monthly payments, remaining monthly term and unpaid balances for pledges against stocks or bonds and commercial loans.

Deferred and balloon loans including Student loans –

Ask if there are any student loans or any other loans that will have payments come due within the next 12 months?

Real Estate Loans - List the name of the mortgagee, the mortgage account number, monthly payments, remaining monthly terms and the unpaid balances for all open real estate loans. The unpaid balance totaled in this section should correspond with "Total Amount of Mortgages and Liens" shown in the Schedule of Real Estate Owned.

Automobile Loans - List the name of the creditor, account number, monthly payment, monthly remaining term and unpaid balances for all open motor vehicle loans.

COLOR LEGEND

- Blue Print — RD Requirement
- Purple Print — Suggested Practice & Documentation
- Green Print — Suggested Questions

SECTION VI - ASSETS AND LIABILITIES (cont.)

Alimony/Child Support/Separate Maintenance Payments Owed to:	\$		
Job Related Expense (Child care, union dues, etc.)	\$		
Total Monthly Payments	\$		
Net Worth (a minus b)	\$	Total Liabilities b.	\$

VERIFICATION METHOD

Use the last six to twelve statements received on the debt and copies of the cancelled checks for the same period.

Alimony, Child Support and Separate Maintenance

Payments Owed To: For this type of obligation, complete the section showing who the payments are made to, the monthly payment amount and the remaining term of the obligation. The applicant or co-applicant should also answer "yes" to question (f) in Section VIII "Declarations".

VERIFICATION METHOD

A complete copy of the divorce decree or child support agreement and court agreement if paid through the court is required for documentation.

verify the necessary information. Obtaining this information can be done at the time the loan file is set-up if the debt is at the same institution as verified deposited cash funds.

VERIFICATION METHOD

Form RD 1944-62 Request for Verification of Deposit or Form RD 410-8 Applicant Reference Letter is used to obtain information about an applicant's credit history that might not appear on a credit report.

You will need to include a letter to the file explaining the reason this type of verification is being submitted in lieu of the direct verification.

Total Monthly Payments -

Total only those monthly payments with a remaining payment term of more than 6 months and any revolving credit debts, regardless of the remaining term. This total will then be added to the "Total Proposed Housing", Section V, and divided by your repayment income to establish the "Total Debt" ratio calculation.

Rural Development will include (but not limited to— see HB-1-3550 pg. 57) in the following in the "total debt" ratio.

Job Related Expense (child care, union dues, etc.) -

Do not identify child care here as an obligation to be used in the total debt ratio.

Information regarding child care is only used as a deduction to annual income when all the criteria are met. Child care is dealt with in item #9 of the "Additional Information Required for RHS Assistance".

When a credit report does not verify debts listed on the application, a direct verification of credit is needed for the credit rating. Using the VOD to verify a bank or credit union loan will

If the applicant has "No Credit", verification of phone bills, utility bills, hospital and medical bills, or other recurring debt payments to non-tradition creditors who do not report to a credit union is needed.

VERIFICATION METHOD

Form RD 410-8 Applicant Reference Letter is used.

There will be times when you will be unable to obtain a rating from the credit report or from a direct verification. When this occurs, ask Rural Development if alternate verification is acceptable.

- ✓ Long term obligations with more than 6 months repayment remaining, including loans, alimony and child support;
- ✓ Payments coming due in the next 12 months, including deferred loans and balloon payments; and
- ✓ The minimum monthly payment required for revolving credit card debt.
- ✓ PITI - the monthly principal, interest, taxes and insurance.
- ✓ Regular assessments such as Homeowners Assessments.

SECTION VI - ASSETS AND LIABILITIES (cont.)

Net Worth <small>(a minus b)</small>	\$	Total Liabilities b.	\$
---	----	----------------------	----

Debts from which the applicant has not been released need not be counted if the applicant can demonstrate that another party has assumed responsibility for the debt.

VERIFICATION METHOD

A statement from the other party as to the intent to continue paying the debt and copies of cancelled checks for the last 12 months, showing that the other party has accepted responsibility and has the ability to pay.

Total Liabilities - Total ALL unpaid balances regardless of the remaining term.

Net Worth - Net worth is derive by subtracting "Total Liabilities" from "Total Assets". *Net worth is not to be confused with Net Assets.* A term that Rural Development uses in the calculation of annual income and to determine if the applicant has assets to contribute to the mortgage.

Schedule of Real Estate Owned (If additional properties are owned, use continuation sheet.)

Property Address (Enter S if sold, PS if pending sale or R if rental being held for income) ↓	Type of Property	Present Market Value	Amount of Mortgage & Liens	Gross Rental Income	Mortgage Payments	Insurance Maintenance Taxes & Misc.	Net Rental Income
		\$	\$	\$	\$	\$	\$
Totals		\$	\$	\$	\$	\$	\$

List any additional names under which credit has previously been received and indicate appropriate creditor name(s) and account number(s):

Alternative Name	Creditor Name	Account Number

Schedule of Real Estate Owned

This section is used if the applicant owns real property including vacant land. If the applicant owns a mobile home it would not be listed here but in "other assets", if the applicant owns a mobile home and the land the mobile home is attached to, then it would be included in this section. All information should be completed. (Real property defined as land and all the appurtenances to the land such as buildings.)

- Property Address (Enter S if sold, PS if pending sale or R if rental being held for income)
- Type of Property
- Present Market Value
- Amount of Mortgage & Liens
- Gross Rental Income
- Mortgage Payments
- Insurance, Maintenance Taxes & Misc.
- Net Rental Income

VERIFICATION METHOD

Depending on the individual circumstances, appropriate documentation might include:

- ✓ Copies of Deeds
- ✓ Copies of Mortgages
- ✓ Copies of Leases (farm or income producing property-excluding dwellings)
- ✓ Copies of Property Tax bills and Hazard Insurance policies.
- ✓ **Form RD 1944-62, Verification of Deposit**, verifies open mortgage liens.

List any additional names under which credit has previously been received and indicate appropriate creditor name and account numbers:

If the applicant has had credit under another name within the last two years, obtain the name and collect an additional credit report fee to cover the credit check of that name. Usually the name and social security number is sufficient. However, if the applicant has paid out any accounts within the past two years, under another name, obtaining the creditor's name and account number is suggested.

SECTION VII - Details of Transaction

For Self-Help only, complete as follows:

- b. Alterations, improvements, repairs is completed with the estimated cost to build, excluding cost of land.
- c. Land (if acquired separately) is the cost of the land for the self-help house.
- e. Estimated prepaid items
- f. Estimated closing costs
- j. Subordinating financing
- k. Borrower's closing costs paid by seller
- l. Other credits (explain)
- m. Loan Amount (excluding PMI, MIP, and Funding Fee financed)
- o. Loan Amount
- p. Cash from/to Borrower

VII. DETAILS OF TRANSACTION	
a. Purchase price	\$
b. Alterations, improvements, repairs	
c. Land (If acquired separately)	
d. Refinance (<i>ind. debts to be paid off</i>)	
e. Estimated prepaid items	
f. Estimated closing costs	
g. PMI, MIP, Funding Fee	
h. Discount (If Borrower will pay)	
i. Total Costs (<i>Add items a through h</i>)	\$0.00
j. Subordinate financing	
k. Borrower's closing costs paid by Seller	
l. Other Credits (<i>Explain</i>)	
m. Loan amount (<i>Exclude PMI, MIP Funding Fee financed</i>)	\$0.00
n. PMI, MIP, Funding Fee financed	
o. Loan amount (<i>Add m & n</i>)	\$0.00
p. Cash from/to Borrower (<i>Subtract j, k, l, & o from i</i>)	\$0.00

COLOR LEGEND

- Blue Print — RD Requirement
- Purple Print — Suggested Practice & Documentation
- Green Print — Suggested Questions

SECTION VIII - Declarations

Completed by both the borrower and co-borrower. If any question a through h is answered yes, a complete written explanation from the customer is required.

If the applicant reports any judgments, bankruptcies, lawsuits, foreclosures or deeds in lieu of foreclosure, or delinquencies on a federal debt or any other obligations, ask questions to determine the particular circumstances.

a. Are there any outstanding judgments against you?

A court-created or court affirmed obligation or judgment caused by nonpayment that is currently outstanding or has been outstanding within the last 12 months is unacceptable credit.

Were the circumstances beyond the applicant's control?

VERIFICATION METHOD

The applicant should notate to file the circumstances.

A judgment satisfied more than 12 months before the date of application will not be considered as unacceptable credit.

An outstanding judgment obtained by the United States in a Federal Court, other than the United States Tax Court, is not eligible for a Section 502 loan.

b. Have you been declared bankrupt within the past 7 years?

A bankruptcy in which debts were discharged more than 36 months prior to the date of application will

VIII. DECLARATIONS

If you answer "Yes" to any questions a through i, please use continuation sheet for explanation.

Applicant #1 Applicant #2

Yes	No	Yes	No
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

a. Are there any outstanding judgments against you?

b. Have you been discharged in bankruptcy within the past 7 years?

not be considered as unacceptable credit.

VERIFICATION METHOD

If the discharged bankruptcy does not appear on the credit report, obtain a copy of the discharge papers.

If the applicant has been discharged from a bankruptcy within the past 36 months, what were the circumstances and were they beyond the applicant's control?

VERIFICATION METHOD

Obtain complete information regarding the facts and circumstances concerning the bankruptcy. Document if the bankruptcy was beyond the control of the applicant and whether or not they have re-established their credit since the time of bankruptcy.

If the applicant's bankruptcy was caused by unemployment, prolonged strike or medical bills and these circumstances are verified, and they have re-established their credit since that time, approach Rural Development to determine if the applicant would be considered a satisfactory credit risk. If an applicant's bankruptcy was due to self-employment and was not due to any misconduct while self-employed, and the applicant is now employed full-time with no

derogatory credit since becoming employed full time, again approach Rural Development to determine if the applicant would be considered a satisfactory credit risk.

Where the applicant successfully completed a bankruptcy debt restructuring plan and has demonstrated a willingness to meet obligations when due for the 12 months prior to the date of the application will not be considered unacceptable credit.

VERIFICATION METHOD

The applicant should note to file the circumstances that resulted in bankruptcy.

VERIFICATION METHOD

Obtain a copy of the restructuring plan and have the applicant document to the file the circumstances of the bankruptcy.

COLOR LEGEND

- Blue Print — RD Requirement
- Purple Print — Suggested Practice & Documentation
- Green Print — Suggested Questions

SECTION VIII - Declarations (continued)

- c. Have you had property foreclosed upon or given title or deed in lieu thereof in the last 7 years?
- d. Are you a party to a lawsuit?
- e. Have you directly or indirectly been obligated on any loan which resulted in foreclosure transfer of title in lieu of foreclosure, or judgment?

(This would include such loans as home mortgage loans, SBA loans, home improvement loans, any mortgage, financial obligation, bond, or loan guarantee. If "Yes," provide details, including date, name, and address of Lender, FHA or VA case number, if any, and reasons for the action.)

c. Have you had property fore closed upon or given title or deed in lieu thereof in the last 7 years?

A Chapter 13 Bankruptcy filed by an applicant or co-applicant indicates their willingness and effort to pay their creditors. Some plans may provide for full payment of debts, while others arrange for payments of scaled down debts. Regular payments are made to a court-appointed trustee for a period of time. When the borrowers have made all payments in a satisfactory manner, they may be considered as having re-established satisfactory credit. When the applicants apply for a home loan prior to the payoff period, the Trustee or the Bankruptcy Judge must approve the new credit.

VERIFICATION METHOD
Applicant should document the circumstances to file.

d. Are you a party to a lawsuit?

This is a red flag. If the applicant is being sued and the lawsuit is settled prior to the closing of the loan, any judgment or lien that is placed against the applicant passes through the applicant and attaches itself to the property as soon as mortgages or liens are filed. This means that any judgment filed, resulting from a lawsuit, prior to the closing of this loan, will put the other party in a first lien position before the mortgage to Rural Development.

VERIFICATION METHOD
Applicant should document the circumstances to file.

e. Have you directly or indirectly been obligated on any loan in the last 7 years, which has resulted in foreclosure, transfer of title in lieu of foreclosure or judgment?

A foreclosure that has been completed within the last 36 months is considered unacceptable credit.

Were the circumstances beyond the applicant's control?

VERIFICATION METHOD
Applicant should notate the circumstances to file.

SECTION VIII - Declarations (continued)

- f. Are you presently delinquent or in default on any federal debt, or any other loan mortgage, financial obligation, bond or loan guarantee? |
- g. Are you obligated to pay alimony, child support or separate maintenance? |
- h. Is any part of the down payment borrowed? |
- i. Are you a co-maker or endorser on a note? |

f. Are you presently delinquent or in default on any federal debt, or any other loan mortgage, financial obligation, bond or loan guarantee?

- An outstanding IRS tax lien or any other outstanding tax lien with no satisfactory arrangement for payment is unacceptable credit.
- 2 or more payments that are more than 30 days late within the last 12 months is unacceptable credit.

Were the circumstances beyond the applicant's control?

VERIFICATION METHOD

Applicant should notate the circumstances to file.

- 2 or more rent payments paid 30 or more days late within the last 2 years is unacceptable credit. If there have been no other credit problems in the last 2 years, only 1 year of rent history will be considered. Can be waived if the program loan will reduce the shelter costs significantly and contribute to improved repayment ability. Outstanding collection accounts with a record of irregular payments with no satisfactory arrangements for repayment, or collection

accounts that were paid in full within the last 6 months, unless the applicant has been making regular payments, are considered unacceptable credit.

The loan originator should specifically request a waiver when the file is submitted to the Loan Approval Official.

- Delinquency on a federal debt is considered unacceptable credit.
- Non-Agency debts written off within the last 36 months, unless the debt was paid in full at least 12 months ago is considered unacceptable credit.
- Agency debts that were debt settled within the past 36 months, or are being considered for debt settlement are considered unacceptable credit.

g. Are you obligated to pay alimony, child support or separate maintenance?

If the applicant reports any alimony, child support or separate maintenance obligation, verify that it is included as a liability in Section VI of the application.

VERIFICATION METHOD

Obtain a complete copy of the Divorce Decree or Child Support Agreement and the Court Agreement if paid through the court.

h. Is any part of the down payment borrowed?

If funds are needed, provide information on the relationship to the borrower, the amount of the gift, that no repayment of the gift is expected and the signature and phone number of the donor.

VERIFICATION METHOD

Form RD 3550-2, Request for Verification of Gift/Gift Letter must be sent to the donor to verify whether the gift must be repaid and whether the funds have already been transferred.

i. Are you a co-maker or endorser on a note?

VERIFICATION METHOD

A statement obtained from the other party as to the intent to continue paying the debt and copies of cancelled checks for the last 12 months showing that the other party has accepted responsibility and has the ability to pay.

COLOR LEGEND

- Blue Print — RD Requirement
- Purple Print — Suggested Practice & Documentation
- Green Print — Suggested Questions

SECTION VIII - Declarations (continued)

j. Are You a US Citizen?	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
k. Are you a permanent resident alien?	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
l. Do you intend to occupy the property as your primary residence?	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
m. Have you had ownership interest in a property in the last three years?	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>

The debt from which the applicant has not been released need not be counted in establishing total debt if the applicant can demonstrate that another party has assumed responsibility for the debt.

j. Are You a US Citizen?

Never ask about alien status if the applicant indicates that he/she is a US citizen.

k. Are you a permanent resident alien?

If the applicant is not a US citizen, they must provide acceptable evidence of immigration status. Aliens must provide acceptable evidence that they are qualified aliens. Review the document, make legible photocopies of front and back.

VERIFICATION METHOD
See Exhibit 4-5 in the Handbook for a list of acceptable evidence.

l. Do you intend to occupy the property as your primary residence?

To be eligible for a Section 502 loan, applicants must agree to personally occupy the dwelling on permanent basis. On the basis of this requirement, 2 types of applicants require special review.

1) Active duty military applicants will require proof that a discharge will be received within a reasonable period of time, usually within one year, and the family will continue to occupy the home in case the applicant is transferred to another duty station before discharge.

2) Student applicants must intend to make the home a permanent residence after graduation and there are reasonable prospects of securing employment in the area after graduation.

VERIFICATION METHOD
 Copy of sales agreement or closing statement.

m. Have you had ownership interest in a property in the last three years?

If the applicant has had ownership in a property, determine how the interest was disposed of, to ensure that it was not disposed of at below market value.

An applicant who owns a dwelling generally is not eligible for a Section 502 loan, except for refinancing. However if the applicant's dwelling is structurally unsound, functionally inadequate, or too small to accommodate the needs of the household, funds may be provided to improve the existing dwelling or to purchase a new one. This information should also be indicated on the RHS Addendum #10 Characteristics of Present Housing.