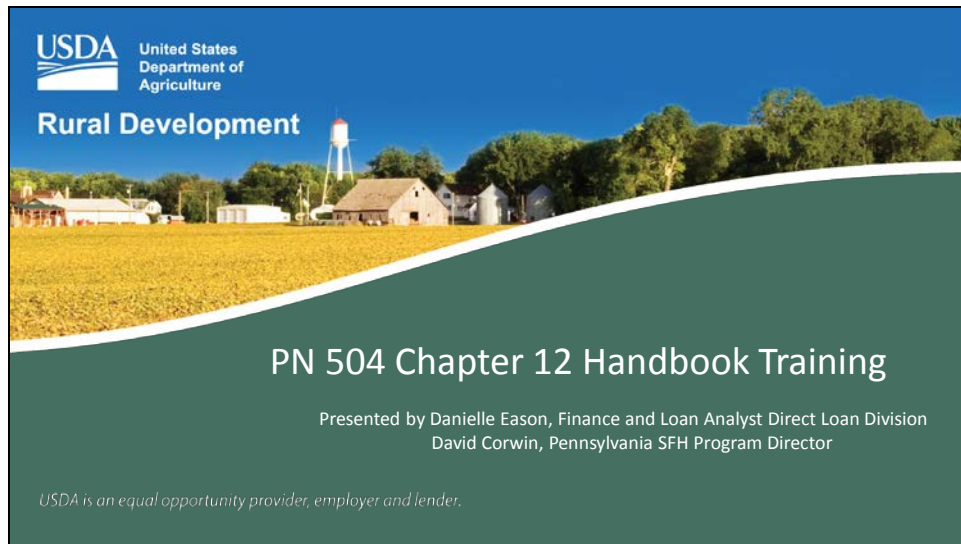


Slide 1



Welcome and thank you for attending PN 504 Chapter 12 Handbook Training. My name is Danielle Eason, and I am a Finance and Loan Analyst at Headquarters SFHDL and I would like to introduce Dave Corwin, PA SFH Program Director who will be co-presenting this training.

Before we begin lets discuss some housekeeping items:

- You can make your screen larger by selecting the full screen button at the top right corner of the presentation screen.
- If you are experiencing feed back please turn off the audio, which is located in the adobe toolbar.
- All lines will be muted. We will be answering questions and at the end of the presentation. You may also use the chat box feature to ask questions.

Reference Material

It is recommended to use the following:

- HB-1-3550, Chapter 12 (Regulation Website <https://www.rd.usda.gov/publications/regulations-guidelines/handbooks>).
- Paper for taking notes.

Chapter 12 is 15 pages plus attachments. However, every page has been revised, so it is highly recommended to take a few minutes to read it.

Objective

- ❖ Create consistency
- ❖ Provide guidance



The objective of the chapter 12 revisions are to create consistency and provide guidance.

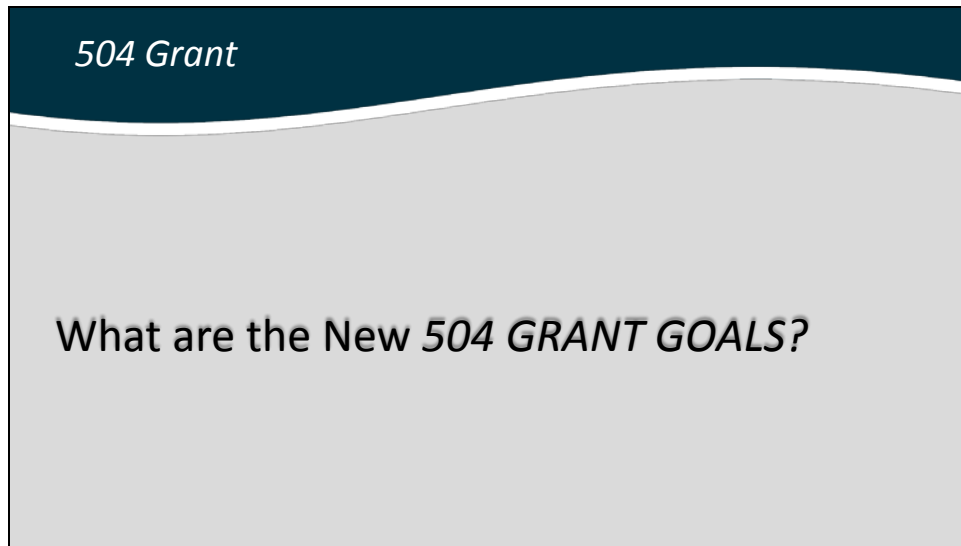
Lets talk about $1 + 1 = 2$, although we receive applications with a variety of circumstances and scenarios, our decisions must be consistent with every applicant. Therefore; our objective is **to create consistency and to assist homeowners in rural areas living in extreme poverty.**

- The 504 Grant program has made improvements to create income based eligibility, otherwise known as “Grant Limits”.
- The 504 Loan program has made improvements to determine eligibility based on affordability using a Total Debt(TD) repayment ratio of 46%. Eliminating the use of RD Form 1944-3, Budget and/or Financial Statement.

The purpose of this training is to provide guidance on the extensive revisions made to chapter 12 and published in PN#504 dated 10/5/2017.

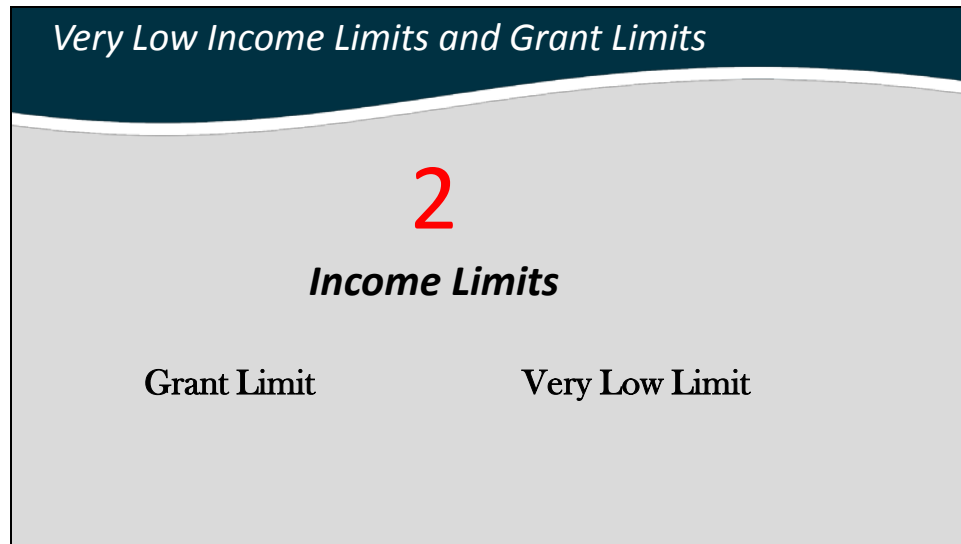
By the end of this presentation, you should be able to:

- Understand how to calculate loans and grants.
- Understand the revisions made to chapter 12.



What are the new 504 Grant Goals? Three goals were established to include the following:

- Creating consistent eligibility decisions.
- Creating income based eligibility that will target the lowest income applicants.
- Stretching the limited grant funds with affordable Section 504 repair loan funds.



There are two income limits for the 504 program: Grant Limit and Very Low Limit,

Grant Limits are:

- **30% of Area Median Income (AMI)**- An applicant(s) whose adjusted household income does not exceed 30% of Area Median Income (AMI) will be eligible for 100% grant funding toward eligible project costs. Establishing “Grant Limits” allows RD to assist the lowest income individuals for automatic grant eligibility. It provides consistency with the determination of eligibility.
 - Grant Limits are an income threshold used to determine if an applicant is automatically qualified for **100% grant assistance**.
 - Grant Limits are established using the **un-banded income limits** and will be published with the fiscal year 2018 income limits chart. Currently the un-banded adjusted median income limits are located on the MFH income limit chart: <https://www.rd.usda.gov/files/RD-MFHLimitMap.pdf>
 - The intention of this method is to determine the applicants who are living in poverty and streamline the eligibility process.
 - If the applicant does not meet the Grant Limits that is not an automatic disqualifier for grant assistance, the loan/grant originator and approval official will need to determine the applicant’s repayment ability.
-
- **Very Low Limit**
 - **50% of the Area Median Income Limit (AMI)**.
 - This income threshold is used to determine if the applicant(s) qualify for any 504 assistance.

- Very Low limits are **Banded** income limits which maximizes the potential for more families to become eligible for our 504 Loan/Combo program.
- All 504 applicants must have adjusted household income at or below the very low income limit to qualify for 504 assistance.

Note: The Very Low Income Limits are Banded for States in the Income Banding Pilot. However; States that are Unbanded, please continue to use your Unbanded Very Low Income Limits.

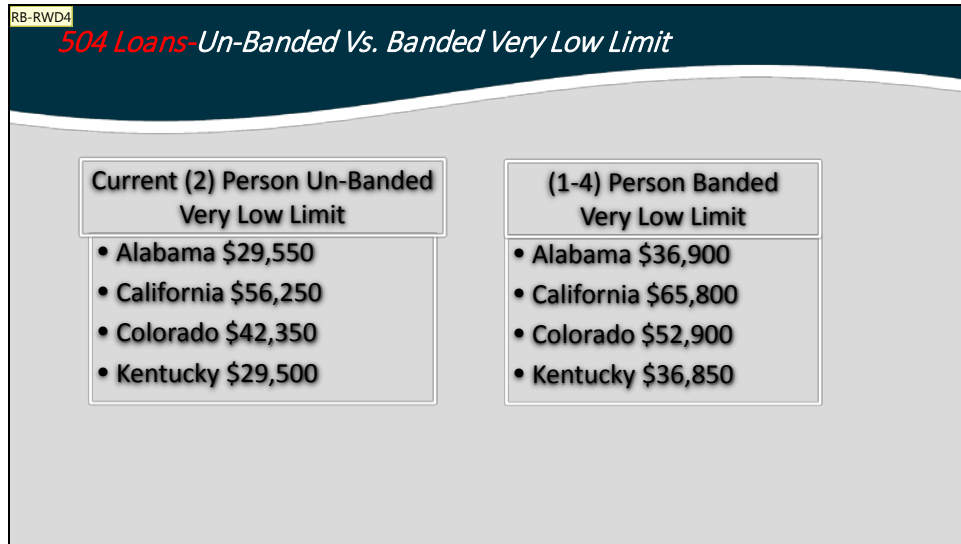
Previous (2) Person Very Low Limit Un-banded	NEW (2) Person Grant Limits Un-banded
• Alabama \$29,550	• Alabama \$17,730
• California \$56,250	• California \$31,590
• Colorado \$42,350	• Colorado \$25,410
• Kentucky \$29,500	• Kentucky \$17,700

The chart above illustrates a comparison between the New Grant Limits vs the Very Low Income Limit Un-banded.

- The Un-banded Grant limits will affect our 504 grant applicants affording a greater opportunity to focus on those that are in extreme poverty an offer 100% grant assistance.
- The decrease in the 504 Grant Limit is approximately 40%.
- If an elderly applicant has repayment ability they have an opportunity to receive a 504 Loan as well.

Let take a look at the chart.

Under the previous method in Alabama a two person household who's income is at or below \$29,550 could qualify for grant assistance vs the new grant limits a two person household who's income is at or below \$17,730 is now eligible for automatic grant assistance.



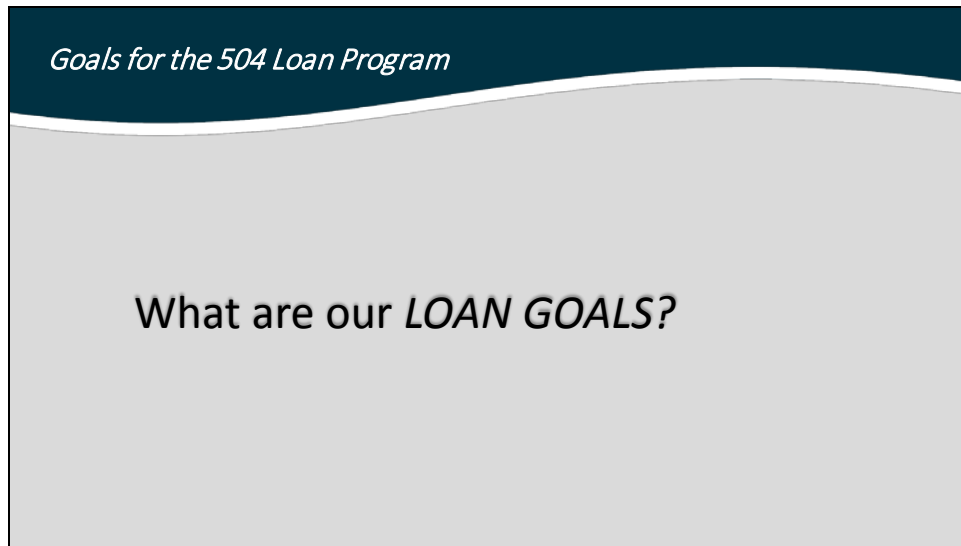
The chart above illustrates a comparison between Un-banded vs Banded Very Low Income Limit

- The Banded Very Low limit will affect our 504 loan applicants affording a greater opportunity to assist more families.
- The increase in the 504 limit is approximately 25%.

Let take a look at the chart.

Under the Un-banded method in Alabama a two person household who's income is under \$29,550 could qualify for 504 loan or combo assistance vs the banded limits a two person household who's income is at \$36,900 could now be afforded an opportunity to qualify for a 504 loan or grant assistance.

Headquarters is working toward banded very low limits for every state. A proposed rule is intended to be published next year and we are hopeful implementation would occur in FY19.



Our Goals for 504 Loans are to:

- Create a new definition of Budget.
- Create consistency in eligibility determinations.
- Create a method that eliminates subjectivity, correlates income and Total Debt (TD) to loan or grant amount awarded.

Redefining the Budget

What is the *new* definition of Budget?

Answer:

For applicants 62 years of age or older, the budget is determined by income based eligibility or a three tier TD repayment system

Eligibility for Grant Assistance

Grant Eligibility

- **Income based.**
- **Lack of repayment ability.**
- **Exhausted all 504 loan potential.**

To become **grant eligible** you must meet the age restriction of 62 years or older and one the following criteria:

1. *Income Based Grant Assistance- Area Median Income (AMI) of 30% or less*
2. *Lack of Repayment ability-TD ratio above 46%*
3. *Exhausted all the loan repayment ability*

Grant Eligibility is based on **Income, Lack of repayment** ability and if the applicant has **exhausted all 504 loan potential.**

To become **grant eligible** you must meet the age restriction of **62 years or older** and meet **one** of the criteria below:

- *Income Based Grant Assistance* is determined if the *Adjusted Household Income <30% of the Area Median Income Limit (AMI)* . All household income must be calculated to determine the adjusted household income. If the applicant's adjusted household income falls at or below the Grant limit (<30% AMI) they may qualify for 100% grant assistance. **Income based grant assistance applicants may also qualify for a loan if their Total Debt Ratio is <46%.**
- *If the TD ratio greater than 46%. Total Debt* is based on all applicants and/or parties to the note.
- If the applicant has *exhausted all 504 loan potential.*

Below are three examples of grant eligibility:

1. Income Based Grant Assistance :

An applicant is eligible for income based grant assistance (income <30% AMI) has a project cost of \$10,000 with a TD ratio 30%. A loan can be provided to cover the remaining project cost up to a 46% TD ratio. The applicant is eligible for a \$7,500 Grant and \$2,500 loan.

- **Lack of Repayment Ability :**

An applicants income is >30% AMI, has a TD of 47% and is requesting \$6,000 in repair assistance. The applicant is not income based eligible for grant assistance and does not have the repayment ability for a 504 loan due to the higher TD ratio. The applicant is eligible for a \$6,000 grant.

3. Exhausted all 504 Loan Potential:

An applicants income is >30% AMI, has a TD <30% (Loan Only) and a project cost of \$10,000. The applicant has received previous assistance of \$14,000. The applicant is eligible for a \$6,000 loan and a \$4,000 grant because the total outstanding 504 loan cannot exceed a maximum assistance of \$20,000.

Below are two Income Based Grant Assistance examples pertaining to the Minimum Loan Requirement.

- An applicant is requesting \$8,000 for repair assistance and has TD below 46%, the applicant will receive a \$7,000 Grant and \$1,000 loan. The applicants grant assistance was reduced to meet the minimum loan requirement.
- If that same applicant had TD >46%, the applicant would have two options. 1. To receive a \$7,500 grant and pay out of pocket for the remaining project cost or 2. The loan originator would need to submit a request for a minimum loan waiver to SFHDL Branch Chief.

504 Loan and Combo Assistance

3 Tier (TD) Repayment System

504 Loan/Combo
Income Greater than 30% AMI
up to 50% AMI (Very Low Limit)

- based off repayment ability using a TD ratio of up to 46%

1. TD > 46% Grant Only
2. TD 30% - 46% Combo
3. TD < 30% Loan Only

504 Loan/Combo eligibility is income greater than 30% AMI and up to 50% AMI (Very Low Limit).

504 Loan/Combo is based off repayment ability using a TD ratio of up to 46%.

A Three Tier Total Debt Repayment System is as follows:

- TD above **46%** will receive **100%** grant assistance.
- TD between **30%-46%** will receive a **50/50** combination split
- TD below **30%** will receive a **loan only**

Combination Loans will **generally be calculated with a 50/50 split, except** in the following circumstances:

- If the loan amount is **below \$2,000 or above \$15,000**. For example: If the applicant is requesting an initial loan of \$1,500, the first \$1,000 will be a loan and \$500 a grant.
- If the applicant is close to the 46% threshold, the applicant will receive a loan up to 46% and then default to grant.

Special Note:

- Ratio waivers can also be utilized to meet project costs with supporting documentation of compensating factors, refer to HB-1-3550, Chapter 12, Paragraph 12.7 (A).

DETERMINE TYPE OF ELIGIBILITY in 4 Steps

- 1** Is the applicant 62?
Are they eligible for grant assistance?
- 2** What is the 30% Adjusted Median Income (AMI)?
Will this be 100% Grant assistance or Combo/loan?
- 3** Determine the applicants total debt ratio (TD).
Will it be a combo or Loan?
- 4** Determine loan/combination amount up to 46% total debt.
How much will they receive?

Determine eligibility in four steps.

First step is to determine the applicants age:

- Is the applicant 62?
 - Yes, proceed to step two.
 - No, determine the total debt repayment up to 46% for a 504 Loan only.

Second is to determine if the applicant qualifies for income based grant assistance according the adjusted household income and AMI. Will this be a grant, combination or loan only?

2. Is the adjusted household income exceeding or below 30% Adjusted Median Income (AMI.)
 - If less than 30%, the applicant automatically qualifies for a grant. Proceed with 100% grant assistance up to the allowable \$7,500 maximum lifetime assistance.
 - If the adjusted household income exceeds 30% AMI, move to step 3.

Third, if the applicant is not eligible for income based grant assistance then we must determine their repayment ability. Will it be a combo or loan? The three tier total debt ratio chart will determine what type of assistance the applicant qualifies for.

3. Determine the applicants total debt ratio (TD):
 - TD Exceeds 46%=Grant Only
 - TD 30%-46%=Combination loan/ grant with a 50/50 split
 - TD Below 30%=Loan only

Fourth, how much will the applicant(s) receive?

4. A calculation of up to 46% TD will be used to determine amount of assistance the applicant qualifies for.

- NOTE: the \$1,000 minimum for initial loans.
- Debt to be considered for calculation are: mortgage, taxes, insurance, homeowners association dues, plus reoccurring monthly obligations using the minimum monthly payments from traditional or non-traditional credit.

Eligibility Example 1

Scenario
Mary is 62 years old and has an adjusted household income of 38% of the AMI. She earns \$12,000 annually and has monthly obligations totaling \$320. She is requesting \$20,000 in repair assistance.

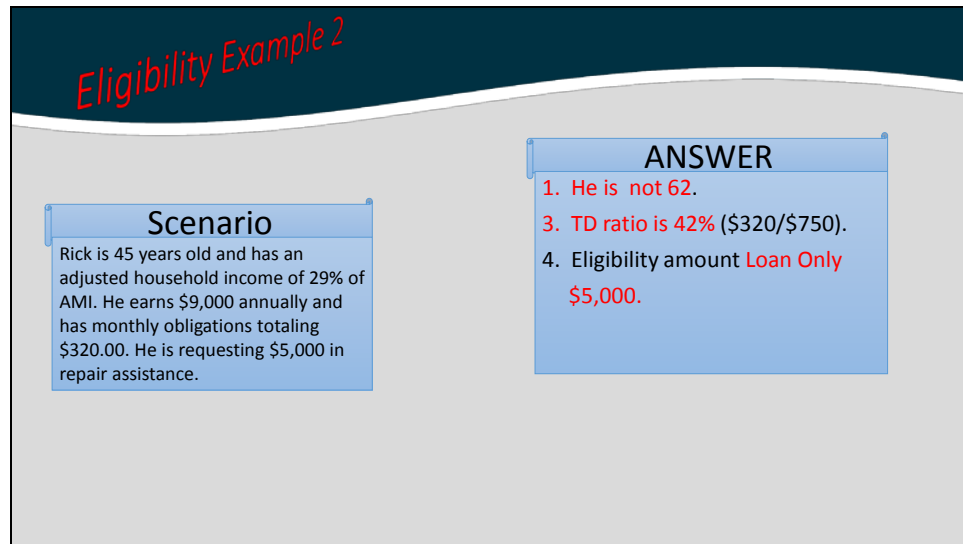
ANSWER

1. She is 62.
2. AMI exceeds 30%.
3. TD ratio is 32% (\$320/\$1,000).
4. Eligibility amount combination \$7,500 grant/\$12,500 loan.

Scenario:

Mary is 62 years old and has an adjusted household income of 38% of the AMI. She earns \$12,000 annually and she has a TD ratio of 32%. She is requesting \$20,000 in repair assistance.

- She is 62.
- Her income exceeds 30% AMI; therefore, is not eligible for income based grant assistance.
- Her Total Debt is \$320.00. Her TD ratio is 32% (\$320/\$1,000).
- Her Total Debt is between 30%-46% which qualifies for a combination \$7,500 grant/\$12,500 loan. The proposed RD loan payment would add \$57.50 bringing her total monthly debt to \$377.50 and increasing her TD ratio to 37%.



The slide features a dark blue header with the text "Eligibility Example 2" in red. Below the header, there are two light blue boxes. The left box is titled "Scenario" and contains text about Rick's age, income, and obligations. The right box is titled "ANSWER" and lists three points: 1. He is not 62. 3. TD ratio is 42% (\$320/\$750). 4. Eligibility amount Loan Only \$5,000.

Eligibility Example 2

Scenario
Rick is 45 years old and has an adjusted household income of 29% of AMI. He earns \$9,000 annually and has monthly obligations totaling \$320.00. He is requesting \$5,000 in repair assistance.

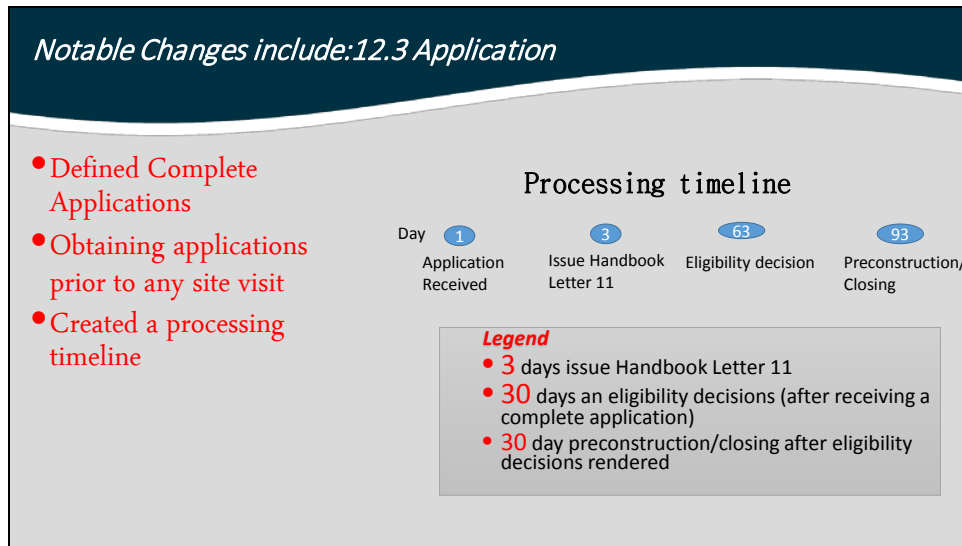
ANSWER

1. He is not 62.
3. TD ratio is 42% (\$320/\$750).
4. Eligibility amount **Loan Only** \$5,000.

Scenario: Rick is 45 years old and has an adjusted annual income of 29% of AMI. He earns \$9,000 annually and has monthly obligations totaling \$320.00. He is requesting \$5,000 in repair assistance.

- He is not 62 years of age, therefore; he will qualify for 504 loan only assistance only and the awarded amount will be calculated up to 46% TD.
- 3. His total debt is \$320.00 with a total debt ratio of 42%.
- The proposed 504 loan amount is approximately \$23.00 bringing his total monthly debt to \$343.00 and increasing his TD ratio to 45%.

As you can see we skipped step 2, the evaluation of AMI. This was unnecessary because Rick did not meet the age requirement.



Now that we have covered the new 504 calculations and income limits, we can move on to other revisions in Chapter 12.

Starting with 12.3 defining a complete application.

Complete Application is defined as receiving the following:

- Form RD 410-4 “Uniform Residential Loan Application.
 - Form RD 3550-1 Request for information authorization to release.
 - Form RD 3550-4 Employment and Asset Certification.
 - All applicable, items listed on the Attachment 12-E checklist.
- In addition to the above, Attachment 12-E was revised to include property information and formatting changes.
 - The applicant will provide an adequate number of bid(s) from a qualified contractor(s). The local office must review the bid(s) obtained to ensure costs are reasonable for the area serviced and the number of bid(s) are sufficient. If more than one bid is required it is recommended a state supplement be issued to determine the adequate amount of bids. This is intended to create consistency and prevent discrimination and appeal complaints.

The favorable method is to obtain an application prior to a site visit. Determining eligibility prior to conducting on-sites visits will alleviate time constraints. For example, saving time on conducting a site visit for an applicant who is later determined ineligible.

Processing timelines established:

- Application are to be reviewed within 3 days and issued Handbook 11 letter for missing information. An allowable timeframe of up to 30 days is given to the applicant if the applicant is trying to obtain bid(s).
- Loan specialist will determine eligibility within 30 days of receiving a complete application.
- If funding is available, a preconstruction conference utilizing Attachment F and/or closing should be scheduled within 30 days from eligibility determination.
- If funding is not available send Handbook Letter 3 , Waiting Period, to the applicant.

Timelines were added to assist the applicants with obtaining timely decisions and repair assistance.

12.3 A. Priority Processing

4 • *Priority Processing Preferences*

- 1. Health & Safety for Utilities and Disasters.*
- 2. Other Health and Safety Hazards*
- 3. Subsequent Applications*
- 4. All Other*

12.3 Establishing Priority Processing:

- Setting a priority preference will give applicant(s) with critical needs first preference.

Special Note: Veteran's preference described in Paragraph 3.13 C. should be used in cases where multiple applications with the same priority preference are received on the same day.

There are 4 priority processing preferences:

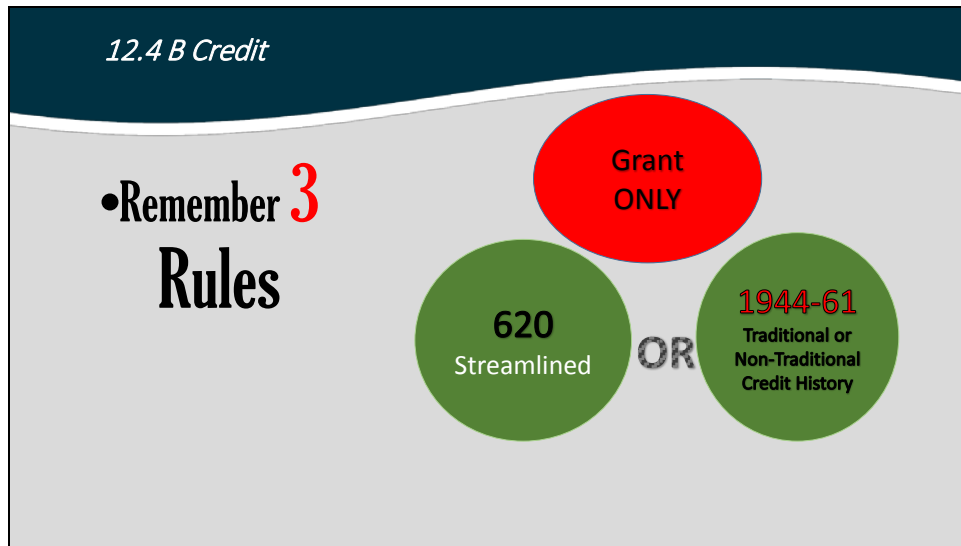
- **First Priority-** : Health and safety hazards such as unsafe water, failed septic system, lack of heat, and those affected by natural disasters who are ineligible for other federal assistance.
- **Second Priority:** Removal of other health and safety hazards.
- **Third Priority:** Subsequent applications to an existing borrower.
- **Fourth Priority:** All other requests that do not meet the above criteria.

12.3 Initial inspections

	<i>Initial inspection</i>
	<ul style="list-style-type: none">• <i>Eliminated</i> 30 day site visit requirement.• Inspection <i>utilizing online</i> resources or on-site visit.

12.3 Initial Inspections:

- The requirement to conduct a site visit within 30 days was **Eliminated**.
- Initial Inspection can be performed ***utilizing online*** resources and real estate tax assessments or an on-site visit. Online resources can be used to view condition of property, value and determine if it is suitable for the program. This allows loan officials to use their judgement to decide whether the condition of property can be determined using online resources or a site visit is required.
- For example: A loan official who is familiar with their servicing area will be familiar with condition and value of housing in a particular area. An evaluation of the online picture of the property and projected value may be sufficient to assess program suitability. However; if the property is located in an area that is unfamiliar or property conditions cannot be determined a site visit is required.



12.4 B Credit Requirements. Remember the three rules:

- Applicants who receive grant assistance only do not to be evaluated for credit purposes. However infile credit reports can be ordered for applicants with adjusted median income greater than 30% of AMI and Tri-Merge Credit Report (TMCR) should continue to be ordered for those receiving a loan equal to \$7,500 or greater. If an applicant who is qualified for income based grant assistance <30% AMI is requesting a combination loan/grant, an infile credit report can be ordered.
- An applicant with no outstanding Federal judgments and a credit score of 620 are automatically classified as having acceptable credit. 620 is NOT the minimum score.
- An applicant with a credit score less than 620 must demonstrate a history of reliable traditional or non-traditional credit using Form RD 1944-61, Credit History Worksheet to conduct the credit analysis. Loan Approval Official will document a credit history that indicates a reasonable ability to meet obligations.

What are the differences between the 502 program:

- 620 is a streamlined credit score vs 640.
- For loans less than \$7,500 an infile credit report's score is deemed reliable as opposed to reviewing two or three scores.
- There is no trade line requirement "within 24 months period." This was intended to help those with limited use of traditional credit and are fiscally responsible.

Questions:

If the applicant is not income based eligible for a grant only assistance and has indicators of unacceptable credit, are they eligible for a Combo/Loan?

Answer:

The answer is contingent upon what is reflected on their credit report. If their credit report shows sources of unacceptable credit but the applicant has paid their mortgage and utilities on time, they may be eligible for a credit waiver. However; if the applicant has not demonstrated history of acceptable credit they should be issued a denial and given appeal rights. PLEASE NOTE: if issuing a denial you must base the denial off a TMCR report and not an infile credit report.

Other Notable Changes:

- **12.4 (D)** Non-taxable income cannot be “Grossed Up.”
- **12.5 (A)** Used to improve the residential portion of the property.
- **12.5 (B)** The Loan Approval Official will determine whether an appraisal is necessary, rather than an automatic requirement for loans exceeding \$15,000.

➤ **12.6** Standard loan term 20 Years.

- **12.7 (A)** \$1,000 Minimum for initial loans. Repayment based on 46%TD ratio.
- **12.7 (B)** Grant requests should be rounded to the nearest dollar.

Other Notable Changes:

12.4 (D) Non-taxable income cannot be “Grossed Up.”

12.5 (B) The Loan Approval Official will determine whether an appraisal is needed to assure adequate security exists for the proposed loan. The value and the method used to develop the estimate should be documented in the running record. Utilization of tax assessments, and real estate websites such as Zillow.com, Trulia.com and Realtor.com may be considered as a tool to estimate the value of security.

12.6 The term of a 504 loan will be a standard 20 years.

12.7(A)

- A minimum loan requirement of \$1,000 for all initial loans. This was established the cost of billing and postage, for example it was costing CSC more to mail the statement than the required monthly payment.
- Repayment Ability: The applicant receiving a loan must demonstrate repayment ability based on an analysis of the applicant’s TD ratio not to exceed 46%. TD includes a sum of all current liabilities to include short-term, long-term and personal loans with identified terms and agreements. Debt to be considered for calculation are: Mortgage, taxes, insurance, homeowners association dues, plus reoccurring monthly obligations using minimum monthly payments from traditional or non-traditional credit.
- 12.7 (B) Grant amounts awarded are to be rounded to the nearest dollar.

504 Packaging

Become A *Packager*
and *earn \$\$\$*

- *Who is an eligible packager?*
- *How much is the allowable fee for packaging?*
- *Certification Required?*

- Who is an eligible packager? Any public body, tribe or private nonprofit organizations that are **tax exempt** under the Internal Revenue Code.
- How much is the allowable packaging fee? The packaging fee is **\$500** for 504 loans only.
- Do you need to be a certified packager? The Section 504 Program is not part of the certified packaging process. Therefore; you **do not** have to be a **certified packager** or have intermediaries involved.
- With the ***New 504 Automated Worksheet*** and eligibility calculations its easy to determine the eligibility amount and if it could be a packaged application.

Start to Package 504 Loans

5 *Simple steps to start packaging:*

1. Become familiar with RD **regulations**.
2. Become familiar with your **RD Service Center**.
3. **Apply for access** to submit applications online.
4. Start with a **prequalification**.
5. Gather information needed to **package the application**.

1. Become familiar with our regulations:

- Read HB-1-3550 attachment 3-A, specifically page 2-9 <https://www.rd.usda.gov/files/3550-1chapter03.pdf>
- Read HB-1-3550, chapter 12 <https://www.rd.usda.gov/files/3550-1chapter12.pdf>

2. Become familiar with your RD Service Center.

3. Apply online to **receive your Eauthentication Level 2 access to submit applications online to eforms:** <https://forms.sc.egov.usda.gov/eForms/welcomeAction.do?Home>

- **Start with a prequalification** to determine credit and total debt ratio.
- Gather information needed to **package the application**. If the potential applicant appears to be eligible for the program, provide them with the required disclosure letter (refer to Attachment 3-J) , begin collecting all applicable items needed for a complete application (Attachment 12-E).

504 Automated Worksheet

New
Eligibility/Underwriting Tool

504 Automated Worksheet

Applicant Name: _____
 Co-Applicant Name: _____
 Account Number: _____
 Household Size: <Select> Worksheet used for: _____

CLICK HERE to Complete 4A:

Annual Income \$0 _____ Repayment \$0 _____
 Deductions \$0 _____ Adjusted HH Income \$0 _____

Income Limits: Enter State Abbr (e.g. MI): Grant Only Limit: Select Household Size: _____
 Very Low Limit: _____
 AMI % is: _____

Discussion of income stability and calculation method used: _____

ASSETS:

Name	Cash Value	Dividends & Interest	Used toward Downpayment
Savings			\$0
Checking			\$0
			\$0
			\$0
			\$0
			\$0
Total:	\$0	\$0	\$0

504 Automated Worksheet is a tool that should be used to calculate all eligibility for 504 Loan, Grants and Combos.

This tool can be shared with Partners or Packaging affiliates.

- It can be easier for partners to package 504 loans by providing the capability to review if it's a loan, combo or grant only prior to packaging. Please advise your partners of program change.

Completing the 504 Automated Worksheet

504 Automated Worksheet			
Applicant Name:	1. Start		← Applicant Name Required
Co-Applicant Name:			
Account Number:	<Select>	Worksheet used for:	← Account Number Required
Household Size:			← Household Size Required
2 CLICK HERE to Complete 4A:			
Annual Income:	\$0	Repayment:	\$0
Deductions:	\$0	Adjusted NH Income:	\$0
Income Limits:	Enter State Abbr (e.g. MI):	Grant Only Limit:	Select Household Size
		Very Low Limit:	
Discussion of income stability and calculation method used:		AMI % is:	

← State Abbr Required

Only the white areas need to be completed for each tab. The shaded areas are programmed or prefilled with information.

- **Start the 504 worksheet with the general information section.**
- Name(s)
- Account number
- Household size
- Is the worksheet for eligibility or final underwriting (closing).

2. Fill out the income section using the 4A hyperlink to tab 2.

- The income from 4A will automatically prefill in section 2.

3. Enter State and County information

4. The loan approval official are required to discuss the stability of income and calculation method used.

Special Note:

- The yellow arrow is highlighting a special feature on the right of the worksheet, which outlines the fields that are required to be completed.
- The black arrow is highlighting the AMI%. This will provide information showing if the applicant is eligible for income based grant assistance.

Completing the 504 Automated Worksheet Section 5-8

5 Assets:			
Name	Cash Value	Dividends & Interest	Used toward Downpayment
Savings			\$0
Checking			\$0
			\$0
			\$0
			\$0
			\$0
Total:	\$0	\$0	\$0

6 Credit:		
Is the Credit score 620 or higher?	Applicant	Co-Applicant
	NO	<Select>
Credit History Worksheet Required		
Does the applicant(s) have two lines of credit paid on time for twelve months?	<Select>	<Select>
Discussion of credit history below: See 1944-61		

7 Debt:	
Total Monthly Debt:	\$0
Total Monthly Taxes and Insurance:	\$0
Total Debt Ratio:	N/A

8 Property:		
Repair Requested:	Amount	Partner to Finance
Total Project Cost	\$0	
Required Downpayment	\$0	
Total Project Cost minus down Payment	\$0	
Value of Security:		<Select>
Area Loan Limit for County		Click here to lookup Area Loan Limit
Discussion of Other liens and security:		

5. Complete the Assets section:

- Cash value and dividends will be totaled at the bottom.
- If the cash value exceeds the maximum \$20,000/\$15,000 requirement will be used toward the repair.
- Dividends are not carried over the 4A, this will need to be input manually.

6. Complete the Credit section:

- If the applicant(s) score is not 620, a hyperlink will appear to fill out RD Form 1944-61, Credit History Worksheet.
- This form needs to be completed if one of the following apply:
 - For all applicants with credit scores below 620
 - For all adverse decisions based off credit (order the TMCR and complete the CHW).
- Please fill out the credit history discussion to describe if the applicants history indicates a reasonable ability and willingness to meet debt obligations.

Complete the Debt section:

- The loan/grant/combo eligibility decision is based off TD ratio, this information must be filled out accurately and is the responsibility of the Loan Approval Official.
- TD includes a sum of all current liabilities such as PITI, short-term, long-term and personal loans with identified terms and agreements.

Complete the property section:

- Repairs requested provides an opportunity to distinguish repairs and separate what is being financed by the Agency and Partner.
- The loan/grant/combo amount will be based on RD project cost minus down payment.
- Value of Security, Area Loan Limit, and discussion of other liens are also included for the Loan Approval Official to consider prior to approval. It is not included in the automated calculation of eligibility.

Note:

- The yellow arrow highlights the total amount of assets.
- The peach arrow highlights the hyperlink to the credit history worksheet.
- The black arrow highlights where to insert liabilities.
- The purple arrow highlights where to insert the RD project cost.

Completing the 504 Automated Worksheet Section 9

Discussion of property condition and eligibility:

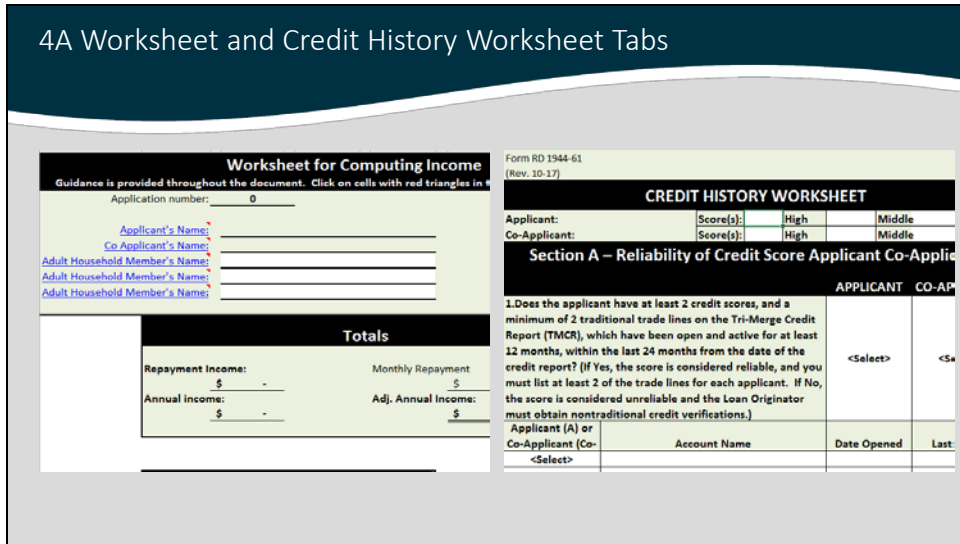
9 Questions	
Is Applicant or Co-Applicant 62 years or older?	YES
Is the property in an eligible area?	YES
What is the numerical amount of prior RD Grants? Enter 0 if none exist.	\$0
What is the numerical amount of any outstanding 504 Loans? Enter 0 if none exist.	\$0
Does the applicant have an existing 502 loan?	NO
Is the applicant the owner/occupant?	YES
Are the applicant(s) US Citizens, US Non-Citizen National, or Qualified Alien?	YES
Will all major hazards be eliminated?	YES
Is the property typical and modest for the area?	YES

Eligibility Determination			
Proposed project Cost minus req. down payment	\$5,835	Monthly Payment	TDR at Proposed Payment
Max. Eligible Grant Amount	\$5,835		
Max. Eligible Loan Amount	\$0	\$0.00	0.00%
Recommendation at Project Cost	ELIGIBLE		
Exception Explanation			

- **Complete the Eligibility Questions:**
- Each question is required in order to receive an eligibility decision.
- Pay special attention to: What is the numerical amount of prior RD loans or grants question. The automated loan/grant amount rewarded is contingent upon previous assistance; therefore; incorrect data can lead to an incorrect determination.

Note:

- The peach arrow is highlighting the eligible grant amount.
- The blue arrow highlights a field that will appear should the applicant be ineligible for the entire project cost. This amount will show how much is needed to cover the repair, monthly payment, and the proposed TD ratio. This will most likely appear if the applicants TD ratio is at greater than 46%.
- The yellow arrow highlights the eligibility recommendation.
- The purple arrow highlights the field required for a ratio waiver decisions.



- The credit history worksheet is for USDA employees only.

Common user errors:

- Pick your household size under general information section in the 504 Automated Worksheet.
- Answer all questions for each applicant in section 9 of the 504 Automated Worksheet. Do not prefill saved questions from the previous applicant.
- Input previous RD loan/grant amounts awarded, so you will obtain a correct eligibility amount determination.

Please report any errors in the 504 Automated Worksheet to an RD Loan Official.

This concludes the 504 Handbook training, thank you all for attending and have a great day!



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