

THE USDA 0% DOWN PROGRAM



- Excellent 30 Year Fixed Interest Rates •
- Low Mortgage Insurance Payments •
- No 1st Time Homebuyer Requirements •



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U.S.D.A.

The United States Department of Agriculture's 0% down program for home buyers in "Rural" areas.

USDA offers a unique mortgage program that, much like the other Low Down Payment programs outlined in this section, is offered to borrowers whose income falls within certain limits. These limits vary by county and the number of people in the household. The difference with this program is that the property also has to be deemed to be in a rural area by USDA.

The program provides a 30 year fixed rate mortgage with excellent interest rates, market best PMI rates and 102% financing. It is only available for one unit properties that will serve as the borrower's primary residence.

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THE HOME YOU ARE BUYING MUST BE IN A DESIGNATED RURAL AREA



The USDA program is unique in that the property also has to be deemed to be in a rural area by USDA. But don't turn away just yet. **Rural is not a strict term for this program.** There are very many properties in Massachusetts that have been deemed eligible by the USDA – especially on Cape Cod and the islands.

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INCOME LIMITS

2 things to know about how the USDA Program will determine income eligibility.

1

The USDA will look at the county where the home you are buying is located and set your income limits based on 115% of the Area Median Income (AMI) and the number of people in the household.. The average AMI limit for a 1-4 person household on Cape Cod is \$153,550 and for a 5-8 person household it is \$202,700.

But if you are in a high cost area such as Boston, Cambridge or Quincy, those limits go up to \$190,200 for a 1-4 person household and for a 5-8 person household it increases to \$251,100.

The USDA will count the income of all persons over 18 years old who are earning income whether they are on the loan application or not.

2

There are certain expenses you can deduct from your income in order to meet the income limits such as child care expenses for children 12 and under, medical expenses for elderly or disabled household members, and a \$480 deduction for dependents 18 or under or who are over 18 but are full time students.

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U.S.D.A. FEES

Borrowers will pay 2 separate fees to USDA.

1

Borrowers will pay PMI although it is called an "annual guarantee fee". This monthly fee is calculated by multiplying the loan amount by 0.35% and then dividing that number by 12.

Note that the "annual guarantee fee" will be calculated based on the borrower(s) amortized principal schedule over the life of the loan. Therefore, as the borrower makes their monthly mortgage payments, the principal balance will go down according to schedule and therefore the annual guarantee fee will go down as well. It is important to remember that unlike PMI associated with conventional financing, the annual fee remains for the life of the loan and will not be cancelled once the borrower(s) reach 22% equity in their home (or upon the borrower's request when reaching 20% equity in their home.)

2

Borrowers will also pay an "upfront guarantee fee" to USDA equal to 1.0% of the loan amount. (The upfront guarantee fee is a one time fee charged to the borrower by USDA that is paid in full at the closing and is usually financed as part of the mortgage loan amount. In order to finance this fee the USDA program actually allows 102% financing. 100% for the purchase price + 1% for the upfront guarantee fee + another 1% for closing costs if the borrowers want it.) Both of these fees were significantly reduced and these reductions will continue through September, 2026.



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USDA PROGRAM HIGHLIGHTS

- Refinances of current USDA loans are allowed.
- Ownership of 1 other residential dwelling is allowed provided it is not local.
- Neither Buyer has to be a 1st time home buyer.
- First time home buying counseling is not required.
- Owner occupied 1-unit dwellings only. 2-4 unit properties are not eligible.
- Manufactured homes are not eligible.
- Family members can gift funds to be used for down payment and/or closing costs.



THE UNITED STATES DEPARTMENT OF AGRICULTURE'S 0% DOWN PROGRAM





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