

USDA Rural Development - IOWA
Guaranteed Rural Housing Loan Program

LENDER HANDBOOK

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Available at : <http://rdinit.usda.gov/regs>

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1980-D INSTRUCTION

Available at : <http://rdinit.usda.gov/regs>

- click on "Instructions"
- click on 1980-General
- in 1980-D click on "PDF" and print
- file the 1980-D Instruction behind the forms in your GRH Handbook

ADMINISTRATIVE NOTICES (AN)

Available at : <http://rdinit.usda.gov/regs>

- click on "Administrative Notices"

Refer to the 1980-D Instruction for more specific information on any subject.

GUARANTEED RURAL HOUSING LOAN PROGRAM



PURPOSE

Rural Development offers private lenders a user-friendly program to help households who are not eligible for conventional financing and who do not exceed moderate income, purchase new or existing dwellings for use as a primary residence in rural areas.

Rural areas are those communities under 20,000 population and rural in character. **Exhibit A** lists the communities in Iowa that are ineligible. Open country is considered a rural area. Maps are available from Rural Development offices.

REFINANCING existing GRH loans or Rural Development 502 Direct loans is authorized. No other refinancing is eligible. The GRH fee for refinancing is 0.5% of the loan amount. See Exhibit H-1 for processing checklist. GRH loans may be assumed by an eligible GRH applicant; however, the transferor is not released of liability.

**100% FINANCING
IS AVAILABLE**



TERMS

100% financing is available. No down payment is required. Freddie Mac, Fannie Mae, Ginnie Mae and portfolio lenders may loan up to the appraised value and therefore may loan for **CLOSING COSTS** if the appraised value is sufficient.

INTEREST RATES are negotiated between the borrower and the lender. However, the rate may not exceed the Fannie Mae required net yield for 90-day commitments on 30-year fixed-rate mortgages plus 60 basis points (not applicable for refinances). This rate can be obtained at <http://www.efanniemae.com/syndicated/documents/mbs/apeprices/public/30fraac.html> or check your rate sheet.

Lenders may charge the usual and customary **FEES** for a GRH loan as for similar transactions. The closing costs must be reasonable. Loan dockets that contain excessive costs will not be approved. There is a one-time **GRH FEE** equal to 1.75% of the loan amount due at closing to Rural Development. Closing costs may be **gifted**, however, the secondary market may cap this amount, talk to your underwriter. If closing costs are borrowed, the debt must be included in the ratios.

Applicants may not receive any "cash back" at closing (in excess of eligible costs they have paid).

There is **no mortgage insurance** on a GRH loan.

Iowa Finance Authority (IFA) programs may be used in conjunction with GRH loans. Furthermore, any type of joint financing can be considered for use with a GRH loan.



APPLICANT ELIGIBILITY

The applicant's household *adjusted* annual income may not exceed the county's established MODERATE **INCOME** limit. **Exhibit C** lists the Adjusted Income Limits for each family size on a per county basis in Iowa. Household size is determined by the number of persons who will physically occupy the dwelling on a permanent basis. A person does not need to be listed on the note to be considered a household member.

The income of ALL adult members of the household must be included in the **household income** calculation

Household income includes not only ALL wages, but all bonuses, overtime, child support, alimony, Social Security, etc. for all persons over the age of 18 that will live in the home. Income received by minors will be counted as income when it is the form of SSI or support of another type. Wages earned from minors are not considered household income. Income from students that are 18 or older will be used in the determination of household income.

Adjustments to annual income include dependent children (deduct \$480 for each child) and child care expenses for dependents under twelve. Other deductions may include full-time adult students, elderly families and medical expenses for elderly families. Adjusted income is calculated by subtracting the adjustments from gross income.

Refer to pages 39 to 44 in the Rural Development Instruction 1980-D and applicable Administrative Notices (ANs) for more information about calculating gross and adjusted income. Complete **Exhibit D** to determine income qualification for a GRH loan.

RATIOS 29/41

Applicants must demonstrate adequate repayment ability by meeting UNDERWRITING **RATIOS**. Income used in the ratios should be derived from those who are parties to the note. **Income used in the ratios should be supported by historical evidence.** Monthly housing expense to **gross** income may not exceed **29%**. Total obligations to **gross** income may not exceed **41%**. Child care paid is not considered a debt in the ratios. All debts with more than six payments remaining and/or shorter term debts which are significant are considered in determining ratios. Any co-signed debts as well as obligations on previous mortgages must be included as a debt in underwriting ratios unless the lender submits 12 months of cancelled checks that document that another responsible party is paying the liability.

The underwriting ratio requirements may be exceeded slightly in *rare* occasions where an acceptable compensating factor exists or if the credit score of the primary wage earner exceeds 660. See pages 34 and 35 of the Rural Development Instruction 1980-D and applicable ANs for more specific details regarding repayment ability for a GRH loan.

Full Residential Mortgage Credit Reports or Tri-Merged Reports are acceptable for the GRH program. All RMCRs submitted must contain a statement that the report meets the standards set by Fannie Mae, Freddie Mac, HUD, VA and Rural Development.

The applicant's **CREDIT HISTORY** must indicate a reasonable ability and willingness to meet obligations as they become due. More than one late payment, or any outstanding judgment within the past 12 months is considered unacceptable as well as any bankruptcy, foreclosure or debts written-off in the past 36 months. Collection accounts must be paid in full for 6 months before consideration for the GRH program. More than one 30-day late rent payment in the past 3 years is also considered adverse.

If the primary wage earner's credit score is <660 and the family has experienced adverse credit, the applicant must submit a written explanation for the problem AND the lender must submit written documentation that the circumstances that caused the delinquency were beyond the applicant's control and those circumstances have been removed.

If the credit score of the primary wage earner exceeds 660, credit waivers are not required and lender may proceed with application without issuing a credit waiver.

Lenders must check the Credit Alert Interactive Voice Response System (**CAIVRS**) prior to submitting a GRH application and documenting the confirmation number near the signature line on the application. CAIVRS is a HUD hotline that identifies individuals who have delinquent Federal debts. The applicant must be current and judgment-free on any Federal debt, this includes any previous Rural Development or Farmers Home Administration debt. The instructions for checking CAIVRS are as follows:



CHECK CAIVRS

- Step 1: Dial (301) 344-4000.
- Step 2: Enter Tax ID Number, then press #.
- Step 3: Enter "5#" for USDA Rural Housing loans.
- Step 4: Enter "S" or "7" for Social Security Number.
- Step 5: Enter the applicant's Social Security Number.
- Step 6: Enter "Y" if the number entered was correct or "N" if not.
- Step 7: Write the confirmation number near the signature line on the application.

See page 36-37 in the Rural Development Instruction 1980-D and applicable ANs for more specific details regarding credit history.

The applicant *does not* need to be a first-time home buyer. However, there are several OTHER ELIGIBILITY CRITERIA that applicants must meet to qualify for a GRH loan.

- **THE APPLICANT MAY NOT ALREADY OWN A HOME** unless the other property is not structurally sound or the property is located outside the local commuting area and the applicant provided documentation that they were unable to sell the property. (not applicable for refi's)
- The borrower must intend to occupy the home on a permanent basis.



PROPERTY REQUIREMENTS

The property must be located in a rural area or rural community. Certain communities are ineligible due to size and/or location within a MSA (Metropolitan Statistical Area). **Exhibit A** lists the ineligible areas in Iowa. The property must be a SINGLE FAMILY DWELLING.

TOWNHOUSES and some CONDOS are acceptable for the program, however, DUPLEXES are not eligible. A condo must have an association agreement and be approved by HUD, VA, Fannie Mae or Freddie Mac.

A complete URAR, completed by a state certified appraiser, is required. The appraised value must at least equal the loan amount. The appraisal must contain at least three comparable properties that have been sold within the past 12 months. Comparables from similar communities may be used if adequate comparables do not exist in the subject community. The appraisal must contain photos of all comparables as well as the subject property. (an appraisal is not required if refinancing an existing GRH loan and the GRH fee only).

For EXISTING DWELLINGS, **Exhibit E**, Existing Dwelling and Site Requirements, is completed by the appraiser/inspector. The house must be structurally sound, have adequate insulation, electrical, plumbing, heat, water/wastewater, and be free of wood destroying insects. (The Exhibit E is not required for refinances).

Pest inspections showing activity requires treatment. Inspections showing damage require a structural engineer's report and repairs made as per the report.

The water/wastewater system must be dependable and have state or local government approval.

WELLS must meet State Department of Health requirements (a safe-water test will be required).

SEPTIC SYSTEMS must be pumped and inspected by a "certified commercial septic tank cleaner."

The inspection must also include certification that the baffles and laterals are all in working order.

A dwelling with space heaters, wall furnaces or gravity heat as their primary source of heat are not acceptable.

Properties located in the 100-year FLOOD PLAIN are not eligible for a Rural Development guarantee.

REMEMBER:

- ◆ Properties in the 100-year flood plain are not eligible for a GRH loan.
- ◆ Septic systems must be pumped and inspected.
- ◆ Wells must meet State Dept. of Health requirements.

The **SITE** must be located on an all-weather road. Non-income producing sites can be accepted regardless of size provided the contributory value of the site does not exceed 30% of the property's total value. Urban sites (i.e. residential zoning, public utilities, platted subdivision, etc.) with values exceeding 30% of the total value may be acceptable if determined to be typical for the area by the Agency loan approval official. Rural sites with values exceeding the 30% of the total value may be acceptable if the lender obtains documentation from the local zoning office that the site cannot be further subdivided for residential purposes based on it's current zoning. For properties with **OUTBUILDINGS** (besides the house and garage), the combined contributory value of the site and outbuildings cannot exceed 30% of the total value and must be documented by the appraiser in the appraisal.

Exhibit E will be submitted as part of the GRH application. If this form is not completed, Rural Development will accept a certification from the appraiser that the property meets the requirement of HUD Handbooks 4150.1 and 4905.1. These Handbooks are available from the HUD Ordering Desk at 1-800-767-7468.

The builder and lender are responsible for seeing the following requirements are met to insure the proposed NEW CONSTRUCTION of single family dwellings are eligible for the Rural Development Rural Housing Guarantee Program.

- An appraisal will be made prior to construction by a state certified appraiser. The appraisal needs to support the decision to build the dwelling at the proposed cost.
- The plans and specifications must meet appropriate building codes and Rural Development thermal guidelines for new construction (Model Energy Code).
- Applicable development standards are adhered to.
- Applicable laws, ordinances, codes and regulations are complied with.
- Drawings, specifications, and estimates are adequate.
- Adequate water, electric, heating, waste disposal and other necessary utilities and facilities are obtained. The water and water/waste disposal systems must be approved by a state or local government agency.
- Construction and development are performed expeditiously and properly including inspections of sites and construction or development in various stages of completion to determine that work and material conform with the approved certified drawings and specifications and any other requirements.

STAGE INSPECTIONS are as follows:

1. When footings and foundations are **ready to be placed**. (prior to being poured)
 2. When shell is closed in but plumbing, electrical and mechanical **work is still exposed**.
 3. When all development work is **complete**.
- A final payment is made only after the final inspection has been made and the construction or development has been found to be complete in all respects.
 - A builder's warranty is issued when new construction, repair or rehabilitation is involved, which provides for at least one year's warranty from the date of completion or acceptance of the work.
 - No claims or liens exist against the borrower or the security.

NEW CONSTRUCTION requires a plan certification as well as periodic inspections with a one-year warranty or a final inspection and a 10-year warranty. The following documentation is needed in addition to the regular application package for new construction.

Spec. Built Homes:

- î Plan Certification, Form FmHA 1924-25
- î Inspections and Warranty
 - Three inspections plus a one-year warranty
 - OR
 - Final inspection plus a 10-year warranty

Homes Built Under Contract:

- ⤴ One contract for the entire development must be obtained.
- ⤴ Plan Certification, Form RD 1924-25
- ⤴ Inspections and Warranty
 - Three inspections plus a one-year warranty
 - OR
 - Final inspection plus a 10-year warranty

Forms RD 400-1 and 400-6 must be submitted (Lender must comply with Equal Opportunity and non-discrimination)

The PLAN CERTIFICATION, Form RD 1924-25, must be completed by a Licensed Architect, Professional Engineer, Authorized Building Official, Certified Code Authority or a Registered Professional Building Designer. The builder/contractor may not complete the Plan Certification. See **Exhibit F** for specific qualifications as to who may complete this form.

For new construction, **INSPECTIONS** are to be completed by a construction inspector that the lender has determined to be qualified.

A **WARRANTY** is a legally enforceable assurance provided by the builder (warrantor) to the owner and the lender indicating that the work done and material supplied conform to those specified in the contract documents and applicable regulations. For the period of the warranty, the warrantor agrees to repair or replace any defective materials at the expense of the warrantor.

ONE-YEAR WARRANTY: This warranty is provided by the builder and may be on their own form provided it covers the above information.

TEN-YEAR WARRANTY: A ten-year warranty must agree to claim authority to act as a risk retention group under the Products Liability Risk Retention Act of 1981. This warranty may be obtained through any of the following warranty companies. (This list is subject to change)

Home Buyers Warranty Corp. (HBW or 2-10)
1728 Montreal Circle
Tucker, GA 30084
(800) 488-8844

Residential Warranty Corporation (RWC)
5300 Derry Street
Harrisburg, PA 17111-3596
(800) 247-1812

Manufactured Housing Warranty Corporation
Box 641
Harrisburg, PA 17108-0641
(800) 247-1812

The new construction requirements of the warranty, inspections, plan certification, and Equal Opportunity also apply to NEW **MODULAR HOMES**. In addition, Exhibit G-2 is required for acceptance from the builder-dealer.

To be eligible for the GRH program, any **MANUFACTURED HOME** (sometimes referred to as a "mobile" home) must be a new unit, an approved model, purchased through a Rural Development approved dealer/contractor, placed on a permanent foundation in accordance with State Code and built in conformance with FMHCSS. See **Exhibit G** for a listing of approved dealer/contractors. In addition, the proposal must include the site as part of the secured property. A warranty, inspections and a plan certification are required.

An **ESCROW ACCOUNT** may be established by the lender for exterior work only under the following circumstances:

- The weather does not permit the work to be completed.
- A signed contract is in place for all remaining work.
- The escrow account contains 150% of the contracted amount.
- The work will be completed within 120 days.
- A final inspection report is obtained and submitted to Rural Development.



PROCESSING GRH LOANS

Lenders must become an APPROVED LENDER with Rural Development prior to submitting a GRH application. Lenders who are “Full-Service” with IBMC need not become an approved lender.

Use **Exhibit H, or H-1** as appropriate, as a **PROCESSING CHECKLIST** to assure that all required documents are submitted to Rural Development.

Lenders may reserve funds with Rural Development prior to processing a mortgage application. Fax the **RESERVATIONS OF FUNDS**, Form 1980-86, to Rural Development, and a confirmation that funds are available for your application will be faxed back to you.

In addition to the processing application, Rural Development requires three additional forms. They are the REQUEST FOR GUARANTEE, Form 1980-21; the CERTIFICATION REGARDING DEBARMENT, Form AD-1048; and the EXISTING SITE AND DWELLING REPORT, *Exhibit E*, which is typically completed by the appraiser. Refer to Exhibit H to assure all processing documents are submitted to Rural Development.

The lender is responsible for UNDERWRITING the loan prior to submitting the package to Rural Development. The risk analysis rests substantially with the lender’s underwriter. The lender uses conventional forms and a state certified appraiser chosen by the lender. Alternative Documentation (Alt Docs) are not acceptable.

IOWA FINANCE AUTHORITY (IFA) PROGRAMS may be used in conjunction with the GRH program.

Funded buy-downs may be utilized in certain circumstances. A compensating factor must be approved in advance for the use of a funded-buydown.

Rural Development will issue a **CONDITIONAL COMMITMENT** within **48 HOURS** of receipt of the application. If the loan amount or the interest rate increase after the Conditional Commitment is issued, the lender must comply with the following for Rural Development to issue a new commitment:

- The interest rate may still not exceed the Fannie Mae posted rate for 90-day delivery plus six tenths of one percent for a 30-year fixed-rate conventional loan.
- The lender must confirm that the applicant still meets the underwriting ratios.
- The lender will submit a revised REQUEST FOR GUARANTEE; 1980-21, revised Transmittal, 1008, and a revised application, 1003.

Use **Exhibit I** as a **CLOSING CHECKLIST** to assure that all closing documents are submitted to Rural Development. Rural Development will issue the LOAN NOTE GUARANTEE once all closing documents have been submitted and completed appropriately.

With the closing documents, Lenders must submit a LOAN CLOSING REPORT, Form 1980-19, along with the GRH fee. The LENDER RECORD CHANGE, Form 1980-11, must also be submitted if the loan is being transferred to another approved lender. This form will be submitted with the closing documents or when the loan is sold. Refer to **Exhibit I** to assure all closing documents are submitted.



SERVICING GRH LOANS

For every RD Guaranteed loan, the original Form RD 1980-17, **LOAN NOTE GUARANTEE**, is retained by the holding or servicing lender attached to the original Promissory Note until such time that the loan is no longer in effect.

Lenders will service loans in accordance with the Lender's Agreement for Participation in Single Family Loan Programs, Form FmHA 1980-16. GRH loans may not be sold to lenders who are not approved through Rural Development. GRH loans may be sold to approved lenders without prior concurrence from Rural Development. The lender will submit a Lender Record Change, Form 1980-11 when a loan is sold to a lender other than Fannie Mae, Freddie Mac or Ginnie Mae. Tax and Insurance escrow accounts insured by FDIC are required.

Servicers will **REPORT** on the status of ALL GRH borrowers on a quarterly basis. Delinquent borrowers are to be reported on a monthly basis. Accounts are considered delinquent when more than 30 days past due.

Reporting is done online at <https://usdalinc.sc.egov.usda.gov> (USDA LINC). Lenders may call toll free 877-636-3789, or email guaranteed.loan@stl.rural.usda.gov to obtain a Trading Partner Agreement (TPA) to sign up for an ID to access the automated reporting system.

When a GRH loan is **PAID IN FULL**, the holder or servicer of the loan is to return the original Loan Note Guarantee to Rural Development stamped "Paid-in-Full" and notated with the date it was paid in full. It is not necessary to send a copy of the note.

The stamped Loan Note Guarantee is to be returned to the Rural Development office where it was issued. The issuing office is shown on the back of the Loan Note Guarantee.

In addition to sending the Loan Note Guarantee to Rural Development, the loan must also be terminated electronically. This must be done during the next quarterly reporting period via the Electronic Data Interface (EDI) status reporting system by changing the Investor Reporting Action code to a "9".

Lenders shall perform services which a reasonable and prudent lender would perform in servicing its own portfolio of loans that are not guaranteed. **DELINQUENT BORROWERS** will receive the following notices at a minimum:

- The servicer will make a contact within 20 days of the payment due date.
- The servicer will attempt to arrange an interview with the borrower when the loan becomes 60 days delinquent.
- When the loan becomes 90 days delinquent, the lender will report delinquencies to credit repositories and make a decision about liquidation of the account. A plan must be submitted to Rural Development if a decision other than liquidation is made. Lenders must proceed with liquidation in an expeditious manner once a decision to liquidate has been made.
- When the loan becomes 90 days delinquent, the lender should work with the borrower to list the property for sale based on a Market Analysis prepared by a Realtor or appraiser. If a **SHORT SALE** is imminent, and a reasonable offer has been received, an appraisal should be obtained. A purchase price at least equal to the appraised value can be accepted.

REAMORTIZATION requires *prior approval* from Rural Development. **PROTECTIVE ADVANCES** will not be made in lieu of a subsequent loan.

If the lender acquires the property, it will be treated as an **REO PROPERTY**. The lender must immediately prepare and submit a *disposition plan* to Rural Development within 30 days. The plan outlines the proposed method of sale, the estimated value, a minimum sale price, itemized sales expenses and any additional information that may affect the sale. The Disposition Plan may be found at <http://www.rurdev.usda.gov/ia/rhsgupdate.html>. The lender is allowed up to six months after acquisition to liquidate an REO property. (The six months begins the date the lender acquires the property at sale). If the REO property is sold within the six month time-frame, the loss claim will be based on the sale price, subject to the sale being at market value. If the property cannot be sold within six months, a *liquidation value* appraisal is obtained by Rural Development and the lender's loss claim is processed based on the appraised value.

Rural Development provides a 90% guarantee to a lender. In other words, if a **LOSS** occurs, Rural Development will pay a lender the lesser of:

- Any loss up to 90% of the principal actually advanced or
- Any loss up to 35% of the principal advanced plus 85% of any greater loss up to the amount of the principal actually advanced.

To receive a **LOSS PAYMENT** from Rural Development, the lender must proceed expeditiously with liquidation and comply with all time-frames. A **REPORT OF LOSS, RD 1980-20**, must be filed with Rural Development within **30 days** of liquidation or within 6 months of acquisition, whichever occurs first. Liquidation is defined as the date of the sale when the property is transferred to a third party. The lender must attach a summary sheet outlining how accrued interest was figured and documentation of expenses claimed. Accrued interest may only be claimed to the date of settlement (item #6 on the 1980-20). If the loss payment is based on a sale, the settlement date is the date the collateral is transferred.

Loss claims may be reduced or denied if the lender does not service the loan in a reasonable and prudent manner or is negligent in servicing the loan, does not proceed expeditiously with liquidation, commits fraud, claims unauthorized items, violates usury laws, fails to obtain required security position, uses loan funds for unauthorized purposes, or delays filing the loss claim.

Refer to pages 57-65 in the Rural Development Instruction 1980-D and applicable ANs for specific information on servicing requirements.

GRH PROGRAM

INELIGIBLE COMMUNITIES

Listed by County

Communities and rural areas not specifically listed below are eligible for GRH loans. The listed communities are ineligible due to size and/or location within a MSA (Metropolitan Statistical Area) only. Other communities may be ineligible due to site requirements.

This list is presumed complete, any community located within an MSA could be ineligible. For any questions regarding eligibility, please contact the Rural Development State Office at 515-284-4666.

Black Hawk

Cedar Falls
Evansdale
Raymond
Washburn
Waterloo

Cerro Gordo

Mason City

Clinton

Clinton

Dallas

Waukee
West Des Moines

Des Moines

Burlington
West Burlington

Dubuque

Asbury
Dubuque
Key West area

Johnson

Coralville
Iowa City

Linn

Cedar Rapids
Hiawatha
Marion
Robins

Marshall

Marshalltown

Mills

Council Bluffs

Muscatine

Fruitland
Muscatine

Polk

Altoona
Ankeny
Clive
Des Moines
Johnston
Pleasant Hill
Urbandale
West Des Moines
Windsor Heights

Plymouth

Sioux City

Pottawattamie

Carter Lake
Council Bluffs

Scott

Bettendorf
Davenport
Mt. Joy
Panorama Park
Riverdale

Story

Ames

Wapello

Ottumwa

Warren

Norwalk

Webster

Ft. Dodge

Woodbury

Sioux City

**GUARANTEED RURAL HOUSING PROGRAM
 MODERATE INCOME LIMITS**

| COUNTY | Number in Household | | | | | | | |
|---------------------------|---------------------|-------|-------|-------|-------|-------|--------|--------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
| Benton/Bremer | 48050 | 54900 | 61800 | 68650 | 74150 | 79600 | 85100 | 90600 |
| Boone | 47100 | 53800 | 60550 | 67300 | 72650 | 78050 | 83400 | 88800 |
| Cedar | 47750 | 54550 | 61400 | 68200 | 73650 | 79100 | 84600 | 90050 |
| Dallas/ Polk/ Warren | 53850 | 61550 | 69200 | 76900 | 83050 | 89200 | 95350 | 101500 |
| Grundy | 48950 | 55950 | 62950 | 69950 | 75550 | 81100 | 86700 | 92300 |
| Iowa | 54200 | 61950 | 69650 | 77400 | 83600 | 89800 | 96000 | 102200 |
| Johnson | 57850 | 66150 | 74400 | 82650 | 89250 | 95900 | 102500 | 109100 |
| Linn | 54050 | 61750 | 69450 | 77200 | 83350 | 89550 | 95700 | 101900 |
| Plymouth | 47900 | 54750 | 61600 | 68450 | 73900 | 79350 | 84850 | 90300 |
| Pottawattamie /Story | 51800 | 59250 | 66650 | 74050 | 79950 | 85900 | 91800 | 97700 |
| <i>All other counties</i> | 46300 | 52900 | 59500 | 66150 | 71400 | 76700 | 82000 | 87300 |

GUARANTEED LOAN ANALYSIS

*** HOUSEHOLD INCOME CALCULATIONS ***

All household income is included in this income calculation. Include all base, overtime, commissions, bonuses, child support, part-time jobs, etc. All income from all adult household members whether or not they are on the note. Refer to 1980-D, 1980.347.

*** QUALIFYING INCOME CALCULATIONS ***

Use income you would normally use for Qualifying. Qualifying income is income that has historically been received (typically 24 months). Before using OT in qualifying income, verify history of receipt. Qualifying income is many times not the same as household income.

| | Annual <u>HOUSEHOLD</u> <u>INCOME</u> | Annual <u>QUALIFYING</u> <u>INCOME</u> |
|-------------------------------------|--|---|
| A. Borrower | \$ _____ | \$ _____ |
| B. Co-borrower | \$ _____ | \$ _____ |
| C. Other Household Members | \$ _____ | _____ na _____ |
| GROSS annual income | \$ _____ | \$ _____ |
| | | |
| LESS: ADJUSTMENTS TO ANNUAL INCOME | | |
| A. Dependent Children (in the home) | \$ _____ | na |
| B. Child care expense paid | \$ _____ | na |
| C. Other (ex: elderly) | \$ _____ | na |
| D. Total Adjustments to income | \$ _____ | na |
| ADJUSTED HOUSEHOLD INCOME | \$ _____ | na |

Adjusted Annual Household Income of \$ _____ is below _____ County **MODERATE** limit of \$ _____ for a household of ____.

Annual Qualifying Income of \$ _____ / 12 = _____ = **Monthly Qualifying Income**

==

RATIO CALCULATIONS

Monthly QUALIFYING Income = \$ _____ / month

Monthly Pmt (PITI) \$ _____ PITI/QUALIFYING income _____ % (Not to exceed **29.0%**)

+ Monthly Debt ** \$ _____ ** (over 6 months remain or if pmt is significant)

= Total Debt \$ _____ Total Debt/QUALIFYING income _____ % (Not to exceed **41.0%**)

| | | |
|-------------|-------|-------|
| _____ | _____ | _____ |
| Underwriter | Title | Date |

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
GUARANTEED RURAL HOUSING

EXISTING DWELLING AND SITE REQUIREMENTS

I certify that I have inspected the property located at _____ to make a professional determination as to whether these items were operating properly and are adequate to provide a homeowner with a functionally adequate property.

GENERAL REQUIREMENTS (CHECK IF ACCEPTABLE)

- _____ Structurally Sound: The house and roof are in good repair and structurally sound.
- _____ HVAC: Adequate heating, ventilation and air conditioning system.
- _____ Plumbing: Faucets, toilets, drains, garbage disposals and water heater in working order.
- _____ Well and Septic System: Safe water test by State Health Department. Septic system to be pumped by a licensed commercial septic cleaner.
- _____ Electrical System: Electric box, outlets, and switches meet local codes.
- _____ Wood Destroying Insects: Certification from licensed exterminator is required.
- _____ Outbuildings: Documentation of value included in the appraisal or below.
Combined value of outbuilding(s) & site cannot exceed 30% of total property value.

THERMAL REQUIREMENTS (CHECK IF ACCEPTABLE)

- _____ Ceiling Insulation: R-38 is required (unless insufficient area, then insulate to extent possible)
- _____ Walls: Any exterior wall framing exposed during repair or rehabilitation work shall have a vapor barrier installed and be insulated to R-19.
- _____ Floor or Basement: Insulate box sill (rim joist) to R-19. Insulate heat ducts to R-5 in unheated basements or crawl spaces.
- _____ Windows: Dual paned primary or single paned primary with a single paned storm sash.
- _____ Doors: Weather-stripped conventional wood door or 1-3/4 inch metal faced door system with rigid insulation core and durable weather-stripping are acceptable.

If any of the above criteria are not checked, state necessary repairs below.

SIGNATURE DATE

PLAN CERTIFICATION AUTHORITIES

Rural Development requires a Plan Certification, Form RD 1924-25, to be completed for the construction of new dwellings for the Guaranteed Rural Housing program. This certification may be completed by a Licensed Architect, Professional Engineer, Authorized Building Official, Certified Code Authority, or a Registered Professional Building Designer. They are defined as follows:

Licensed Architect: An architect that is registered in any state.

Professional Engineer: An engineer that is registered in any state.

Authorized Building Official: A person who is in charge of a city building code enforcement agency.

Certified Code Authority: A person who has achieved a passing score on written examinations by ICBO and/or CABO. The following is a list of individuals in Iowa who have passed these examinations and have been certified by ICBO and/or CABO as of December 31, 1995.

Registered Professional Building Designer: An individual certified by the American Institute of Building Design (AIBD).

I.C.B.O. - None currently in Iowa.

C.A.B.O.

Jeff Junker
Waverly, IA

Maurice Dudney
Urbandale, IA

Kevin Kruse
Creston, IA

H. Ted Wiedenman
Des Moines, IA

Dennis Small
Ottumwa, IA

**APPROVED HOUSING DEALER/CONTRACTORS FOR
MANUFACTURED HOMES**

| | | |
|---|---|--|
| <p>Brothers "3" Mobile Homes 6007 16th Avenue S.W. Cedar Rapids, IA 52404 (319) 396-1549</p> | <p>Burds Manufactured Housing Inc 14680 Hwy 20 Peosta, IA 52068 (319) 556-7293</p> | <p>Burlington Mobile Home Sales Inc 7567 Hwy 61 South Burlington, IA 52061 (319) 753-1012</p> |
| <p>Creston Mobile Homes Inc. 1464 Highway 34 West Creston, IA 50801 (515) 782-4548</p> | <p>Davis Homes 1650 Hwy. 34 West Mt. Pleasant, IA 52641 (319) 986-6198</p> | <p>Ferring Homes Corp. 4229 Lewis Access Road Center Point, IA 52213 (319) 849-2811</p> |
| <p>Four Seasons Homes 401 SE Oralabor Road Ankeny, IA 50021 (515) 964-9880</p> | <p>Hallmark Homes 570 Birch Lane Taylor, MO 63471 (573) 393-2442</p> | <p>Hames Mobile Homes 631 Hwy 1 West Iowa City, IA 52240 (800) 272-3032</p> |
| <p>Hilliard Mobile Homes Sales Rt. 5, Box 6 Chariton, IA 50049 (515) 774-4913</p> | <p>Horkheimer Enterprises Box 296, Highway 150 South Hazleton, IA 50641 (319) 636-2080</p> | <p>Ida Grove Homes Inc. Highway 175 East, Box 208 Ida Grove, IA 51445 (712) 364-3177</p> |
| <p>Iseman Mobil Homes 2900 Hwy 75 North Sioux City, IA 51105 (712) 252-0181</p> | <p>Kavanaugh Mobile Homes Highway 77 & 20 Bypass South Sioux City, NE 68776 (402) 494-1520</p> | <p>Lansing Homes 1211 Main Street P.O. Box 328 Lansing, IA 52151 (563) 538-4194</p> |
| <p>Nu-Trend Mobile Homes 6303 L. Street Omaha, NE 68117 (402) 733-8900</p> | <p>Prairie Du Chien Homesteader Inc PO Box 406 Prairie Due Chien, WI 53821 (608) 326-4919</p> | <p>Ramsey-Jones Homes Inc. RR #1, Box 241-75 LaGrange, MO 63448 (573) 655-2256</p> |
| <p>Sarver Mobile Home Service dba Century Homes of Oskaloosa R.R. 2, Box 07 Oskaloosa, IA 52577 (515) 672-2344</p> | <p>Sherlock Homes 601 SW Oralabor Road Ankeny, IA 50021 (515) 964-4242</p> | <p>Southwest Iowa Homes 1620 Avenue J Council Bluffs, IA 51501 (712) 322-9166</p> |
| <p>Squaw Creek Village 6201 Hennessey Parkway Marion, IA 52302 (319) 377-0990</p> | <p>Sunset Sales Inc. 811 Iowa Avenue W., Box 1266 Marshalltown, IA 50158 (515) 752-6301</p> | |

EXHIBIT G-1

| | SITE BUILT | | MODULAR* | | MANUFACTURED** | |
|---------------------------------------|--|--|---|---|---|---|
| | SPEC | CONTRACT | SPEC | CONTRACT | SPEC | CONTRACT |
| TYPE OF CONTRACT | na | One Contract 400-1, 400-6 | na | One Contract 400-1, 400-6 | na | One Contract 400-1, 400-6 |
| PLAN CERTIFICATION (See Exhibit F) | 1924-25 | 1924-25 | 1924-25 Exhibit G-2 | 1924-25 Exhibit G-2 | 1924-25 | 1924-25 |
| INSPECTIONS*** AND WARRANTY | 3 Inspections 1-year warranty OR Final Inspection 10-year Warranty | 3 Inspections 1-year warranty OR Final Inspection 10-year Warranty | Footing Inspection Final Inspection 1-year Warranty OR Final Inspection 10-year Warranty |

* A Modular Home is built in a factory, typically in two sections, and placed on a permanent foundation. The floor system is wood-frame construction.

** A Manufactured Home (AKA a mobile home) is only eligible if ALL of the following exist:

- The home must be a new unit
- The site must serve as collateral for the loan
- It must be purchased through an approved dealer-contractor (See Exhibit G in the Lender Handbook for current listing)
- The unit must be placed on a permanent foundation in accordance with State Code, the unit will have a label attached stating that it was constructed in conformance with the Manufactured Home Construction and Safety Standard (FMHCSS), and the thermal meets the Model Energy Code.

***Refer to page 4 in the Lender Handbook for an explanation of when the Stage Inspections are to be performed. It is important to remember that the Stage One Inspection is to be completed prior to the footings being poured. You may work with our Local Offices for issuance of a Conditional Commitment to build the home. If a Conditional Commitment is issued by the Local Office, employees from RD are able to complete the inspections.

CERTIFICATION BY BUILDER-DEALER
(Modular Only)

Name of Builder-Dealer

certifies that the foundation and other on-site work at _____
has been constructed in accordance with the drawings and specifications and the
above structure or component has been erected, installed or applied in compliance
with the applicable development standards.

It is understood that the manufacturer's certification does not relieve the
builder/dealer of responsibility under the terms of the builder's warranty required
by the National Housing Act.

Date

Signature of Authorized Official

Title

GUARANTEED RURAL HOUSING

PROCESSING SUBMISSION CHECKLIST

PRIOR TO PROCESSING

- ___ Complete a preliminary loan analysis (Exhibit D)
- ___ FAX Reservation of Funds (Form 1980-86)

PROCESSING

- ___ Form 1980-21, Request for Single Family Housing Loan Guarantee (Rev 1/03)
with original signature
- ___ Form AD 1048, Certification Regarding Debarment (signed by **applicant**)
- ___ Underwriting Approval Document (MUST be in file prior to submission)
- ___ FNMA 1008, Transmittal Summary
- ___ FNMA 1003, Uniform Residential Loan Application (typed)
- ___ FNMA 1003, Uniform Residential Loan Application (handwritten)
- ___ CAIVRS documentation
- ___ VOE(s) & most recent paystub
- ___ Most recent tax return (1040)
- ___ Other Relevant Income Documentation (Divorce Decree, Child Support Records, Social Security, Child Care Letter, etc.) if applicable
- ___ Residential Mortgage, Tri-Merge, or Non-Traditional Credit Report
- ___ Other Relevant Credit Documentation
- ___ Rental Verification (3 years) (only if score <660)
- ___ Good Faith Estimate
- ___ Purchase Agreement
- ___ Appraisal - complete URAR with all addenda including photos
- ___ Exhibit E, Existing Dwelling and Site Requirements
- ___ Flood Certification
- ___ Termite Inspection
- ___ Safe water test for wells
- ___ Septic system needs to be pumped by licensed commercial septic cleaner with baffles and lateral inspected and in working order.
- ___ If New Construction (less than 1 year old)
 - ___ Form 1924-25 Plan Certification
 - ___ Three inspections with final -OR- 10 year warranty plus final inspection
- ___ Exhibit G-2, Certification by Builder-Dealer
- ___ IF New Construction AND house is to be built under a contract, Lender must comply with Equal Opportunity and Nondiscrimination requirements.
 - ___ Form 400-1, Equal Opportunity Agreement (signed by applicant)
 - ___ Form 400-6, Compliance Statement (signed by contractor and subs)

GUARANTEED RURAL HOUSING

| |
|-------------|
| REFI |
|-------------|

PROCESSING SUBMISSION CHECKLIST

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- ___ VOE(s) and most recent paystub
- ___ Most recent tax return (1040)
- ___ Other Relevant Income Documentation (Divorce Decree, Child Support Records, Social Security, Child Care Letter, etc.) if applicable
- ___ Residential Mortgage, Tri-Merge, or Non-Traditional Credit Report
- ___ Other Relevant Credit Documentation
- ___ Good Faith Estimate
- ___ Appraisal - complete URAR with all addendums including photos
(only if lender's fees are financed **OR** direct loan refi)

**GUARANTEED RURAL HOUSING
CLOSING SUBMISSION CHECKLIST**

BORROWER NAME _____

- _____ Form 1980-18, Conditional Commitment with signature on reverse
- _____ All items requested by Rural Development on Conditional Commitment
 - _____ 1.
 - _____ 2.
 - _____ 3.
 - _____ 4.
 - _____ 5.
- _____ Form 1980-19, Guaranteed Closing Report
- _____ GRH fee payable to USDA - Rural Development
- _____ Form 1980-11, Lender Record Change (if loan will be sold to an entity other than Fannie Mae, Freddie Mac or Ginnie Mae)
- _____ Copy of executed note
- _____ Copy of the mortgage
- _____ Copy of final HUD-1