



**United States Department of Agriculture
Rural Development**

AUG 23 2010

TO: Participating Lenders

FROM: Tammy Treviño
Administrator
Housing and Community Facilities Programs

A handwritten signature in blue ink, appearing to read "Tammy Treviño".

SUBJECT: Single Family Housing Guaranteed Loan Program
Funding Notice

Many of you may be aware of recent legislation in which Congress provided USDA with authority to resume operating the Single Family Housing Guaranteed Loan Program (SFHGLP) at no cost to taxpayers. This was done through a combination of authority to: increase the up-front fee up to 3.5 percent of the principal obligation; charge a new annual fee of up to 0.5 percent of the outstanding principal balance; and waive payment of any fees for low and very-low income borrowers up to a certain amount of loan guarantees.

Rural Development expects to complete an interim enhancement to its electronic systems by mid-September to accommodate the increase in the up-front fee to 3.5 percent. When this interim enhancement is complete, Rural Development will process all Conditional Commitments issued after May 26, 2010, that had the proviso "subject to the availability of funds." These Conditional Commitments will be processed in the date order by which they were received by the agency. Also, after the enhancements are completed, Rural Development will resume issuing standard commitments without the special "subject to" condition.

In the meantime, Rural Development will continue to accept complete loan applications and issue Conditional Commitments subject to the condition in italics below. Lenders may close loans upon receipt of these conditional commitments, but will assume all risk until the Loan Note Guarantee is issued.

This Conditional Commitment is subject to the continuing availability of funds and the completion of Rural Development operation systems enhancements to implement guarantee fee changes made by Public Law 111-212, sec. 102 (7/29/10). When Rural Development operation systems enhancements are completed, the Agency will notify the lender, and the guarantee process will continue subject to all applicable Agency regulations and conditions

1400 Independence Ave, S.W. · Washington DC 20250-0700
Web: <http://www.rurdev.usda.gov>

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."
To file a complaint of discrimination, write USDA, Director, Office of Civil Rights,
1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800) 795-3272 (Voice) or (202) 720-6382 (TDD).

set forth in this Conditional Commitment. Rural Development will not reserve loan funds for applications in process during this timeframe. Lenders may close the loan as scheduled. The lender will assume all risk of loss for the loan until Rural Development obligates funds and the Loan Note Guarantee is subsequently issued. When the lender requests the Loan Note Guarantee, the lender must certify to the Agency, using the process provided in this commitment, that there have been no adverse changes to the borrower's financial condition since the date the Conditional Commitment was issued by the Agency. The lender will submit the appropriate guarantee fee at the time they request the Loan Note Guarantee. The Agency will not be able to issue the Loan Note Guarantee until these conditions are met and funding is obligated.

Rural Development also is working on a more complete system upgrade to accommodate all provisions of the new law. We expect this full enhancement to be completed as early as possible next fiscal year. While the 3.5 percent up-front fee is sufficient at the current subsidy rate, we must be prepared to make adjustments in later years using the new authority for an annual fee to maintain a zero cost program. We appreciate your role as a lender in responsibly servicing loans in the SFHGLP portfolio and helping us maintain a successful program.

All Conditional Commitments issued for purchase loans under the authority described in this memorandum are subject to a guarantee fee of 3.5 percent. A sample of the Conditional Commitment form, and its attachment, are both attached. The italicized language set out above will be added as an "other condition" on the attachment.

The waiver of fees for Low Income and Very Low Income borrowers that was authorized in Public Law 111-212, sec. 102, cannot be accommodated at this time. However, borrowers who meet the criteria may be eligible for USDA's Section 502 Direct Loan Program which currently has sufficient funding to meet the needs for the remainder of the 2010 Fiscal Year. Please consult with the closest Rural Development Office in your area for more information on the Direct lending process.

Based on current usage, sufficient funds should be available for the remainder of the FY to fund all guaranteed refinance loans at a 0.5 percent guarantee fee.

Your support of the SFHGLP is appreciated. For questions regarding this notice, please contact Rural Development's Single Family Housing Guaranteed Loan Division at (202) 720-1452.

Attachments

**CONDITIONAL COMMITMENT FOR
SINGLE FAMILY HOUSING LOAN GUARANTEE**

TO: Lender's Name and Address	Borrower ID: (USDA 9 digit ID, not SSN)	
	State:	County:
	State Code:	County Code:
Borrower	Principal Amount of Loan. \$	
Borrower SSN:		

From an examination of information supplied by the Lender on the above proposed loan, and other relevant information deemed necessary, it appears that the transaction can properly be completed.

Therefore, the United States of America acting through the Rural Housing Service (RHS), or its successor (herein referred to as Agency) hereby agrees that, in accordance with applicable provisions of the Agency regulations published in the Federal Register and related forms, it will execute Form RD1980-17, "Loan Note Guarantee," subject to the conditions and requirements specified in said regulations and below.

The Loan Note Guarantee fee payable by the Lender to Agency is \$ _____.

The interest rate for the loan is _____ %¹.

A Loan Note Guarantee will not be issued until the Lender certifies as required in 7 CFR 1980.360 that there has been no adverse change(s) in the Borrower's financial condition, nor any other adverse change in the Borrower's condition during the period of time from Agency's issuance of this conditional commitment to issuance of the Loan Note Guarantee. The Lender's certification must address all adverse changes and be supported by financial statements of the Borrower and its guarantors not more than 60 days old at the time of certification.

This conditional commitment becomes null and void unless the conditions are accepted by the Lender and Borrower within 60 days from date of issuance by the Agency. Any negotiations concerning these conditions must be completed by that time.

Except as set out below, the purposes for which the loan funds will be used and the amounts to be used for such purposes are set out on Form RD 1980-21, "Request for Single Family Housing Loan Guarantee." Once this instrument is executed and returned to the Agency, no major change of conditions or approved loan purpose as listed on these forms will be considered.

Additional Conditions and Requirements including source and use of funds:²

This conditional commitment will expire on _____³ unless the time is extended in writing by the Agency, or upon the Lender's earlier notification to the Agency that it does not desire to obtain an Agency guarantee.

UNITED STATES OF AMERICA

By: _____

Date: _____ (Title)

¹ Insert fixed interest rate.

² Insert any additional conditions or requirements in this space or on an attachment referred to in this space; otherwise, insert "NONE".

³ The Agency will determine the expiration date of this contract. This date will not exceed 90 days from the date of issuance. The Agency may grant one (1) 90 day extension. Consideration will be given to the date indicated by the Lender in the acceptance of conditions. If construction is involved the expiration date will correspond with the projected completion of the project.

**LENDER CERTIFICATION
FOR SFH GUARANTEED LOAN**

LENDER CERTIFICATION:

Instructions to Lenders: for use by lenders closing loans under 7 CFR 1980, Part D. Submit an original (or true and accurately represented imaged document) to the Rural Development office who issued Form RD 1980-18. Retain a duplicate of the executed certification in the Lender's permanent case file.

In connection with the request for loan note guarantee for _____, Borrower ID _____ the following certifications are made by _____ (Lender). I, the undersigned Lender certify that: _____

- 1) No major changes have occurred since the issuance of the Conditional Commitment for Guarantee that effect the subject loan request, except any that have been approved by the Agency in writing.
 - a) The closed loan matches the proposed loan upon which Form RD 1980-18 was issued or revised.
 - b) If the interest rate was not fixed at the time Form RD 1980-18 is issued, and the interest rate increase between issuance of Form RD 1980-18 and loan closing, the change is noted and documentation of the fixed rate at lock is submitted.
 - i) If either or both of the underwriting ratios are exceeded as a result of an interest rate increase, compensating factors that demonstrate sufficient repayment continues to exist is required.
 - c) No default exists.
- 2) The lender has not imposed any charges or fees against the borrower in excess of those permissible as set forth in 7 CFR 1980, Part D.
- 3) The information submitted to the Agency is true, accurate and complete.
- 4) The information obtained in the loan application was obtained directly from the borrower by an employee of the undersigned lender or the lender's duly authorized agent and is true to the best of the lender's knowledge and belief.
- 5) The credit report submitted on the subject borrower (co-borrowers(s), if any) was obtained by the undersigned lender or the lender's duly authorized agent directly from the credit bureau which prepared the report and was received directly from said credit bureau.
- 6) The verification(s) of employment and verification(s) of deposits, if applicable were requested and received by the lender of the lender's duly authorized agent without passing through the hands of any third persons and are true to the best of the lender's knowledge and belief.
- 7) The loan to the named borrower(s) meets the income and credit requirements of 7 CFR 1980, Part D.
- 8) The loan conforms to the applicable provisions of CFR 1980, Part D and the regulations concerning guaranty of loans.
- 9) All planned property acquisition (construction, repairs, alterations or improvements) has been completed upon which the market value of the property is predicated unless:
 - a) An escrow account has been established in accordance with section 1980.315 of 7 CFR 1980, Part D.
- 10) The required insurance coverage is in effect.
- 11) All Truth-in-Lending requirements have been met.

Lender Certification
Continued - Page 2

- 12) All equal employment opportunity and nondiscrimination requirements have been met at the appropriate time.
- 13) The loan has been properly closed and the required security instruments, including any required recapture instruments, have been obtained.
- 14) The borrower(s) have marketable title to the collateral now owned by the borrower subject to the instrument securing the loan to be guaranteed and any other exceptions approved in writing by the Agency.
- 15) Lien priorities are consistent with the requirements of the Conditional Commitment for Guarantee.
- 16) The loan proceeds have been disbursed for purposes and in amounts consistent with the Conditional Commitment for Guarantee.
- 17) There has been no adverse change in the borrower's financial condition or any other adverse change in the borrower's situation since the Conditional Commitment for Guarantee was issued by the Agency.
- 18) All inspections in accordance with Section 1980.341 of 7 CFR 1980, Part D have been obtained.
- 19) All other requirements listed in the Conditional Commitment for Guarantee have been met.
- 20) If the sale of the note or transfer of servicing occurs subsequent to this certification, the lender agrees to notify Rural Development in accordance with section 1980.309(e) of 7 CFR 1980, Part D.

At this time, the loan will be:

- retained
- sold concurrently as follows: [Lender must be an approved FNMA, FHLMC, FHA, VA or GNMA Lender]

Holding Lender <i>(The RHS approved Lender who will be holding/owning the mortgage note after the effective date of transfer, i.e. Fannie Mae, Freddie Mac, etc., not Ginnie Mae: (See Instructions on back):</i>		
Lender Tax ID: _____	Agency Assigned Branch Number: _____	
Lender Name: _____		
Address: _____		
City: _____	State: _____	Zip Code: _____

Servicing Lender <i>(The lender that will be servicing the loan(s) after the effective date of transfer):</i>		
Lender Tax ID: _____	Agency Assigned Branch Number: _____	
Lender Name: _____		
Address: _____		
City: _____	State: _____	Zip Code: _____

- This loan was securitized into a Ginnie Mae Pool (mark an X in box if securitized into a Ginnie Mae pool)

LENDER'S AUTHORIZED
REPRESENTATIVE SIGNATURE

TITLE
LENDER'S REPRESENTATIVE

DATE
SIGNED

Lender Certification
Continued - Page 3

The following documents are to accompany the Lender Certification:

- Promissory Note
- Final Statement of Loan Disbursements and Costs or HUD- 1

Other Necessary Documents, as applicable:

- Evidence the date the interest rate was locked in accordance with section 1980.320 of 7 CFR 1980, Part D, if the rate was floating at issuance of Form RD 1980-18.
- Escrow accounts: If development work is finished at Loan Note Guarantee request, confirmation development work has been performed for escrow accounts developed in accordance with section 1980.315 of 7 CFR 1980, Part D. If pending at guarantee request, confirmation development has been completed may be by e-mail or presentation of the final inspection.

ATTACHMENT TO FORM RD 1980-18, "CONDITIONAL COMMITMENT FOR SINGLE FAMILY HOUSING LOAN GUARANTEE," FOR:

Date

Applicant's Name

CONDITIONS

(Only those conditions check marked apply for this application)

- Loan to be secured by a first lien on the subject property.
- Credit documentation (credit report/income/application, etc.) must be re-verified if the loan is not closed within 120 days from the date of the original verification, (180 days for new construction).
- This Conditional Commitment is subject to the availability of Congressionally appropriated funds. No such funds are currently available. When funds become available, the Agency will notify the lender, and the guarantee process will continue subject to all applicable Agency regulations and conditions set forth in this Conditional Commitment. The lender may close the loan if they choose prior to funding becoming available, but will assume all risk of loss prior to any issuance of a Loan Not Guarantee.
- Evidence the date the interest rate was locked in accordance with §1980.320 of RD Instruction 1980-D. Applicable to rates reported as floating at issuance of Form RD 1980-18.
- Cash back to the borrower at closing is only allowed for out of pocket expenses paid by the borrower such as earnest money and POC's, in accordance with RD Instruction 1980-D, section 1980.310.
- Lender must provide a completed Form RD 1980-19, "Guaranteed Loan Closing Report", together with the guarantee fee of \$ _____ to Rural Development with the closing package.
- Lender to provide a "Lender Certification" (reverse pages of Form RD 1980-18) representative of true and accurate data/documentation, conditions precedent to issuance of the Conditional Commitment have been met and confirming no major changes have occurred since issuance of the Conditional Commitment.
 - Full documentation that conditions have been met is required with the loan closing package. [Required of Lenders who do not meet the criteria for lender certification (no required supportive documents) as outlined in § 1980.363 of RD Instruction 1980-D.]
- Provide copies of executed Promissory Note and final Settlement Statement.
- Provide copy of a signed loan application for the final loan amount if the initial loan application amount has changed since issuance of the Conditional Commitment.
- If the loan is sold or the servicing lender changes beyond information reported on the "Lender Certification" required for issuance of the Loan Note Guarantee, provide Rural Development with a completed, executed Form RD 1980-11, "GRH Lender Record Change."

Existing Properties

- Provide certification that the dwelling meets HUD minimum property standards (per Handbooks 4150.2 and 4905.1). Acceptable evidence can be any of the following:
 - FHA roster appraiser who certifies that the requirements of HUD Handbooks 4905.1 and 4150.2 have been met. Certification methods: Page 3 of the appraisal form, in the "comment" section, by addendum or optional form [see AN published on subject.]
 - Non-FHA roster licensed or certified appraiser who is deemed qualified by the lender and is thoroughly familiar with HUD Handbooks 4905.1 and 4150.2 certifies that the requirements of HUD handbooks 4905.1 and 4150.2 have been met. Certification methods: Page 3 of the appraisal form, in the "comment" section, by addendum or optional form [see AN published on subject.]
 - Home inspection report prepared by a home inspector deemed qualified by the lender.

- The Lenders permanent loan file must contain documentation that all inspections deemed necessary by the appraiser/inspector, or in accordance with RD Instruction 1980.341 have been completed as follows:
- electrical heating/cooling system structural
 - private or individual water supply, water quality analysis meets Department of Health or regulatory authority requirements
 - private or individual wastewater system must be free of observable evidence of system failure. A FHA roster appraiser (who certifies property meets required HUD Handbooks), a government health authority, a licensed septic system professional, or a qualified home inspector may perform the septic system evaluation. The separation distances between a well and septic tank, and the property line should comply with HUD guidelines OR state well codes.
 - Repairs necessary for the dwelling to be structurally sound, functionally adequate and in good repair must be completed prior to requesting a Loan Guarantee, or an escrow account must be established that meets the requirements of 1980.315 of RD Instruction 1980-D.
 - Termite inspection indicating the property is free of active termite infestation - if required by the Lender, appraiser, inspector, or State law.
- Escrow accounts: Confirm development / repair work for which an escrow account was established in accordance with 1980.315 of RD Instruction 1980-D has been completed. Confirmation may be by email or presentation of the final inspection. Confirmation not required for issuance of Loan Note Guarantee, but is required upon completion of the work. Remaining escrow funds that are loan funds must be applied to principal loan amount.
- Flood Insurance must be obtained when structure is located in a 100 year flood plain.
- New Construction:** The Lenders permanent loan file must contain [not required to submit to Rural Development]:
- Evidence of certified plans and specification by any one of the following methods:
 - Copy of certification from a qualified individual or organization that the reviewed documents comply with applicable development standards. Form RD 1924-25 "Plan Certification" is an optional form that is an acceptable format.
 - Building Permit. State Directors determine if local communities or jurisdictions qualify to use this form of applicable evidence in accordance with RD Instruction 1924-A, section 1924.5(f)(1)(iii)(C)(2).
 - Certificate of Occupancy. State Directors determine if local communities or jurisdictions qualify to use this form of applicable evidence in accordance with RD Instruction 1924-A, section 1924.5(f)(1)(iii)(C)(2).
 - Evidence of construction inspections by any one of the following methods:
 - Certificate of Occupancy issued by a local jurisdiction that performs at least 3 construction phase inspections, including those outlined in RD Instruction 1980-D, section 1980.341(b)(2), and a one year builder's warranty plan acceptable to Rural Development
 - Three construction phase inspections performed when:
 - Footings and foundation are ready to be poured and prior to back filling
 - Shell is complete, but plumbing, electrical, and mechanical work are still exposed
 - Final inspection of completed work prior to occupancy
 - A one year insured builder warranty plan acceptable to Rural Development
 - Final inspection and a ten year insured builder warranty plan acceptable to Rural Development.
 - Confirm the thermal standards in accordance with 1980.340(a) of RD Instruction 1980-D are met. Certification may be by builder, qualified registered architect or qualified registered engineer.
- Other Conditions:

Name of Lender

Date