

**Announcement # 24-77****Date:** August 07, 2024

## USDA Procedure Notice 621: Chapter 11 Ratio Analysis Updates

Effective August 5, 2024 for new applications and existing pipeline, USDA Rural Development issued Procedure Notice (PN) 621 to announce updates to Chapter 11 "Ratio Analysis" of the Single-Family Housing Guaranteed Loan Program Handbook 1-3555.

### Ratios

- Increased the maximum PITI Ratio (aka housing-to-income) from 29% to 34% of the applicant's repayment income for all applications.
- Included additional clarification on treatment of co-signed student loans within the debt ratio.
- Updated expectations specific to business debts reported on the applicant's personal credit report and validation of the debt within the businesses' cash flow analysis and/or profit and loss statements.

### Debt Ratio Waivers and Compensating Factors

- Added that debt ratio waivers are not permitted to increase the PITI ratio above 34% for purchase transactions.
- Included a payment shock and energy efficiency option in list of compensating factors that may be considered to support approval of total debt ratio waivers for GUS Refer, Refer with Caution, and manually underwritten loans without GUS assistance.
- Clarified that the 680-score provision must be a validated credit score to be eligible for a debt ratio waiver.
- Removed the signature requirement when submitting an underwriting analysis and supporting documentation to the Agency for a debt ratio waiver request.

Pennymac is aligning with this change.

Please refer to the USDA SFHGLP Handbook 1-3555 Chapter 11 and PN 621 for full information on changes and complete requirements.

Please contact your Sales Representative with any questions.