

# USDA Rural Development Oregon

*Committed to the Future of Rural Communities*

## Guaranteed Rural Housing Loan Program



**Rod Hansen**  
Housing Programs Director

[www.rurdev.usda.gov/or/grh.htm](http://www.rurdev.usda.gov/or/grh.htm)



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# USDA Rural Development is Committed to the Future of Rural Communities

## Message from the State Director

*Oregon Lenders,*

*Here at USDA Rural Development, we partner with local lenders to invest in people, families, businesses and communities in rural Oregon. Our Single Family Housing Guarantee Program, which helps low- to moderate-income families access affordable home loans through private lenders, is just one of the many programs we offer.*

*To make this program work, we rely on the lenders, real estate professionals, builders, contractors, appraisers, and others who partner with us. Our committed team of Single Family Housing Specialists is ready to work with you to deliver the guarantee program to your borrowers. To further assist, USDA Rural Development has assembled this guide so lenders have the information they need ready at hand as they work directly with clients.*

*I hope you find the USDA Rural Development Single Family Housing Guarantee Program to be a good option for your bank and your community. We look forward to working with you!*

*Sincerely,*

*Vicki L. Walker*

**Vicki L. Walker**

*Oregon State Director, USDA Rural Development*

**CALL YOUR  
RURAL DEVELOPMENT AREA OFFICE.  
WE ARE HERE TO HELP!**

## Disclaimer

The material provided in this handbook is mostly in bulleted format. It does not contain the full context of agency regulations. This is intended to be a brief overview that incorporates the essence of the agency's national regulations as well as requirements specific to Oregon. As such, this guide may not be suitable for use in other states.

The information contained herein should provide adequate information for the processing of the majority of your Guaranteed Rural Housing (GRH) loans. Underwriters should consult with agency Guaranteed Housing Specialists, Program Directors and/or local Rural Development Area Directors for guidance in unusual cases.

In developing this guide, Oregon Rural Development borrowed heavily from online lender handbooks created by USDA Rural Development offices in Georgia, Wyoming and Wisconsin. We appreciate their time, creativity, and willingness to share their knowledge.

## Non-Discrimination Statement

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.)

Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD).

To file complaint of discrimination, write to  
USDA Director, Office of Civil Rights  
1400 Independence Avenue S.W.  
Washington, D.C. 20250-9410

OR Call  
(800) 795-3272 (Voice) - (202) 720-6382 (TDD)

USDA is an equal opportunity provider,  
employer, and lender.

# USDA Rural Development Guaranteed Loan Program

## Advantages and Benefits

- No down payment. True 100 percent product.
- No expensive monthly mortgage insurance. Clients can afford more!
- No cash reserves are required.
- No minimum credit score. Excellent for non-traditional credit histories.
- Expanded qualifying ratios of 29/41 percent. Exceptions maybe made to accommodate qualifying clients.
- No asset limits. Clients may keep liquid cash savings and other investments.
- NOT just for first time buyers. Anyone may qualify.
- No purchase price limits. Clients may purchase a home that meets their needs.
- Loan up to the appraised value plus the USDA-RD guarantee fee. The Guaranteed Fee may be added to loan amount regardless of appraised value.
- No limitation on source of closing costs. 100 percent gifted closing cost or down payment assistance is allowed.
- Repairs may be financed up to 100 percent of the appraised or “as improved” value.
- No limit on seller concessions to pay for closing costs and/or repairs. A Fannie/Freddie guideline is the 6 percent concession limit, so check with your secondary market.
- Competitive 30 year fixed interest rates. The rate shall be agreed upon by the borrower and the lender. The rate must not be more than 60 bps higher than the Fannie Mae post rate for the day of the lock rounded to the nearest 1/4 percent.
- Premium pricing and service release premium available.
- No prior approval of appraisers or builders.
- Any lender may participate with formal Rural Development approval.
- Prompt review of files with a 24 to 48 hour turnaround time.
- Lenders may charge normal and customary fees for their services.
- Expand your mortgage customer base! All 36 Oregon counties have eligible property.
- GRH Loans are accepted in any Ginnie Mae I or II pool. They can be sold as a single loan or as part of a pool to Fannie Mae and Freddie Mac. Nationally, over 300 approved lenders are eligible to purchase GRH loans.
- Oregon State and Area Rural Development offices are available for training and outreach assistance.
- RD’s Guarantee provides better loss protection than private mortgage insurance (PMI)!

### MAXIMUM BENEFITS TO THE LENDER & CLIENT WITH LESS COST!



Complete Rural Development Instruction 1980-D and Administrative Notices are available online:  
<http://www.rurdev.usda.gov/RegulationsAndGuidance.html>

# Why use a USDA RD Guaranteed Loan?

## 100 Percent Financing

The USDA RD Guaranteed Rural Housing Program has 100 percent guaranteed financing. It can help you grow your business by assisting many more clients. As a lender you are guiding individuals and families through one of the largest purchases of their lives. Pay special attention to the next few pages to see how you can help your clients reach their homeownership, wealth building, debt reduction, and retirement planning goals with the help of RD guaranteed financing.



**Serve the majority of your clients with 100% guaranteed financing!**

## Generous Income Limits

“Adjusted” household income refers to the gross income applicants earn minus eligible deductions. Adjusted income limits will change depending upon the county in which the home is located. Lenders can easily qualify more clients with larger incomes for guaranteed financing by utilizing eligible deductions, while at the same time using the entire gross income to qualify them for the principal, interest, taxes and insurance (PITI) ratio.

## No Maximum Purchase Price Limits

Clients can buy the home they qualify for. RD can provide assistance to clients who qualify under the flexible and expanded payment terms. Educate your real estate partners to advertise 100 percent guaranteed financing to sell more updated and new homes today.

## Maximize Buying Power

Rural Development allows 2-1-0 buydowns, mortgage credit certificates (MCCs), seller concessions, down payment assistance, gifts, grants, etc. Layer programs to help your clients get the best financing possible.

## Be A Trusted Advisor

Buying a home is the largest asset and debt decision that most clients make. Be sure to examine all aspects of 100 percent guaranteed financing not only for first time buyers, but move-up



homebuyers as well. Do they have debts to payoff, little to no retirement savings, college plans for their children? Do they contribute to their 401(k)? There is a lot your clients can do with “down payment money” that could be utilized for other goals while they still get the home they want with the most affordable terms through 100 percent guaranteed Rural Development financing!

# USDA RD Guaranteed Loan Process

Pre-Qualify Borrower



Pre-Qualify Property



Formal Interview, Application  
and Documentation



Appraisal



Submit a Complete Loan Package to be  
Processed and Underwritten



Loan Package is Underwritten  
and Reviewed



Close and Fund the Loan



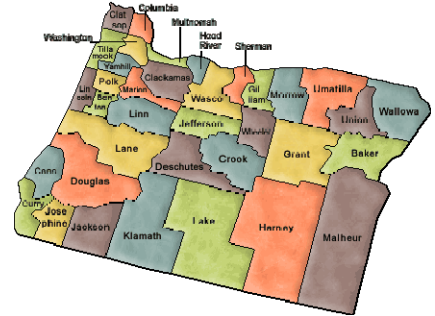
Get Keys to New Home!



# Pre-Qualify Property and Borrower

## Property Eligibility

1. Log onto <http://eligibility.sc.egov.usda.gov/eligibility/>.
2. On left side menu, find Property eligibility, click on “Single Family.”
3. “Accept” Property Eligibility Disclaimer.”
4. If you have a specific address, type in the complete address.
5. Click “Get Map.”
6. The address will be mapped to its exact location. It will also indicate whether the address is in an eligible area.



## Borrower Eligibility

In order to pre-qualify a borrower, their eligibility for the program needs to be determined. Eligibility is based on Rural Developments review of two types of income:

1. Adjusted Household Income
2. Repayment Income (Gross Earnings)

Adjusted income limits for each county may be accessed at <http://eligibility.sc.egov.usda.gov/>

## Adjusted Household Income Limits

1. Log onto <http://eligibility.sc.egov.usda.gov/eligibility/>. (Same site as property eligibility).
1. On left menu under Income Limits select “Guaranteed Loan.”
2. Select Oregon from the list of states.
3. The tables list the ADJUSTED Annual Income Limits for each county.
4. For ease of use, print this list.
5. Income limits are typically updated every year in April.

### Annual Income

Annual income is the income of all adults (above age 18) that will be residing in the house. RD Instruction 1980-D contains more detailed information. This income is used to determine if a client is “Income” eligible for the program.

## Adjusted Household Income Tutorial

Income adjustments can be made for dependents, childcare, and disability expenses.

**EXAMPLE:** A family of 4 in Lake County has an annual income of \$72,000. They have deductions for 2 children, \$100/week daycare, and other monthly expenses. In this example, their ADJUSTED Annual Income is a qualifying \$65,840.00.

Income limits are revised each year. Ask your lending partner to help you accurately determine adjusted annual income. And you are always welcome and encouraged to call your State and Area Office for assistance.

# Income and Deductions

## Eligible Deductions

Common adjustments to the gross income include:

1. \$480 deduction for each child under age 18.
2. Verified childcare expenses. Receipts from daycare, signed letters from babysitters, grandmothers, etc., stating weekly/monthly payment.
3. \$480 deduction for disabled members of family applicants age 18 or older, other than the applicant, spouse or co-applicant.
4. \$480 for a full-time student age 18 or older.
5. \$400 deduction for any elderly family as defined in RD instruction 1980-D section 302(a).
6. A deduction for the care of minors 12 years of age or under, to the extent necessary to enable a member of the family to be gainfully employed.

A deduction of the amount by which the aggregate of the following expenses of the household exceeds 3 percent of the gross annual income: medical expenses for elderly family, reasonable attendant care, and auxiliary apparatus expenses for disabled household members.

For greater detail please see RD Instruction 1980.348. If you have questions regarding expenses that you feel should qualify, please call your local RD office for further assistance.

## Adjusted Income

**TRANSLATES INTO MORE CLIENTS  
QUALIFYING TODAY!**

**Adjusted income is the clients GROSS annual income MINUS eligible deductions.**

Won't the "adjusted" income hurt the client when determining how large a home they can buy or build?

**NO!**

Lenders will use the GROSS income figure (\$72,000 in our example on the previous page) for ratio and qualification purposes.

On Form 1980-21 request for a single family housing loan guarantee:

1. List the GROSS income (\$72,000) on line 6
2. List the "ADJUSTED" income (\$65,840) on line 7.

### Household Income

The income of **all adults** (above age 18) that will be residing in the house. RD Instruction 1980.347 contains more detailed information on annual income.

## Guaranteed Financing in Action!

- Family of 4, children ages 3 and 9, \$72,000/year income
- Want to purchase a \$200,000 home in Pendleton
- Monthly debts - Car \$230, car \$300, student loan \$100, visa \$50, MasterCard \$20, Best Buy card \$30 = Total \$730

**Do They  
Qualify?**

\$72,000/year  
(960)  
(5,200)  
65,840

Is OVER the adjusted income limit of \$69,600.  
2 children X \$480 deduction  
Daycare - \$100 per week X 52 weeks  
"Adjusted Income"

**They  
Qualify!**

## Repayment Income

**This is a separate calculation from the adjusted annual income.**

**The repayment income will be the clients' GROSS ANNUAL INCOME.**

Repayment income includes:

- All income that is considered to be stable and dependable.
- Only the income of the individual(s) signing the promissory note.

**Lender Note: If you have two people who will reside in the home, but only one of them is on the loan application you will calculate the “adjusted” income using BOTH incomes, but you will only use the gross income of the client on the application for “repayment” income.**

- Income that is anticipated to last for at least 24 months.
- Income may be based on projected income when determining base earnings. However, most underwriters use historical information from the previous 24 months to determine projected income from overtime, profit sharing, bonus, tips, commissions, part time work, seasonal employment, unemployment compensation, and self-employment as per RD Instruction 1980.347 page 39.
- Historical income that is higher than the projected income (based on current wages and YTD earnings) must be explained and documented regarding the anticipated decrease in earnings.



- Vehicle allowances provided by an employer for the applicant to acquire transportation are considered income for both adjusted and repayment purposes. Count both the income to pay for the vehicle AND the vehicle debt in the ratios.
- Pending pay increases supported with written documentation that are scheduled to occur in the near future based on the verification of employment (VOE) may be considered for repayment purposes. They may also be viewed as a compensating factor in the case that a ratio waiver is needed.

# Repayment Ratios

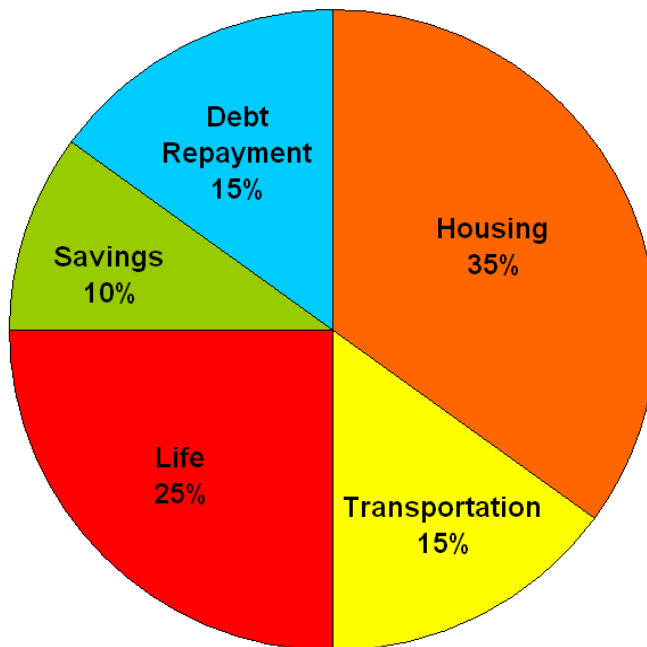
## 29 Percent Housing Ratio (PITI) and 41 Percent Total Debt Ratio (TDR)

There is no cap on the values of the ratios. Depending on the strength of the compensating factors, it is not uncommon for housing ratios to be in the mid to high 30's and for total debt ratios to be in the mid to high 40's.

### **RATIO WAIVERS MUST BE REQUESTED IN WRITING FROM RURAL DEVELOPMENT AND COMPENSATING FACTORS MUST BE IDENTIFIED.**

All debts with MORE THAN 6 MONTHLY INSTALLMENTS REMAINING SHOULD BE CONSIDERED IN THE TDR. (Student Loans in deferment for 12+ months are not counted). Other debts should be counted if they are recurring or otherwise have an impact on repayment ability.

Underwriters may request an exception to the 29/41 percent guidelines by properly documenting their compensating factors on the 1008 Underwriting Transmittal Summary form. Rural Development must grant the ratio waiver - it is not automatic.



Basic rule of thumb of spending percentages based on your take home income where housing includes monthly loan payment, tax, insurance, furnishings, maintenance and repairs.

# Underwriting Matrix

In addition to RD Instruction 1980-D, we highly recommend using the underwriting matrix found in AN 4543. The documentation matrix is designed to assist lenders and Rural Development field offices in determining the required documentation for the type of underwriting that has occurred. Lenders

who utilize the Guaranteed Underwriting System, (GUS), may submit reduced documentation needed to submit a file to Rural Development in order to obtain a Conditional Commitment for Loan Note Guarantee. However, lenders are required to retain full documentation.

Manually underwritten files require FULL documentation submittal to Rural Development to obtain a Conditional Commitment for Loan Note Guarantee. Manually underwritten files include files that were, 1) not entered into GUS, and 2) files that were submitted to GUS and received an underwriting recommendation of “REFER” or “REFER WITH CAUTION.”

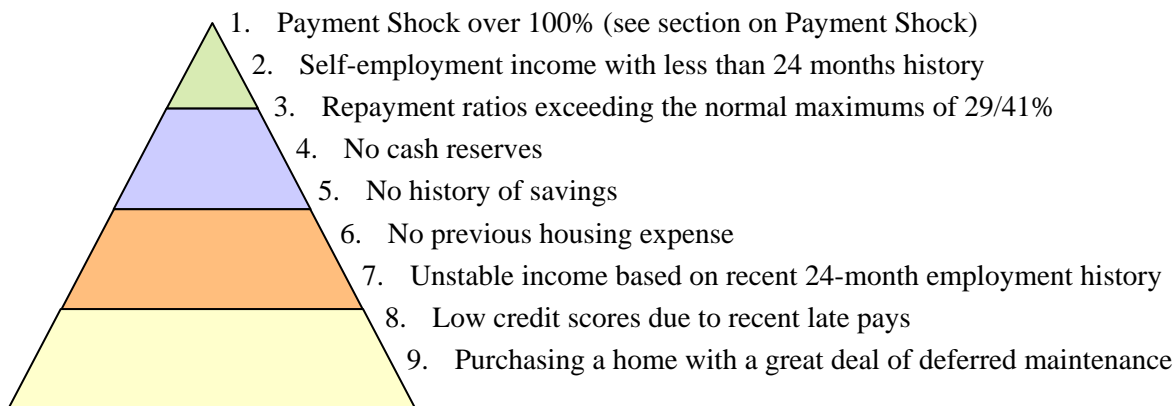
Below is an example of what you might find in the AN 4543 matrix:

GUS Accept – Submit to RD for Commitment	Documentation – Lender Case File <small>(GUS Assent)</small>	Manual UW - Submit to RD for Commitment <small>(Includes GUS Refer &amp; Refer with Caution)</small>	Documentation – Lender Case File <small>(Manual GUS Refer and GUS Refer with Caution)</small>	Topic	Documentation
		√	√	Payment Shock	<p>Payment shock is a risk layer for underwriters to consider when the Principal, Interest, Taxes, and Insurance (PITI) ratio exceeds 29% <b>and</b> the proposed mortgage payment is 100% or greater than current housing expense or the applicant has no history of housing expense.</p> <p><b>Calculation:</b> Proposed PITI ÷ Current Housing Expense - 1 = ___ x 100 = Payment Shock %</p> <p><b>Payment shock is not a risk layer if the PITI ratio is 29% or below.</b></p> <p><b>Exception:</b> Payment shock is not considered a risk layer if the PITI ratio is 31% or below on Rural Energy Plus Loans.</p>
√	√	√	√	Documentation of Qualified Alien Status	Lenders must obtain evidence and document that non U.S. citizens who apply for a guaranteed loan are qualified aliens. Lenders may contact Rural Development for assistance in verifying qualified alien status of applicants.
√	√	√	√	Form RD 1980-21, "Request for Single Family Housing Loan Guarantee"	Form RD 1980-21 must be completed (executed and dated) by the approved lender or their authorized representative and by all applicants that will be a party to the note. Multiple forms may be utilized if more than two applicants are on the loan. Rural Development will accept Form RD 1980-21 via fax, regular/overnight mail, or email. Original signatures are not required. Lenders must complete the entire form with accurate loan information and document the interest rate agreed to by the applicant(s).
√	√	√	√	Credit Alert Interactive Voice Response System (CAIVRS)	<p>Lenders must document the CAIVRS number obtained for each applicant. In the event the CAIVRS number indicates a claim has been filed for a delinquent Federal debt please refer to the section above entitled, "Credit Worthiness/Derogatory Credit: Federal Debts."</p> <p>Lenders who utilize GUS are provided with a service that automatically retrieves a CAIVRS number for each applicant upon completion of the "Borrower" application page.</p>
	√	√	√	Uniform Residential Loan Application (URLA) Form FNMA 1003/FHMLC 70	<p>A complete URLA executed by the lender and all applicants must be submitted. Rural Development will accept a copy of the final URLA signed by all parties at loan closing. The URLA must be received prior to loan note guarantee issuance.</p> <p>The Agency can retrieve the URLA from within GUS on automated applications.</p>

**Administrative Notice 4543 is available at <http://www.rurdev.usda.gov/SupportDocuments/an4543.pdf>. Under "Instructions" click on "1980-D."**

# Credit Criteria Information

## Risk Layering



## Waivers to Credit Requirements

Underwriters may consider mitigating circumstances to establish the borrower's intent for good credit when:

- The circumstances were of a temporary nature, AND were beyond the applicant's control, AND have been removed so as not to reoccur.
- The adverse action or delinquency was the result of a justifiable dispute because of defective goods or services.

Underwriters must document their credit waiver on Form 1008 or a similar underwriting worksheet.

Examples of adverse credit that must be waived by the lender's underwriter and documented when the applicant's representative credit score is less than 640, include:

- More than one 30 day late payment in the last 12 months.
- Any account converted to collection in the past 12 months.
- Any judgments outstanding in the past 12 months.
- Unpaid collection accounts with no satisfactory arrangement for payments, no matter what their age, as long as they are currently delinquent and/or due and payable.
- Any debt written off in the past 36 months.
- Two or more rent payments paid 30 days late within past 12 months.
- Foreclosure in the past 36 months.
- Bankruptcy discharged within the past 36 months.
- Unpaid tax liens or delinquent government debts (including student loans).

Refer to the "Repayment Ratio" section on page 10 of this guide for a comprehensive list of common compensating factors that can be considered by underwriters to support a credit waiver.

## Collection Accounts

It is a common underwriting practice for many conventional lenders to require the payment of unpaid collection accounts or charge off accounts prior to loan closing. If this practice is consistent with your investor's (Fannie Mae, FHLMC, and GNMA) underwriting guidelines, you should apply it to GRH loans as well.



GRH applications with representative scores over 640 for each applicant qualify for streamlined credit documentation, which would not require the payment of collection accounts prior to closing unless the lender's underwriter requires it. Rural Development does require that all judgments, garnishments or other delinquent credit that has the potential to affect the GRH loan's lien position be paid prior to closing.

The lender's underwriter is responsible for determining what collection accounts, if any, must be paid. An underwriter must determine that applicants have an acceptable credit history and document any mitigating circumstances on their underwriting transmittal if they are not requiring the payment of all collection accounts. Collection accounts enrolled in Credit Counseling are acceptable, see the section of this guide titled "Credit Counseling" on page 22 for more information.

## Credit History Verification

Rural Development accepts credit history verification through Residential Mortgage Credit Report (RMCR), Tri-Merge or Merge Mortgage Credit Report (MMCR) or Non-Traditional Mortgage Credit Report (NTMCR) which meet the standards of Fannie Mae, Freddie Mac, HUD, and FHA/VA. However, Tri-Merge reports are preferred.

Non-traditional credit history may be required as discussed above and in the "Credit Criteria" section of this guide on page 14. Lenders are expected to verify a satisfactory rent payment history (VOR) covering the past 12 months if the credit score is below 640.

Student loans, which will remain in a deferred repayment status for at least 12 months will not be counted in the Total Debt Ratio (TDR). Lenders are responsible for verifying the repayment status and repayment history of an applicant's student loans.



## Credit Score Verification

**Applicants with a credit score of 640 or above may qualify for streamlined documentation.**

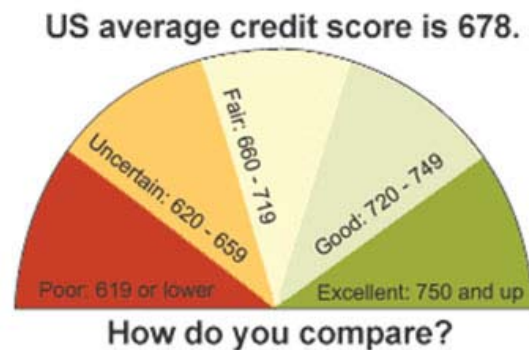
- No Verification of Rent (VOR).
- No Adverse Credit History Waiver (except for those involving a delinquent federal debt or previous agency loan)

**Applicants with credit scores under 640 should be carefully reviewed during the lender's underwriting analysis.**

- Non-Traditional Credit histories, or equivalent documentation, will have to be obtained for applicants who do not have sufficient credit information to develop credit scores.
- Examples of non-traditional credit references include but are not limited to:
  1. Car payments made directly to a car dealer
  2. Cell phones
  3. Utilities
  4. Car/Renter's insurance
  5. Lay-a-way or installment agreements made in cash
- Compensating Factors are allowed to help justify loans for borrowers who have lower credit scores yet need higher ratios and other situations. The lender's underwriter should document waivers of recent adverse credit when they are justified and list strong compensating factors. Examples of adverse credit are listed under the section titled "Waivers to Credit Requirements" on page 11 of this guide.
- Applicants with a credit score of 639 or less would statistically have a high likelihood of default on their loan. **HOWEVER**, this does not make a borrower ineligible. The loan can be considered by the underwriters. Lenders should also highlight all positive aspects of the applicant's credit and employment.
- Layered risk associated with the application should be avoided without very strong compensating factors. Examples of layered risk may be found in the section titled "Examples of Risk Layering" on page 11 of this guide.
- The credit of the primary wage earner will carry the most weight in the underwriter's decision.

Example: A co-applicant that is not employed or contributing income to the household, could have marginal credit (credit below 640). The GRH loan may still be acceptable based on the strengths of the primary applicant.

- "Spouse Only" loans are permitted. For compliance purposes, the excluded spouse's income must also be properly verified to determine the eligibility of the household.



# Compensating Factors

Rural Development is very eager to assist you in your efforts to expand homeownership to individuals who may have survived major credit issues, have very little to no credit, or need further flexibility in qualifying ratios. Compensating factors are a wonderful tool to strengthen applicant eligibility. Examples of good compensating factors to document on the 1008 Underwriting Summary include:

- Credit Score of 640 or above (no further explanation needed).
- Good job stability of two or more years at same employer. If an applicant has a history of changing jobs the underwriter should consider if it was to better their financial situation. More important to consider is if they have always been gainfully employed (no gaps due to multiple terminations, etc.).
- Lender may document that credit problems were temporary in nature and beyond the borrower's control (death of spouse, divorce, illness, loss of job, etc.).
- Low payment shock. Rent or current housing is comparable to new proposed PITI.
- Rent, utilities, cell phone, car/car insurance, child care payments can all be tracked for credit history.
- Borrower/co-borrower attended credit/homebuyer counseling.
- Borrower purchasing an energy efficient home (e.g. Energy Star Program™).
- Borrower has recently had a conservative attitude towards use of credit.
- Borrower has recent savings or reserves.
- Household receives compensation or income not reflected in effective income, but directly affecting the ability to pay the mortgage, including spousal income, second job, food stamps, and other similar public benefits.
- Trailing Spouse Income. Borrower has recently relocated and spouse has yet to secure employment, but has a history of earnings and good outlook for securing future employment.
- Borrower has potential for increased earnings, as indicated by job training or education within the borrower's profession.
- Credit problems are paid or old, and new credit has been reestablished.

## PLEASE NOTE

- **It is the underwriter's responsibility to document compensating factors for credit waivers.**
- **Ratio waiver requests directed to Rural Development also require strong compensating factors.**



## General Property Requirements

- Dwellings financed should be of a residential nature and not closely associated with farm service buildings or commercial/industrial property. *Note: Underwriters typically expect reasonable zoning compliance. A good rule of thumb is that homes lacking residential zoning should be bordered on three sides by residential types of property.*



- Non-income producing sites can be financed regardless of size as long as the contributory value of the site and other structures is less than 30 percent of the total value. The 30 percent limitation may be exceeded if the site cannot be further subdivided for residential purposes based on its current zoning and is common for the area.
- Hobby farms are not eligible for financing since they generally include income producing land and farm service structures.
- Property must be contiguous to, and have direct access from a street, public road, or driveway. Streets and roads must provide all weather access and surface (i.e. not a single lane dirt road). Shared driveways are permitted as long as the access to the property is transferable with the title to the property.
- Condominiums, Planned Unit Developments (PUD), or other dwellings served by a Home Owners Association (HOA) may be acceptable when the project has been approved or accepted by HUD, VA, FNMA, or FHLMC. *Note: The lender's underwriter is responsible for documenting the acceptability of a condominium based on secondary market criteria. Unwarrantable condos cannot be accepted.*
- First Right of Refusals in Condominium Documents CAN BE OVERLOOKED IF there is no evidence of discrimination present in the purchase contract.
- Small residential condominiums that are not served by an HOA based on the condominiums documents, may be eligible for GRH financing. *Note: The lender's underwriter must determine the acceptability of the project's condominium documents.*



**For more information on property requirements, please refer to the National Regulation RD Instruction 1980-D, paragraphs 1980.312-1980.314 available online at <http://www.rurdev.usda.gov/RegulationsAndGuidance.html>.**

# Specific Requirements by Type of Property

## Existing or New Construction Homes

- Existing and new construction (site-built) properties are eligible for End Loans and Permanent Financing only.
- Lenders must underwrite and obtain the Rural Development Conditional Commitment prior to beginning construction for GRH loans involving a Construction Contract.
- Types of new construction financing:
  - New Site Loans
  - Bridge Loans
  - Interim financing through construction process
  - 3.5 Percent Guarantee Fee
  - Closing Costs

### Common Characteristics

- Built from the ground up.
- Built entirely at home site.
- Conforms to all state, regional, and local codes of the site.

**Existing property sites without homes that have permanent financing cannot be rolled into the loan.**

## Townhouses and Condominiums

- Townhouses and condominiums must be eligible for Fannie Mae, Freddie Mac, FHA, or VA financing.
- A First Right of Refusal in condo documents and bylaws is ACCEPTABLE as long as there is no discrimination involved in selling the property (i.e. the property is listed on the MLS, there-

## Existing or New Modular Homes

USDA RD processes Guaranteed Rural Housing loans on new or existing modular homes based on the same requirements as new construction or site-built homes. Modular homes must be designed and constructed to meet the requirements of the International Residential Code, or other local code required based on its destination. Rural Development in Oregon does not require a second construction inspection (referred to as the “rough-in”) for modular homes since they are constructed and inspected while in the factory. These homes are typically delivered to the site with the interior walls enclosed.

### Common Characteristics of Modular Homes

- Built in modules at a factory.
- Built to conform to all state, local, or regional building codes at destination site.
- Modules are transported to the home site, then joined together by local contractors.
- Modular homes are placed on a permanent foundation.
- Local building inspectors check to make sure the structure meets local requirements and to ensure finish work is done properly.
- Modular homes are *sometimes* less expensive per square foot than site-built homes.
- A well-built modular home should have the same longevity as its site-built counterpart, increasing in value over time.



## NEW Manufactured Homes

**USDA RD only offers loans for NEW manufactured homes** (mobile or trailer) installed by an RD Approved Dealer-Contractor. Existing manufactured (HUD code) homes are NOT permitted unless already financed by Rural Development (GRH or Direct 502 loan). Underwriters and appraisers must determine whether the unit is a “manufactured” home.

### Common Characteristics of Manufactured Homes

- Manufactured home appearance.
- Presence of FMHCSS tag on the dwelling unit sections.
- Slab or pier foundation.
- Presence of skirting.
- Feature board walls.
- Metal structural components and chassis.
- Evidence of ownership is a title.
- Furnace and water heater are located on the main floor.
- Built in a factory and joined at their destination.
- Manufactured housing is generally less expensive than site built or modular homes.
- Manufactured homes often decrease in value over time.

### Requirements

- New manufactured homes must be purchased, installed and warranted from an agency approved Dealer-Contractor. (A list of approved Dealer/Contractors for Oregon is available from your Area Office or at <http://www.rurdev.usda.gov/or/ANor/1318.pdf>). Dealers not named on our approved list should contact the local Rural Development Office for the application and requirements for becoming an approved Dealer/Contractor.
- New manufactured homes must conform to a Federal Manufactured Home Building Code (i.e., HUD code) rather than to the building codes of their destinations.
- Dealer-Contractors must use a single construction contract to include the purchase of the home, installation of the home on a permanent foundation, and any other site development work. No “do it yourself” work by the applicant is allowed. Set up requirements can be found in the HUD Permanent Foundation Guide for Manufactured Housing (HUD - 007487).
  - The home must be permanently installed on the site with all running gear and towing equipment removed.
  - Acceptable types of foundations for manufactured homes include anchor ties to footings, full basements, crawl spaces, and concrete slabs. All foundation footings or perimeters must be frost protected and enclosed with a permanent building material such as concrete, cement blocks, or treated wood.
- The Dealer-Contractor must provide a 12 month warranty on all work completed under the construction contract, including the work completed by their sub-contractors.
- The manufactured home must be financed as real estate along with the site.
- New manufactured home titles (manufacturer’s Certificate of Origin) must be retired through escrow at the time of loan closing, surrendered to the County Assessor, and the “as improved” property must be placed on the county tax rolls.

## Property Repairs and Improvements

Property repairs and improvements to existing homes **CAN** be financed up to the “as-improved” value of the property. If major repairs are noted during an appraisal and cannot realistically be completed prior to closing, the lender may escrow 150 percent of the bid amount for materials and labor for necessary repairs. All repairs must be completed prior to USDA RD issuing the Loan Note Guarantee per RD Instruction 1980-D section 17.

Example:

Purchase Price: \$112,000  
As-Improved value: \$125,000  
New roof and new front door: \$7,000 x 150% = \$10,500  
Closing costs to roll in: \$2,500  
Total Loan = \$125,000 + Guarantee fee 3.5% = \$129,534.



**Borrower brings no money to the table!**

All of the buyers closing costs, including pre-paid expenses, may be financed up to 100 percent of the appraised value **PLUS** the one time Rural Development guarantee fee of 3.5 percent. You may add the 3.5 percent into the loan regardless of appraised value!

### Common Types of Repairs

- Septic system is deteriorated
- Furnace/AC problems
- Broken windows
- New Roof
- New or replacement siding
- Other repairs as applicable

### Requirements

- The escrow agreement must be based on a signed contract and allow for completion of the work within 120 days of commencement.
- The home must meet decent, safe, and sanitary requirements at the time of closing.
- USDA RD will not issue the loan note guarantee unless the repairs are complete.
- The escrow account may be funded with loan funds or from cash reserves from the borrower.
- Once repairs are completed, any money remaining in escrow funded with loan proceeds will be applied to the principle of the loan.
- If the client puts their own money into the escrow account, they are entitled to remaining funds.

### Important Notice

Rural Development will issue the loan note guarantee with an escrow for repairs, OR the lender may close the loan, finish the repairs, and then submit the final package for the loan note guarantee. If the lender is able to wait several days or a week to complete scheduled repairs, Rural Development will honor their commitment for a guarantee upon completion of the final inspection!

# New Home Financing and Construction Documents

Rural Development can guarantee construction-permanent loans. However, a Conditional Commitment 1980-18 needs to be issued prior to any interim construction financing. The guarantee will not be issued until the home has been completed and the closing package (including 3.5% guarantee fee) has been received by Rural Development. Lenders may apply for a Conditional Commitment to guarantee a home that is currently under construction. However, RD cannot issue the loan note until substantial construction has been completed.

## Streamlined New Construction Documentation

In the past, the Guaranteed Rural Housing program required proof of multiple inspections, even for “spec” homes. Recently however, Rural Development has introduced new guidelines which make financing new construction properties much easier than in the past.



## Spec Home Documentation

- Rural Development plan certification OR building permit.
- Footing, framing, and final inspections.
- Occupancy permit OR final inspection.
- 1 Year Builder Warranty OR 10 Year Insured Warranty (if builder wishes to sign Plan Certification).



## “Pre-Sold” Construction Documentation

Same as “Spec Home” **PLUS**:

- Plot or site plan.
- Construction or purchase contract.
- AD 1048 Debarment for builder.
  - 400 Series
  - 400-1: Equal Opportunity
  - 400-3: Notice to Applicants
  - 400-6: Compliance Statement
- EEO posters for job site.

# Documentation and Verification

## Verification of Income (VOI) for Employed Applicant with Manually Reviewed Loan

- RD form 1910-5 Verification of Employment or equivalent third party verification service plus the most recent pay stub;

OR

- Paychecks or payroll earning statement covering most recent 30 days, plus two most recent W-2s, plus a telephone verification call with employer;

OR

- Computer-generated documents with income and employment information plus two most recent W-2's plus a telephone verification call with employer.

## Verification of Income for Self-Employed Applicant with Manually Reviewed Loan

Rural Development encourages the use of the following forms to document a trend analysis for the client's business:

- Fannie Mae Form 1084: "Cash Flow Analysis" and
- Fannie Mae Form 1088: "Comparative Income Analysis"

The lender may use Fannie Mae forms or any documentation that provides the same information.

- Copies of signed individual Federal tax return – most recent two years;

OR

- IRS-issued transcripts of the borrower's tax returns with all applicable schedules.

### Calculating Business Debt

$$\begin{aligned} & \text{Net Profit} \\ & + \text{Depletion (item \#12 on tax returns Schedule C)} \\ & + \text{Depreciation (item \#13 on tax returns Schedule C or item \#16 on Schedule F)} \\ & = \text{Repayment Income} \end{aligned}$$

*Note: Business-related debts treated in this manner will not be included in the debt to income ratios since they were accounted for in the calculation of repayment income.*

## Verification of Income for Non-Applicant with Manually Reviewed Loan

Income must be verified according to the procedures outlined above for all income earning household members in order determine qualifying income for the entire household.

## Verification of OTHER Income with Manually Reviewed Loan

Other income such as alimony, military income, pension or retirement income, Social Security/disability income, unemployment and trust income must also be documented.

# Education and Counseling

## Homebuyer Education

**Lenders are encouraged, but not required to offer Homebuyer Education to their clients.**

Rural Development encourages and supports any program approved by Fannie Mae, Freddie Mac, FHA, VA, or WCDA and conducted by the lender to educate homebuyers.

The National Foundation of Credit Counseling (NFCC) publishes the “Keys to Homeownership”, an excellent homebuyer education workbook. Copies can be purchased by contacting NFCC Housing Department at (301) 589-5600, ext. 20. For a current list of organizations and locations that offer homebuyer education courses, please contact the Rural Development State Office.

In cases where live training sessions are not available, there is an option to complete a course online with eHomeAmerica (<http://www.eHomeAmerica.org>). Upon completion of the eHomeAmerica course, applicants are required to pass a test and speak with a counselor in order to receive their completion certificate.

## Credit Counseling

Oregon Rural Development WILL allow clients currently enrolled in credit counseling to be eligible for a loan through the Guaranteed program. Credit Counseling demonstrates a borrower’s initiative in resolving their debts in a responsible manner.

Rural Development would prefer the borrower have been enrolled and making timely payments for a minimum of 12 months. Canceled checks or a print out from the Debt Counseling Agency will be sufficient evidence of timely payments.

If the borrower has been in counseling for less than 12 months STRONG compensating factors must be present. (See “Compensating Factors” on page 30 of this guide for a list of the most commonly used compensating factors).

Enrollment in credit counseling also satisfies requirements for collections a borrower may have that need “satisfactory payment arrangements”. If it is a medical collection, most insurance companies or physician’s clinics will assist in payment arrangements as well.

# Appraisal Information

## Appraisal Components

USDA RD requires that each of the following components be included in the appraisal:

- Interior and exterior inspection
- Description and analysis
- Sales Comparison with minimum of 3 recent comparable sales
- Documentation that dwelling meets HUD Handbook guidelines (4905.1 and 4150.2)
- Less than 6 months old
- Cost approach is required by 1980.334(b)(1) **only** when the dwelling is less than one year old *or* the appraiser believes that the cost approach is needed as an indicator of value
- Site value
- Estimated remaining economic life
- Photos of subject front, rear, street and interior
- Photo of front view of all comparables
- Provide an adequately supported value

## Well Inspections

A local Health Department, Oregon Department of Public Health, or an Oregon Certified Lab, must test all private wells for adequacy and compliance with current state codes. Any observations of non-compliance must be noted on the report. Non-conforming wells and septic systems must be brought into compliance with current local code to ensure safe and sanitary dwellings.

Pit wells and dug wells must be brought into compliance with current USDA RD standards according to Instruction 1924-C and HUD Handbook 4150.2. Driven point wells may be eligible depending upon the well's location, type of installation, and capacity. Approximately 5 gallons per minute (GPM) for a four hour duration is considered adequate well capacity to supply a normal household.

Shared wells located on the subject property are permissible as long as the existing shared well agreement contains no adverse clauses. A shared well that is not located on the subject property may be acceptable if a HUD Shared Well Water Agreement is signed by all parties and is properly recorded.

All individual wells must be tested for bacterial and chemical contaminants that are known to cause health hazards in the area. The well water must meet the requirements of the local authority. If the local authority does not have specific requirements, the maximum contaminant levels established by the Environmental Protection Agency (EPA) will apply.

Wells with unsafe levels of nitrates or contaminants will require the installation of an individual water treatment system that has been approved by the State of Oregon. Lenders must verify that an acceptable water treatment system has been installed.

In almost all cases, basement wells are illegal and must be relocated outside the dwelling's foundation. Cisterns are also not allowed at this time.

## Septic Inspections

Septic Inspections are only needed if the appraiser or inspector requests an additional inspection.

- All types of state approved septic systems are eligible.
- If necessary, the septic inspection report must clearly describe the type of system, the adequacy of the system relative to the dwelling's size, compliance with current septic codes, and comment on any evidence of failure.
- Helpful information regarding septic inspections can be found on DEQ's website ([www.oregon.gov/DEQ/](http://www.oregon.gov/DEQ/)).

# Site Environmental Issues

## Flood Zone



Lenders must submit FEMA Form 81-93, Standard Flood Hazard Determination with each GRH Loan application. Lenders typically obtain a life of the loan certification from the provider of the determination.

Flood Insurance is required anytime an existing property is located in Zone A (100 Year Flood Zone). With Flood Insurance in place, RD will Guarantee the loan. Since Flood Insurance is typically more expensive than regular coverage, the buyer may roll the cost of the first

year premium into the loan note (as long as 103.5 percent appraised value is not exceeded).

Property located in unmapped areas (Zone D) or in communities that do not participate in the National Flood Insurance Program (NFIP) will require further investigation by Rural Development to see if these areas are eligible for financing.

USDA RD will not guarantee new construction in flood zones and typically does not provide loans for existing properties that reside within a flood plane. However, you can request a waiver with a Class 1 Environmental Assessment. Please contact the State Office for further details.

Helpful information, including Letters of Map Revision (LOMR) and Letters of Map Amendment (LOMA) can be found at the Federal Emergency Management Agency website at [www.fema.gov/mit/tsd](http://www.fema.gov/mit/tsd).

## Underground Tanks

Properties with underground storage tanks for residential use must be registered with the State of Oregon Safety and Buildings Division. Abandoned underground storage tanks must be removed from the site.

## Asbestos

If the appraiser or inspector indicates a problem, properties with asbestos on the interior of the dwelling (typically found in the heating ducts in older homes) must have the asbestos material encapsulated or removed by a qualified individual.

## Lead Based Paint

Homes built prior to 1978 are increasingly likely to contain lead-based paints. Lenders should ensure applicants for homes built before 1978 have received a copy of Addendum S—Lead Based Paint Disclosures and Acknowledgements as part of their Offer to Purchase.

## Noise Abatement

RD will not guarantee new construction or repairs for homes that reside within an airport “clear zone.”

# Loan Workflow

## Step 1

Lender originates the loan and assembles the loan package.

- Includes interview, application, credit report, verification of income forms and other supporting documentation.

## Step 2

Lender ensures the package is eligible for a Guaranteed Rural Housing loan.

- Review of property, income, credit and ratios.

## Step 3

Lender uploads loan to the Guaranteed Underwriting System and receives loan recommendations.

## Step 4

Lender assembles all forms with required signatures and submits a package to their local USDA RD area office for review.

## Step 5

USDA RD reviews the package and issues a Conditional Commitment-1980-18 describing the conditions required for closing the loan.

## Step 6

Lender closes the loan.

## Step 7

Lender submits loan closing package including all conditions, Loan Closing Report-1980-19 and a payment for the 3.5% guarantee fee.

## Step 8

USDA RD issues a Loan Note Guarantee-1980-17.

## Step 9a

Lender services the loan.

## Step 9b

Lender sells the loan to a larger bank. The larger bank begins to service the loan.

**Interview Borrower**



**Underwriter Reviews Package**



**Underwriter Uploads to GUS and Submits File to USDA**



**USDA Reviews File and Issues Conditional Commitment**



**Lender Closes Loan and Submits Closing Package to USDA**



**USDA Issues Loan Note Guarantee to Insure the Loan**

## Review of the Loan Package

Rural Development strives to review individual loan packages within 24 to 48 hours of receiving a complete (underwritten) application. Depending on the completeness of the loan package and the availability of staff, many files can be reviewed and approved the same day they are received. If a request cannot be reviewed within 48 hours, the lender will be notified by USDA RD with the reason for delay. Lenders will also be notified immediately if their application package is incomplete.



While RD is not underwriting the loan, the agency must verify that certain applicant and property compliance requirements have been met. Each loan package will be reviewed in order to verify information and confirm compliance for each of the following submissions:

- Credit waivers (when necessary)
- Household income
- Appraisal and environmental issues
- Ratio waiver documentation (when necessary)

# Loan Amounts

## Minimum Loan Amount

USDA RD does not have a minimum loan amount. However, we suggest checking with your bank, as they may have a minimum requirement.

## Maximum Loan Amount

The maximum loan amount is equal to 100 percent of the “As-Built” Appraised Value, PLUS the 3.5 percent guarantee fee.

### **NO MAXIMUM PURCHASE LIMIT ON ANY HOME!**

*Clients may buy the home that best suits their needs!*

*No predetermined purchase price limits!*

Newly constructed or spec homes that DO NOT offer a 10 year Builder’s Warranty, a building permit, or documentation of the three required construction inspections (framing/footing, rough-in, and final) are limited to 90 percent loan to value (LTV) ratio based on the appraised value.

The total debt against a property can exceed the appraised value if housing assistance for closing costs or down payment is made by a state or local agency and is secured by a “soft second.” Grants by a state or local agency for closing costs or down payment assistance are acceptable. Check with your investor or secondary marketing department for any restrictions in regards to the second liens.

The maximum amount for new GRH loans used to refinance an existing Rural Development GRH or Direct 502 loan is 101% LTV, including closing costs and a 1% guarantee fee.

**Roll those costs together for 100% financing!**

If we purchase for \$120,000 + we want to roll in \$2,000 of closing costs we have a total loan amount of \$122,000

The total of the offer price + closing costs and fees + repairs cannot be more than the appraised value.

### **CALCULATE YOUR MAXIMUM LOAN TO DETERMINE WHAT CLOSING COSTS MAY BE ROLLED IN!**

*It may be easier to work backwards:*

Appraised Value: \$125,000  
Purchase Price: - \$123,500  
Room for closing costs/repairs: \$1,500

$\$123,500 + \$1,500 \text{ closing costs} / .965 = \mathbf{\$129,534}$

This is the total loan amount the lender will request from Rural Development on the 1980-21 Request for a Guarantee. This figure includes the 3.5 percent fee.

## Calculating the 3.5% Guarantee Fee

For a home with a:

Purchase Price = \$120,000

Appraised Value = \$122,000 (AV)

The Maximum Loan Amount is:

$\$122,000(\text{AV}) / .965 = \mathbf{\$126,424}$

## Special Assessments

In most cases, special assessments for work commenced or levied prior to the date of the Offer to Purchase shall be paid by the seller. If assumed by the buyer, properties with unpaid special assessments for site improvements, street improvements, or connection to municipal sewer and water systems are limited to 100 percent LTV based on the proposed loan amount AND the unpaid balance of the special assessment as long as the total LTV does not exceed 100 percent.

# Terms

## Loan Term

USDA RD guarantees loans with a 30 Year amortization only. Shorter or longer terms are not permitted. Since there are no pre-payment penalties, additional principal payments made by the borrower will shorten the loan's amortization period. For construction-permanent loans, the 30-year term begins the date of the loan modification to the permanent terms.

Rural Development does not offer adjustable rate mortgages (ARMs) because the payment the clients qualify for today is the payment that Rural Development wants them to be able to afford 2, 3, and 7 years from now.

## Interest Rate

The maximum interest rate charged on GRH loans may not be more than the lender's published or advertised rate for Fannie Mae or the VA rate with no discount points, whichever is higher. Most investors provide a daily rate schedule. GRH loan applications may be submitted to Rural Development with a floating or locked interest rate. Conditional Commitments issued by Rural Development on applications with floating rates will always be at the lesser of the lender's proposed rate or the current Fannie Mae rate.



The interest rate, when locked by the applicant and lender must be at an eligible rate of interest as defined above. If a lender locks an eligible interest rate that is higher than the rate shown on their Conditional Commitment, a revised Conditional Commitment must be obtained from Rural Development approving the higher rate.

## Real Estate Tax and Hazard Insurance Escrows

Lenders are required to collect and maintain a monthly escrow account (a trust account held in the borrower's name to pay obligations such as property taxes and insurance premiums) for the payment of Real Estate Taxes and Insurances (typically Hazard and Flood). If you are unfamiliar with setting up escrows, please allow a 2 month cushion in the account for annual tax and insurance increases.

## The Key to Changing a Loan Amount or Interest Rate

Lenders must **NOT** close a loan at an interest rate or dollar amount higher than that indicated on the Conditional Commitment without Rural Development's prior approval! Once Form RD 1980-18 (Conditional Commitment for SFH Loan Guarantee) has been issued to a lender, no increases to loan amount or interest rate are permitted without prior written agreement from USDA RD.

In order for an eligible increase in the loan amount to be approved:

- The lender must submit a revised Form 1008, and Form 1980-21 indicating the proposed use of the increase in loan funds.
- If the new repayment ratios exceed the 29/41 guidelines, the lender must request a ratio waiver as described in the "Repayment Ratios" section on page 9 of this guide.
- A revised conditional commitment form will be issued to reflect the increased loan amount approved by Rural Development.



Decreases in the loan amount or interest rate **DO NOT** require Rural Development concurrence.

## 2/1 Buydown Requests

- A funded buydown account is designed to improve the applicant's repayment ability. Lenders should be cognizant of educating clients about how to prepare to meet the expected increases in loan payment.
- The maximum reduction which may be considered is 3.5 percent below the note rate. Reductions in buydown assistance may not result in an increase in the interest rate paid by the borrower of more than 1 percent per year. Buy down periods must be at least 12 months for each 1percent of the buy down.
- No additional risk layering should be allowed in cases where payment shock is 100 percent or more OR in cases where the applicant did not have prior housing expenses.
- USDA RD will consider buydown accounts when there are compensating factors which indicate the borrower's ability to meet the expected increases in loan payment.

### Buydown in Action

**Bob's Gross Salary: \$40,000**

**Bob's Monthly Debts: \$300 car payment, \$100 student loan, \$20 visa = \$420**

Rural Development offers expanded qualifying ratios of 29/41 percent. Based on Bob's gross income he can afford a home around \$120,000. But Bob has fallen in love with a more expensive house and one that best meets his needs. A home for \$130,000 puts his ratios at 32/45.

#### **BOB'S LENDER SUGGESTS A BUYDOWN!**

Bob purchases the home at the list price of \$130,000 and the seller contributes 2.5 percent towards the buy down, closing costs, etc. (Seller nets \$126,750: a 97.5% sales price—well within reason).

Year 1: 4% interest rate

Year 2: 5% interest rate

Year 3: 6% interest rate - LOCKS

Bob can now qualify for the home with an interest rate of 6 percent and a temporary buy down to 4 percent. His personal contribution of 2.5 percent and the agencies' loan guarantee at a 6 percent interest rate combine to bring Bob's ratios down to 27/40. He is **APPROVED!**

# General Loan Information

## Loan Closing

**Do NOT submit the 1980-19, Guaranteed Loan Closing Report until both your underwriter's and Rural Development's conditions have been satisfied.**

Use the following list as a guideline for ensuring all conditions have been met.

- Make certain that the loan amount and interest rate matches (or is less than) the amount and rate shown on the Conditional Commitment.
- Make sure the Guarantee Fee is 3.5 percent of the **FINAL** loan amount for purchase transactions or 1 percent for refinance transactions.
- Submit the closing package and guarantee fee to the Rural Development office responsible for issuing the Conditional Commitment.
- Upon receiving Form RD 1980-17, "Loan Note Guarantee" from Rural Development, attach it to the original promissory note as evidence of the guarantee.



## Loan Note Guarantee Coverage

Rural Development's guarantee provides lenders with better protection than most types of mortgage insurance at a lower cost to the applicant. Because of the high quality of our guarantee, GRH loans are saleable on the secondary market resulting in good value for both lenders and homebuyers.

Lenders are protected 100 percent on the first 35 percent of the original loan amount. Any loss in excess of the first 35 percent is covered by an 85 percent guarantee. The maximum loss payable is 90 percent of the original principal borrowed. The following briefly explains the loss claim process.

1. Add all unpaid accrued interest, principal, foreclosure costs, REO costs, interest from foreclosure date to REO sale (maximum of 6 months), and all REO sales expense to determine gross investment.
2. Subtract gross REO sale price from gross investment to determine the loss.
3. Multiply the original loan by 35 percent.
4. Rural Development pays the *lesser* of all loss as calculated in Steps 1 and 2, or 35 percent of the original loan. RD pays 85 percent of any loss remaining unpaid from Step 3.

For more information on electronic reporting, loss claims and the servicing of GRH loans follow the Loan Servicing and Loss Claims link located on the GRH Website Homepage at [http://www.rurdev.usda.gov/rhs/sfh/GSFH\\_Information/lenders.htm](http://www.rurdev.usda.gov/rhs/sfh/GSFH_Information/lenders.htm).

# Refinancing

## Existing Rural Development Guaranteed and Direct Loans

Refinancing is limited to existing RD Guaranteed and Direct Loans only.

## Non-Streamlined Refinancing

- NO cash out of pocket, but does require an appraisal.
- Requires an inspection confirming the property meets the current requirements of HUD Handbook 4150.2 and 4905.1.
- Can include the principal and interest of the existing loan, closing costs, lender fees and the guarantee fee of 1 percent of the loan amount to the extent that sufficient equity in the property exists, as determined by an appraisal.
- The appraised value may be exceeded only to the amount at which financing represents the 1 percent guarantee fee.
- The Guaranteed Underwriting System (GUS) may be utilized .



## Streamlined Refinancing



- Cash out of pocket is required, but NO appraisal is necessary.
- Requires an inspection confirming the property meets the current requirements of HUD Handbook 4150.2 and 4905.1.
- Accrued interest, closing costs or lender fees cannot be financed with this option.
- The loan amount cannot exceed the current principal amount of the existing loan refinanced plus the one time guarantee fee of 1 percent of the

## Guaranteed Underwriting System (GUS)

GUS is USDA RD's automated underwriting system. Lenders are able to submit guaranteed loan applications through GUS and receive instant loan recommendations. If GUS identifies risk factors, a manual underwrite may be recommended to the lender. GUS is available to all USDA RD approved lenders. The benefits of GUS for approved lenders include:

- Faster loan recommendations.
- Consistent loan recommendations nationwide.
- Objective credit risk evaluation and credit bureau interface.
- Reduced documentation submission requirements with an "accepted" status in GUS.
- Reduced underwriting and processing time.
- Automated property and income eligibility determination.
- Ability to reach a greater number of qualified clients.

## Guaranteed vs. Direct Loans

### Guaranteed Loans

- Originated by mortgage brokers, banks and credit unions.
- Underwritten and closed by an RD approved lender.
- Maximum limits are 115 percent of area median income.
- USDA RD performs the role of an insurance company.
- No subsidy which means no recapture.

### Direct Loans

- Originated by USDA Rural Development.
- USDA Rural Development performs the role of a bank.
- Maximum income limits are 80 percent of area median income.
- Limited and unpredictable funds.
- Subsidized payments.
- Subsidy recaptured at end of loan.

## Note Regarding Approved Lenders

Any lender licensed in Oregon may originate the loans and reserve funds. However, Guaranteed Rural Housing (GRH) loan packages must be submitted to Rural Development by a participating underwriting lender.

Underwriting lenders must be approved by the Oregon Rural Development State Office or by the National Office in Washington, D.C. Your local area Rural Development office can supply you with an Approved Lender application package or you may call the Oregon State Office at (503) 414-3300.

## Getting Started

1. Request GRH training from your nearest Rural Development office or by contacting the State office.
2. Consult with RD-Instruction 1980-D and AN 4543 for further guidance (see links below).
3. Educate your realtors, loan originators, processors, underwriters, and closing department.

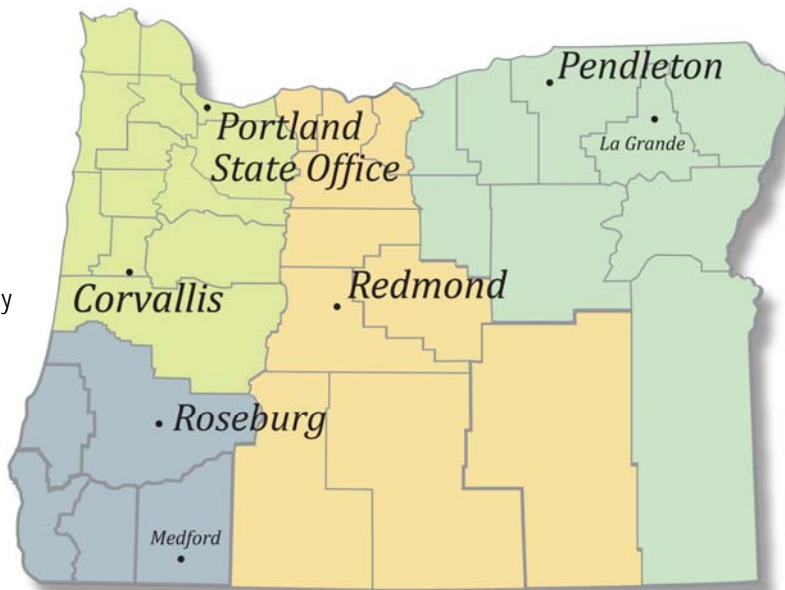
**CALL RURAL DEVELOPMENT -- ASK QUESTIONS!**

### USDA Rural Development Oregon Contact Information

**State Office**  
1201 NE Lloyd Blvd.  
Suite 801  
Portland, OR 97232  
(503) 414-3393

**Corvallis Area Office**  
4077 SW Research Way  
Corvallis, OR 97333  
(541) 753-4080

**Roseburg Area Office**  
2593 NW Kline St.  
Roseburg, OR 97471  
(541) 673-0136



**Pendleton Area Office**  
200 Hailey Ave.  
Suite 105  
Pendleton, OR 97801  
(541) 278-8049

**La Grande Satellite Office**  
1901 Adams Ave.  
Suite # 1  
La Grande, OR 97850  
(541) 963-4178

**Redmond Area Office**  
625 SE Salmon  
Suite # 5  
Redmond, OR 97756  
(541) 923-4358

## Useful Resources and Links

Resources	Links
<b>RD Instruction 1980-D—Rural Housing Loans</b>	<a href="http://www.rurdev.usda.gov/SupportDocuments/1980d.pdf">http://www.rurdev.usda.gov/SupportDocuments/1980d.pdf</a>
<b>Single Family Housing Guaranteed Loan Program Underwriting &amp; Loan Closing Documentation Matrix - AN 4543</b>	<a href="http://www.rurdev.usda.gov/SupportDocuments/an4543.pdf">http://www.rurdev.usda.gov/SupportDocuments/an4543.pdf</a>
<b>USDA Rural Development Guaranteed Rural Housing Oregon website</b>	<a href="http://www.rurdev.usda.gov/OR_sfh.html">http://www.rurdev.usda.gov/OR_sfh.html</a>
<b>USDA Rural Development Guaranteed Rural Housing national website</b>	<a href="http://www.rurdev.usda.gov/rhs/sfh/GSFH_Information/lenders.htm">http://www.rurdev.usda.gov/rhs/sfh/GSFH_Information/lenders.htm</a>
<b>USDA Rural Development Official Forms</b>	<a href="http://www.rurdev.usda.gov/regs/formstoc.html">http://www.rurdev.usda.gov/regs/formstoc.html</a>
<b>USDA RD current Administrative Notices, Instructions, Handbooks, Procedure Notices and Unnumbered Letters</b>	<a href="http://www.rurdev.usda.gov/RegulationsAndGuidance.html">http://www.rurdev.usda.gov/RegulationsAndGuidance.html</a>