

To: All Customers From: Credit Risk
Date: 07/29/21 Memo#: 21098
Subject: **USDA – Advanced Copy Notice; HB-1-3555, Chapter 11**

The Single Family Housing Guaranteed Loan Program (SFHGLP) announced revisions to technical HB-1-3555, Chapter 11. An advance copy is available for review for a minimum of 30 days on [USDA LINC Training and Resource Library](#), Loan Origination Tab, under the heading "New". The proposed changes will become effective after a [Procedure Notice \(PN\)](#) is issued and the changes are permanently published online. Below are highlighted revisions:

Chapter 11- Ratio Analysis

11.2 B. The Total Debt Ratio:

- Revolving accounts: “with no outstanding balance” are not required to be closed.
- Mortgages: Rental Property - Eliminated language regarding omission of mortgage debt. Guidance for entry of rental income in GUS is provided in the [GUS Lender User Guide](#) under 4.1.4.1.1, Retained Investment Properties.
- Added: Debt management plans:
 - Include the monthly payment amount due from the counseling plan.
 - Refer to Chapter 10 for guidance on credit exception and documentation requirements.
- Student Loans: Removed the phrase “the greater of” from Non-Fixed payment loans and added guidance regarding “when the payment is above zero” and “when the payment is zero”.

11.3 DEBT RATIO WAIVERS AND COMPENSATING FACTORS

A. Purchase Transactions: Debt ratio waivers

- GUS Refer, Refer with Caution, and manually underwritten loans without GUS assistance:
 - Added: “The lender must document compensating factors to support a debt ratio waiver.”
 - Added: “all” of the following conditions are met to the first paragraph.
 - Debt Ratio Waiver Request and Agency Approval:
 - Added: “The issuance of the Conditional Commitment for a Loan Note Guarantee represents Agency approval of the ratio waiver.”

B. Refinance Transactions: Debt ratio waivers

- Added a bullet: GUS files that receive a GUS recommendation of Refer or Refer with Caution are not supported by GUS, require debt ratio waivers, and supporting documentation must be submitted to the Agency.
- Added: “The issuance of the Conditional Commitment for a Loan Note Guarantee represents Agency approval of the ratio waiver”.

11.7 OBLIGATIONS NOT INCLUDED IN DEBT-TO-INCOME RATIOS

- Added: “unless a payment plan is in place” to the second bullet concerning Federal, state, and local taxes.

Please review the revisions announced in the [Advanced Copy Notice HB-1-3555, Chapter 11](#).