

# FHA vs USDA Rural Development Loan Comparison

	FHA	USDA RURAL DEVELOPMENT
Eligible Borrower/Restrictions	No income limits No geographic restrictions Must legally work in U.S. & have SSN 2 years of employment history	Must legally work in U.S. & have SSN 2 years of employment history
Property Type	Owner occupied 1 – 4 family unit PUD's & approved condos Modular homes Manufactured homes	Owner-occupied Single family housing only Modular homes New manufactured homes on foundation No lot size restrictions
Maximum Loan-to-Value	Purchase - 96.5% + 1.75% funding fee Refinancing - up to 85% cash-out + 1.75% funding fee Rate and term refinance - up to 97.75% + 1.75% funding fee	100% + 1.0% guarantee fee
Down Payment or Cash Investment	3.5% Down payment Down payment may be a gift	None required
Loan Types	Purchase Refinance (up to 85% cash out) Rehabilitation/repair New construction	Purchase New construction Refinance (only from current RD loan) Minor repairs
Loan Terms	15-year or 30-year fixed rate No pre-payment penalty	30-year fixed rate No pre-payment penalty
Qualifying Debt-to-Income Ratios	General 31% debt / 43% income Higher ratios may be considered with compensating factors Non-occupant co-borrower may be used	General 29% debt / 41% income Higher ratios may be considered with compensation factors
Credit	Perfect credit not required Bankruptcy 2 years after Ch 7 discharge Non-traditional credit allowed	Perfect credit not required Bankruptcy 2 years after Ch 7 discharge & minimum credit score Non-traditional credit allowed
Mortgage Insurance	1.75% upfront (can be financed into loan) 0.85% per year, paid monthly	1.0% upfront (can be financed into loan) 0.35% per year, paid monthly
Closing Cost Sources	Seller can contribute up to 6% of sales price to help cover closing costs Gift funds allowed to cover closing costs	Seller can contribute up to 6% of sales price to help cover closing costs Gift funds allowed to cover closing costs
Property Conditions/Appraisal	Property must meet HUD requirement	Property must meet HUD requirement