

UNNUMBERED LETTERS ISSUED FOR THE MARCH OF 2011

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March 3, 2011

TO: State Directors
Rural Development

ATTENTION: Rural Housing Program Directors

FROM: Tammye Treviño (Signed by Tammy Treviño)
Administrator
Housing and Community Facilities Programs

SUBJECT: Establishing the 2011 Area Loan Limits

As outlined in 7 CFR 3550.63 (a) (1) (v), area loan limit data will be updated at least annually.

Area loan limit packages are due to the Deputy Administrator of Single Family Housing for prior approval by March 25, 2011. To prepare the packages, the National Office will furnish by e-mail the residential cost figures. The Housing and Urban Development (HUD) limits are currently available at: <https://entp.hud.gov/idapp/html/hicostlook.cfm>.

The effective date of the updated area loan limits will be April 15, 2011.

Area loan limit packages must include the following:

1. Form RD 2006-3, "Instruction and Form Justification."
2. State Instruction establishing which option was selected (refer to the 7 CFR 3550.63 and HB-1-3550, Paragraph 5.6). The instruction must include the proposed area loan limit(s) for each county. States may elect to keep their 2010 limits provided the limits were based on the residential cost figures plus the market value of an improved site and the limits still accurately reflect market conditions. In this case, the instruction would indicate that no changes are being made. In addition, a detailed justification must be provided when states elect to keep or increase their loan limits in high cost areas.

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3. If changes to the area loan limits are being proposed, additional items are required as follows:

- The spreadsheet, which will be e-mailed to the Single Family Housing Program Directors along with the residential cost figures, listing (1) typical market value of improved site; (2) figure obtained by adding the cost data to the improved site; (3) State Housing Authority (SHA) limits (if selected); (4) HUD 203(b) limit in effect as of January 1, 2011; and (5) Selected limit.
- Written explanation as to how the typical market value of an improved site in each area was derived.
- Verification of the SHA's non-targeted limits for both new and existing properties (if selected method).

Questions regarding this memorandum may be directed to Chris Ketner, Senior Loan Specialist at 202-690-1530.

Attachments: Residential Cost Figures
County List – for proposed area loan limit(s)

USDA Housing Cost 2011

ALABAMA

FIPS Code	County or Equivalent	Modest Housing Cost for 2011	
		State	1,300 Sq.Ft.
01001	Autauga	AL	\$ 124,583
01003	Baldwin	AL	124,545
01005	Barbour	AL	124,583
01007	Bibb	AL	124,583
01009	Blount	AL	124,583
01011	Bullock	AL	124,583
01013	Butler	AL	124,583
01015	Calhoun	AL	116,537
01017	Chambers	AL	112,518
01019	Cherokee	AL	119,213
01021	Chilton	AL	124,583
01023	Choctaw	AL	117,888
01025	Clarke	AL	125,949
01027	Clay	AL	116,537
01029	Cleburne	AL	116,537
01031	Coffee	AL	125,949
01033	Colbert	AL	117,888
01035	Conecuh	AL	125,949
01037	Coosa	AL	124,583
01039	Covington	AL	124,583
01041	Crenshaw	AL	124,583
01043	Cullman	AL	124,583
01045	Dale	AL	125,949
01047	Dallas	AL	112,518
01049	DeKalb	AL	119,213
01051	Elmore	AL	124,583
01053	Escambia	AL	125,949
01055	Etowah	AL	119,213
01057	Fayette	AL	117,888
01059	Franklin	AL	117,888
01061	Geneva	AL	125,949
01063	Greene	AL	117,888
01065	Hale	AL	117,888
01067	Henry	AL	125,949
01069	Houston	AL	125,949
01071	Jackson	AL	125,949
01073	Jefferson	AL	124,583
01075	Lamar	AL	117,888
01077	Lauderdale	AL	117,888
01079	Lawrence	AL	117,888
01081	Lee	AL	112,518
01083	Limestone	AL	117,888
01085	Lowndes	AL	124,583
01087	Macon	AL	124,583
01089	Madison	AL	125,949
01091	Marengo	AL	112,518
01093	Marion	AL	117,888

USDA Housing Cost 2011

ALABAMA (Cont'd.)

FIPS Code	County or Equivalent	Modest Housing Cost for 2010	
		State	1,300 Sq.Ft.
01095	Marshall	AL	\$ 124,583
01097	Mobile	AL	124,545
01099	Monroe	AL	125,949
01101	Montgomery	AL	124,583
01103	Morgan	AL	117,888
01105	Perry	AL	112,518
01107	Pickens	AL	117,888
01109	Pike	AL	124,583
01111	Randolph	AL	116,537
01113	Russell	AL	112,518
01117	Shelby	AL	124,583
01115	St. Clair	AL	124,583
01119	Sumter	AL	117,888
01121	Talladega	AL	124,583
01123	Tallapoosa	AL	124,583
01125	Tuscaloosa	AL	124,583
01127	Walker	AL	124,583
01129	Washington	AL	124,545
01131	Wilcox	AL	125,949
01133	Winston	AL	117,888
	STATE AVERAGE		\$ 121,526

SFH DIRECT STATE AREA LOAN LIMITS

State	County or Equivalent	Est. Limit - Effective 5-03-10
AL	Baldwin County	\$142,000
AL	Barbour County	\$127,000
AL	Bibb County	\$127,000
AL	Blount County	\$132,000
AL	Bullock County	\$127,000
AL	Butler County	\$127,000
AL	Calhoun	\$127,000
AL	Chambers County	\$127,000
AL	Cherokee	\$123,000
AL	Chilton County	\$132,000
AL	Choctaw	\$123,000
AL	Clarke	\$123,000
AL	Clay	\$123,000
AL	Cleburne	\$123,000
AL	Coffee County	\$127,000
AL	Colbert County	\$123,000
AL	Conecuh County	\$123,000
AL	Coosa County	\$123,000
AL	Covington County	\$127,000
AL	Crenshaw County	\$127,000
AL	Cullman County	\$127,000
AL	Dale County	\$127,000
AL	Dallas	\$127,000
AL	DEKALB COUNTY	\$127,000
AL	Elmore County	\$132,000
AL	Escambia County	\$127,000
AL	Etowah Co.	\$127,000
AL	Fayette	\$123,000
AL	Franklin Co.	\$123,000
AL	Geneva County	\$127,000
AL	Greene County	\$123,000
AL	Hale County	\$123,000
AL	Henry County	\$127,000
AL	Houston County	\$127,000
AL	JACKSON COUNTY	\$132,000
AL	Jefferson County	\$142,000
AL	Lamar	\$123,000
AL	Lauderdale co	\$123,000
AL	Lawrence co.	\$123,000
AL	Lee County	\$127,000
AL	Limestone County	\$147,000
AL	Lowndes	\$127,000
AL	Macon County	\$127,000
AL	Madison County	\$147,000
AL	Marengo	\$123,000
AL	Marion Alabama	\$123,000
AL	MARSHALL COUNTY	\$132,000
AL	Mobile County	\$142,000
AL	Monroe	\$123,000

SFH DIRECT STATE AREA LOAN LIMITS

State	County or Equivalent	Est. Limit - Effective 5-03-10
AL	Montgomery County	\$132,000
AL	Morgan County	\$147,000
AL	Perry	\$123,000
AL	Pickens	\$123,000
AL	Pike County	\$127,000
AL	Randolph	\$123,000
AL	Russell Co.	\$127,000
AL	St. Clair	\$142,000
AL	Shelby County	\$142,000
AL	Sumter County	\$123,000
AL	Talladega	\$127,000
AL	Tallapoosa County	\$127,000
AL	Tuscaloosa County	\$142,000
AL	Walker County	\$127,000
AL	Washington County	\$142,000
AL	Wilcox	\$123,000
AL	Winston County	\$123,000

March 3, 2011

TO: All State Directors
Rural Development

ATTN: Single Family Housing Program Directors

FROM: Chad Parker *(Signed by Chad Parker)*
Acting Deputy Administrator
Single Family Housing

SUBJECT: Determining Student Loan Payments for Ratio Calculations

A number of changes have occurred over the last several years with regard to student loans made in both the private and public arena. Student loan borrowers now have more varied repayment plan options. For example, Federal student loan borrowers may, if eligible, take advantage of repayment plans that use their adjusted gross income and family size to determine their monthly payment.

Under certain student loan repayment plan options, a student loan borrower could have a \$0 monthly payment and be considered in repayment status. The \$0 monthly payment is considered a payment and each \$0 monthly payment counts towards the repayment terms.

Qualifying and remaining qualified for some repayment plan options is quite complex and requires an annual review by the loan holder.

Due to the uncertainty in some of the student loan repayment plan options, the higher of the monthly student loan payment listed on the credit report or one percent (1%) of the student loan balance must be used in the Single Family Housing Direct Loan ratio calculations. This applies to all student loans regardless of status (deferred, in repayment, etc.).

The Loan Approval Official may grant an exception and use the actual monthly payment under the existing repayment plan if:

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- Lender documentation is obtained confirming that the loan status is “repayment” and the repayment plan is something other than the standard 10-year repayment plan;
- Using the higher of the monthly student loan payment listed on the credit report or one percent (1%) of the student loan balance results in a qualification amount that is insufficient to obtain modest, decent, safe and sanitary housing;
- No additional risk layering (i.e. adverse credit waivers, use of compensating factors, etc.) is allowed without strong justification; and
- The Loan Approval Official thoroughly documents their rationale for allowing the exception in the running case record.

If you have any questions regarding this memorandum, please contact Brooke Baumann of the Single Family Housing Direct Loan Division at (202) 690-4250.

March 7, 2011

TO: State Directors
Rural Development

ATTN: Multi-Family Housing Program Directors

FROM: Tammye Treviño *(Signed by Tammye Treviño)*
Administrator
Rural Housing and Community Facilities Programs

SUBJECT: Fiscal Year 2011 Site Manager of the Year Recognition Program

We are pleased to announce guidelines for our annual Multi-Family Housing Site Manager of the Year program for Fiscal Year (FY) 2011.

Awards may be presented in each of the following three categories: (1) Site Manager of the Year for Housing for the Elderly; (2) Site Manager of the Year for Housing for Families; and (3) Site Manager of the Year for Farm Labor Housing. We will choose a national winner in each of the categories this spring. The awards will be presented during the Council for Affordable and Rural Housing's 2011 Annual Meeting and Legislative Conference at Ritz-Carlton Pentagon City, Arlington, Virginia on June 12-14, 2011.

You should use the following selection criteria for making your choice in each category:

- Tenant satisfaction with the manager is high.
- Property has good curb appeal on a continuous basis.
- Manager has no incidents of noncompliance and no unresolved findings.
- Manager consistently does more than what is expected.

These criteria may be added to, but do not eliminate any. We ask that you use these primary criteria so that the program can be consistent Nationwide.

Please see the attached checklist (Attachment 2) to make sure that all items necessary for adequate judging of the entry are included. Please attach the completed checklist to your nomination package.

As in past years, if you want a certificate of recognition for your State winners signed by a National Office official, please submit Attachment 5. Do not include the certificate request in your nomination package, as it may be overlooked. This form should be sent by facsimile to (202) 720-0302.

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In those cases where you are requesting a signed certificate only, and are not entering your site manager in the national competition, please reconsider. It is well worth the time and effort of preparing a nomination package if your site manager is selected as the best in the country and is eligible to attend the awards ceremony in the Nation's capital. If you are submitting the name of someone to be considered for National Site Manager, please submit a complete package. This should include all the information you used in determining the selection at the State level, and should contain all of the items provided in Attachment 2, along with the completed checklist.

Good photographs and letters of commendation from public officials and tenants are always beneficial. The selection panel at the National Office level has only the material you submit upon which to base their determination of the winners. Use any materials at your disposal to showcase your nominee at his or her best in each category. If your candidate has done an outstanding job in an area not listed in this unnumbered letter, please do not hesitate to add that information to your nomination package.

Please be sure to address the criterion regarding compliance with Rural Development regulations.

We request that you submit your package in a three-ring binder so that no information is misplaced or overlooked. Please clearly mark your State and the category (family, elderly, or labor housing) on the nomination package. Your packages should be sent by Federal Express or similar carrier in order to be received in good condition and in a timely fashion. Address packages to: USDA Rural Housing Service, Multi-Family Housing Portfolio Management Division, Room 1263, 1400 Independence Avenue SW, Washington, DC 20250.

The deadline for receipt of nomination packages for National Site Manager of the Year is **May 13, 2011**.

It is our hope that you will continue to make this valuable program a success. If you have any questions, please call the Multi-Family Housing Portfolio Management Division at (202) 720-1603.

Attachments

1. Site Manager of the Year Recognition Program Guidelines
2. Best Section 515 or 514 Site Manager Nomination Form/Checklist with evaluation criteria
3. Sample Cover Letter Announcing Awards Program to People Who Might be Interested in Making Nominations
4. Example of Letter to Senator
5. 2011 Site Manager of the Year Award Winners National Office Certificate Request Form

SITE MANAGER OF THE YEAR RECOGNITION PROGRAM GUIDELINES

Following are guidelines and suggestions for implementing or continuing a Manager of the Year program in your State.

1. Determine who is eligible to receive the award. The idea behind this recognition program is to reward site managers who have close interaction with tenants and who deal with properties hands-on and on a daily basis. In some States, these managers live on the property they manage, while in others they live off-site and manage more than one property. Each State should decide whether it makes sense to limit the nominations to resident managers or to extend it to traveling site managers. Remember, however, that the recognition should be for an individual site manager and not owners or management companies.

2. Solicit nominations from tenants and Section 515 and 514 owners and management companies, as well as others you consider knowledgeable. The nomination process should be open so that you get the maximum number of nominations. Rural Development employees with a good knowledge of the nominee may make nominations, so long as the employee is not on the judging panel.

3. Publicize the program so as to maximize the number of nominations you get. Consider using local media resources and your local borrower associations and housing groups as well.

4. Make your selection based on the following criteria (you may add more, but at a minimum use the ones below):

- a. Tenant satisfaction with the manager is high.
- b. Property has good curb appeal on a continuous basis.
- c. Manager has no incidents of noncompliance and no unresolved findings.
- d. Manager consistently does more than what is expected.

Please use these primary criteria so that the manager recognition program can be consistent nationwide.

Attachment 2 provides the national criteria and the necessary documentation that needs to be provided. It is important that all items are addressed so that the package will be considered complete. Please attach this completed checklist to your nomination package.

5. Use a panel of representatives from different stakeholder groups to make your selections. Use panels consisting of Rural Development Multi-Family Housing (MFH) staff and management industry representatives, as well as others you think would be appropriate. Possible panelists include tenants, staff from Housing and Urban Development, a State Housing Finance Agency, a Public Housing Authority, or local civic leaders. The idea is to give an award that is recognized by a wide variety of industry and civic professionals.

6. If you have a large portfolio, you might consider using a two-phased process to make your selection. District or Area Offices could convene a panel to choose the best manager in their region and then forward the nomination package to the State Office, which could convene a panel to make the final selection.

7. Choose the best manager and submit your nomination to the National Office by **May 13, 2011**.

8. Notify the National Office of the name (or names) of the Site Managers of the Year in your State if you wish to have a certificate signed by the Administrator for your State winner(s). Send this information, as well as the name and address of the facility or facilities the manager oversees, to Norma Gavin, Multi-Family Housing Portfolio Management Division at fax number (202) 720-0302. If you are nominating your winner for the National Site Manager competition, please send (by Federal Express or similar carrier) the complete package upon which you based your determination. Please do not include your request for a certificate in your nomination package. Send it by facsimile only. Requests included in a package may be overlooked, as the nomination packages are not reviewed until immediately before judging takes place.

9. Consider presenting this award jointly with other management groups or at a State management conference. That way, you can highlight the achievements of the manager to a broad group of his or her peers. You may also consider presenting the award at a housing complex the manager oversees.

10. Take advantage of this opportunity for favorable press coverage. The manager recognition program is a chance to highlight one of the most positive aspects of our MFH program. Not only will press coverage help remind communities of how our programs help them, it will also focus their attention on one of their truly outstanding members whom they may not know. Encourage press coverage by inviting the press to your awards ceremony and by distributing press releases.

11. Let your Congressional delegation know about the winners in their districts. This gives members of Congress a chance to send a letter of recognition to the managers. It also highlights the success of our MFH program in serving communities. Attached is a sample letter you may use to send to your congressional delegation for the Site Manager of the Year program.

**BEST SECTION 515 OR 514 SITE MANAGER
NOMINATION FORM/CHECKLIST**

Please address the following criteria in the space provided. Remember, keep your answers short and to the point; however, the more letters, pictures, and documentation you can provide, the better. The nomination package should include the nomination letter summarizing nominee's qualifications and address all the following items and include attachments. This completed checklist should be attached to your nomination package. Failure to address each item will cause the package to be considered as incomplete.

Name of Nominee _____

Name of Property(s) _____

Year Began Managing at Property _____

Brief Biography of Nominee

Name of Management Company (if applicable) _____

___ I. **Tenant Satisfaction.** Overall, are tenants happy with the efforts this manager makes on their behalf and on the behalf of the housing complex? How do you know? Include photographs. Attach the following:

- ___ Letters commenting on the site manager's accomplishments from Congressmen or other officials or tenants.

___ II. **Curb Appeal.** Is the property attractively maintained and landscaped? If applicable, you may wish to discuss particular actions the manager has taken to increase the appeal of the property. Attach the following:

- ___ Pictures of grounds, buildings and signage indicating curb appeal.

___ **III. Compliance with Rural Development's regulations.** Attach the following documents:

- ___ Letter or written statement from servicing office verifying there are no incidents of noncompliance and no unresolved findings.
- ___ Copy of last supervisory visit (supervisory visit must have been completed during the nominee's tenure at property).
- ___ Copy of last compliance review. (compliance review must have been completed during the nominee's tenure at property).
- ___ Copy of most recent physical inspection report (physical inspection must have been completed during the nominee's tenure at property).

___ **IV. Actions above and beyond what is expected.** Please describe any actions this manager takes on a consistent basis which make him or her truly exceptional and outstanding. Good pictures also help in this category. Document activities such as:

- ___ Pictures of tenants engaging in activities sponsored by site manager.
- ___ Copies of publications (such as newsletters) initiated and maintained for the residents by the site manager.
- ___ Newspaper articles depicting site manager's care of tenants and property.
- ___ Articles or letters showing site manager involvement in the community.
- ___ Manager helps residents obtain additional services.

**SAMPLE COVER LETTER ANNOUNCING AWARDS PROGRAM TO PEOPLE WHO
MIGHT BE INTERESTED IN MAKING NOMINATIONS**

NOMINATOR'S NAME
NOMINATOR'S ADDRESS

Dear [NOMINATOR]:

I know you will agree with me that USDA Rural Development's Section 515 and Section 514 rental housing site managers guarantee the success of these complexes. They make sure that day-to-day operations go smoothly, and often they invest a great deal of their own free time in providing tenants with a safe and cohesive community. Although these managers would do their jobs regardless of whether they received recognition, I believe we as management industry professionals should do whatever we can to let them know we appreciate their efforts. They deserve recognition for their outstanding work, and for this reason, we are sponsoring a program to recognize the best Rural Development site manager in [STATE NAME]. I hope that you might be able to join me in this important program by nominating someone you consider to be an outstanding site manager.

Please use the attached form to nominate the manager. You will note that the form asks you to comment on three factors:

- The level of tenant satisfaction with the manager.
- The curb appeal of the manager's property.
- Compliance with Rural Development's regulations
- The manager consistently doing more than what the job requires.

Make your presentation as complete as possible. Letters from tenants, members of the community, housing groups, and others highlighting the good qualities of your nominee are encouraged. Also include any local media coverage which has occurred. Please enclose as many pictures as you like of the manager's property that depict its curb appeal. Pictures of tenant activities sponsored, encouraged, or provided by the manager are beneficial. Submit the nomination package to [ADDRESS] no later than [YOUR DEADLINE].

After we receive the nominations, we will use the following process to choose the best site manager in [STATE NAME].

[DESCRIBE YOUR EVALUATION AND SELECTION PROCESS HERE.]

We will present a plaque of recognition to the winner at a ceremony in [DATE, LOCATION, SPECIFY IF CEREMONY WILL BE HELD JOINTLY WITH SOMEONE ELSE OR AT AN ALREADY SCHEDULED CONFERENCE]. We also hope to engage the press in recognizing the exceptional efforts of the winning manager as well as all of our other great managers.

I hope that you will make the necessary effort to complete the enclosed nomination form. I can assure you that it will be worth your time.

Sincerely,
[STATE DIRECTOR]

**EXAMPLE OF LETTER TO SENATOR
[PLEASE CONSIDER A SIMILAR LETTER TO YOUR
CONGRESSIONAL DELEGATION]**

Honorable *Name of Senator*
United States Senate
110 Hart Senate Office Building
Washington, DC 20510-0103

Dear Senator XXXX:

I am writing to inform you that xxxxxx has been chosen as the (State Office) 2011 Site Manager of the Year for the USDA Rural Development Multi-Family Housing program. XXXXXXXXXXXX operates the xxxxxx Apartments in xxxxxxxx.

Rural Development administers a national loan portfolio of over 16,000 rural rental housing complexes. In partnership with our private sector and nonprofit borrowers, we house very low- and low-income rural families, elderly people, and farmworkers. The site managers of the housing complexes we finance are employees of private companies, not the U.S. Government.

The site managers guarantee the success of our housing complexes. They make sure that day-to-day operations go smoothly, and they often invest a great deal of their own free time in providing tenants with a safe and cohesive community. Although these managers would do their jobs whether or not they received recognition, we believe that as lenders and program managers we should reward excellent performance.

In this spirit, we conducted a Manager of the Year competition in each State this year. State Rural Development staffs convened panels of public and private housing management experts to choose their best site managers. They used the following criteria: 1) tenant satisfaction; 2) property curbside appeal; 3) compliance with Rural Development's regulations; and 4) consistent performance of actions above and beyond the call of duty. States could add to these criteria, but they could not change or drop any of them.

The comments we received from tenants and our State Offices are testimony to the outstanding performance of the site managers. Following are a few typical examples:

Insert actual excerpts from your nomination packages. The following are examples.

- *He makes us very proud of where we live.*
- *They are always there to help with anything you need, no matter how big or small.*
- *He shows genuine concern and really puts his heart into the job.*
- *They look after my parents when I'm not there. I don't know what I would do without them.*
- *He listens to the tenants.*
- *She enforces the rules fairly and makes us all feel safe.*
- *My friends [from outside the complex] always comment on how beautiful and well maintained our grounds and buildings are.*
- *One of the greatest things about living here is the great security I feel. Once I became ill in the middle of the night. I pulled the chain on my alarm system and the managers were in my apartment immediately.*

Attachment 4
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- *Living here is like living at a big home full of loving friends and family. Once I was too sick to go to the barbecue [which the manager had organized], so the manager brought me a plate of food and sat down to tell me who was there and what the grandkids were doing. She really made me feel included in the fun.*

Ms. xxxxxxxx is a credit to herself, the apartments she manages, her employer, her community, USDA, and the Federal Government as a whole. If you would like to recognize Ms. Xxxxxxx, you may contact her at xxxxxxxxxxx. If you have any questions or would like more information, please contact (Name of State) State Director (Name of State Director) at (State Office phone number).

Sincerely,

State Director
Rural Development

**2011 SITE MANAGER OF THE YEAR AWARD WINNERS
NATIONAL OFFICE CERTIFICATE REQUEST FORM**

Please use this form to let the National Office know who the winners were in your State, for whom you would like a certificate prepared signed by the Administrator. Please complete a separate Attachment for each award winner.

TO: MFHPMD
PHONE #: 202-720-1603
FAX #: 202-720-0302

STATE CONTACT: _____
STATE NAME: _____
PHONE #: _____
FAX #: _____

1. Name of Award Winner _____

2. Name(s) of Property/Properties He/She/They Manage(s) _____

3. Exact Name of the Category for Which He/She/They Were Chosen Winner (as it should appear on the certificate--for example, 2011 Pennsylvania Multi-Family Housing Site Manager of the Year for Elderly Housing) _____

4. Address to which the Certificate Should Be Sent (This should be someone at the State Office, so that the State Director can sign the certificate. Please include State Director's name.)

5. Date by Which You Need the Certificate _____

March 8, 2011

TO: All State Directors
Rural Development

ATTENTION: Single Family Housing Program Directors

FROM: Tammye Treviño *(Signed by Tammye Treviño)*
Administrator
Housing and Community Facilities Programs

SUBJECT: Fiscal Year (FY) 2010 Management Control Review (MCR) of the
Section 504 Loan and Grant Program

The purpose of this memorandum is to address the concerns raised as a result of the FY 2010 Management Control Review (MCR) for the Section 504 Loan and Grant Program.

MCR was conducted to assess the risk of vulnerability of inadequate controls, to determine if adequate control measures and/or objectives have been established, and to determine if these controls are functioning effectively to achieve the overall goals of the program. The MCR included both on-site reviews to state and field offices and docket reviews. There were three control objectives which were utilized as the basis of the review:

1. to ensure that applicant eligibility, income verification and credit requirements are met;
2. to ensure that property eligibility, ownership requirements, and construction standards are met;
3. to ensure funds are used for authorized eligible purposes and are fully disbursed within a timely manner.

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The MCR revealed several areas of concern involving loan and grant application processing, applicant eligibility and eligible loan and grant purposes. A discussion of each follows:

1. A lack of documentation and running case records in the application or borrower case files and the use of Attachment 12-C, of HB-1-3550, as the primary or only source of documentation in case files.

Thorough documentation is critical in the development of Section 504 Loan and Grant case files. Maintaining proper and accurate documentation adds credibility to internal and external audits, compliance regulations, statements made by the applicant/borrowers, and supports eligibility determinations. RD Instruction 2033-A, provides guidance concerning records management in Rural Development Field Offices and includes the requirement for a running case record to be maintained in both the application and borrower case files. Chapter 3, paragraph 3.6 C of HB-1-3550 requires the use of the Attachment 12-C to be used for processing all 504 applications, however, it should not to be used as a substitute for the running record. The running record should provide a detailed record of what has transpired with the applicant or borrower; the checklist is used to achieve uniformity and is to be used as a processing aid for field staff.

2. Instances of questionable uses of grant and loan funds were found which lacked documentation to explain or justify the use of those funds. Chapter 12 of HB-1-3550 provides guidance on the appropriate use of section 504 loan and grant funds. As a reminder Section 504 grant funds are to be utilized to remove health and safety hazards or to make a dwelling accessible for household members with disabilities. Loans funds are available for general repairs to improve or modernize a home as long as the dwelling remains modest. Using these funds for such things as re-roofing and repairs to stand alone garages and sheds or yard work is not allowable. If a local office encounters a questionable use of funds the loan originator should contact their Housing Program Director for guidance.
3. Chapter 3, paragraph 3.10 of HB-1-3550 requires the Loan Originator to review all applications received within 30 days to determine whether, based on the unverified information the applicant appears to be eligible for the program. Chapter 12, paragraph 12.3 of HB-1-3550 requires the Loan Originator to visit the property within 30 days of the receipt of the completed application and to take photographs during the initial visit of the property to identify essential repairs needed to remove health and safety hazards. Section 12.3 of HB-1-3550 also requires that photographs be taken after the work is completed.

If a determination of eligibility cannot be made within 30 days after the date of receipt of a completed application, or if there are additional delays in processing an application, the applicant must be notified in writing of the circumstances causing the delay and the approximate time needed to make a decision using the appropriate handbook letters in HB-1-3550.

The property should be visited within 30 days of receipt of application to document the necessary repairs. During this visit photographs are also to be taken as they aid in providing essential documentation on the condition of the property and needed repairs. Photographs taken at the completion of the work also provide a visual record of work should there later be a dispute or complaint from the grantee/borrower.

4. Chapter 12, paragraph 12.4 D of HB-1-3550 requires Form RD 1944-3, "Budget and/or Financial Statement" to be used for determining repayment ability for a loan or eligibility for a grant. We noted during the review that budgets often did not reflect all of debts as shown on the application or credit report with no documentation to explain why they were omitted or the Budgets were not signed and dated by the borrower and Loan Approval Official. A current financial statement is needed as the applicant's circumstances may have changed since loan approval/obligation and must be reviewed as part of loan approval and closing preparations. Chapter 8, paragraph 8.6 D of HB-1-3550 and E requires the Loan Approval Official to update the applicant's income and eligibility after 120 days.

Indicators of unacceptable credit are described in Chapter 4 of HB-1-3550. Although Chapter 12, paragraph 12.4 of HB-1-3550 states that general credit requirements for 504 loans and grants may be less stringent than those for Section 502 loans, third party credit verifications may be needed for questionable debts, when the applicant does not provide complete or consistent documentation to support the information provided on the application, or to resolve credit issues on a credit report. Procedures for obtaining third-party verifications are described in Chapter 3, paragraph 3.1 of HB-1-3550.

5. During the review we found a number of instances where annual, adjusted and repayment incomes were incorrectly calculated. Chapter 4 of HB-1-3550, provides instructions for calculating the various income types and which incomes to include. Attachment 4-A of HB-1-3550, is provided as a tool to aid office staff in this process and will be completed and placed in the applicant's case file. Failure to calculate income correctly may result in improper payments and unauthorized assistance to applicants.

State Directors and Single Family Housing Program Directors should insure that Local Office staff is following proper procedure when processing Section 504 applications.

Questions regarding this memorandum should be directed to Gloria Denson at (202)720-1487 or Carolyn Bell at (202)720-1532 of the Single Family Housing Direct Loan Division.

March 9, 2011

TO: State Directors, Rural Development
ATTN: Business Programs Directors
SUBJECT: Rural Microentrepreneur Assistance Program
First Quarter Funding

Business Programs is announcing direct loan and technical assistance grant selections for the first quarter of fiscal year (FY) 2011 under the Rural Microentrepreneur Assistance Program (RMAP). A listing of direct loan and technical assistance grant awards is attached for your information.

A total of \$7.35 million was available to fund RMAP projects. This includes \$5.1 million for loans, \$2.2 million for technical assistance grants, and \$10,500 for technical assistance-only grants. Carryover dollars from FY 2011 were used to fund this first round of projects. Projects considered include requests received by the first quarter application deadline for FY 2011 and unsuccessful applications from last fiscal year.

Eight direct loan/grant combo and 28 grant-only applications were considered by Business Programs. Based on the availability of funds, eight loans, eight technical assistance grants, and zero grant-only applications were selected for funding.

Projects should be obligated using Type of Assistance (TOA) codes "489" (loans) and "488" (technical assistance grants.) Procedures to obligate and close loans and grants should begin immediately. Sharepoint contains Administrative Guidance on procedures to close projects and sample Letter of Conditions for loan/grant combos.

The State Director, or designee, is delegated authority for approval and servicing of loans and grants.

EXPIRATION DATE:
September 30, 2011

FILING INSTRUCTIONS:
Community/Business Programs

Please provide appropriate notification to applicants regarding their selection or non-selection of an award. Unsuccessful applications that score 70 points or more should be retained for consideration in subsequent reviews, through a total of four quarterly reviews.

Applications unsuccessful after four quarters shall be returned and/or withdrawn from funding consideration in accordance with RD Instruction 4280-D, section 4280.317(a)(3). Any revisions in priority scoresheets that are intended for consideration in the next round of FY 2011 funding must be received in the National Office by April 30, 2011.

PANDOR H. HADJY
Deputy Administrator
Business Programs

Attachment

Rural Microentrepreneur Assistance Program Selections First Quarter FY 2011

State	Priority Score	Borrower Name	Direct Loan - TOA 489	TA Grant Amount - TOA 488	T/A-Only - TOA 487	Status Detail Code	Count
			\$ 5,102,575.97	\$ 2,243,651.00	\$ 10,500.00		
SOUTH DAKOTA	98	FOUR BANDS COMMUNITY FUND	350,000	85,647		214	1
IDAHO	88	REGION IV DEVELOPMENT ASSOC., INC.	300,000	75,000		214	1
MINNESOTA	87	SOUTHWEST INITIATIVE FOUNDATION	500,000	105,000		214	1
PENNSYLVANIA	87	THE PROGRESS FUND	500,000	100,000		214	1
PENNSYLVANIA	83	THE POTTSVILLE AREA DEV CORP. WASHINGTON HANCOCK COMMUNITY AGENCY	200,000	12,000		214	1
MAINE	82		150,000	37,500		214	1
MISSOURI	77	MO-KAN	400,000	100,000		214	1
OHIO	72	COMMUNITY ACTION COMMITTEE OF PIKE	250,000	62,500		214	1

March 14, 2011

TO: State Directors
Rural Development

ATTENTION: Rural Housing Program Directors,
Area Directors and Area Specialists

FROM: Tammye Treviño (Signed by Tammye Treviño)
Administrator
Housing and Community Facilities Programs

SUBJECT: HUD, FEMA Initiative
Making Manufactured Homes Available to Indian Tribes
At No Acquisition Cost

The purpose of this Unnumbered Letter (UL) is to clarify that Rural Development may use 502 program loan funds to cover the transportation and set up cost for these manufactured units.

The Federal Emergency Management Agency (FEMA) is making excess manufactured homes available to the U.S. Department of Housing and Urban Development (HUD) through their authority to make a direct transfer from federal agency to federal agency. Subsequently, HUD will transfer the homes to tribes that have been awarded them through an application process.

The manufactured homes are free of charge, however, there are costs associated with their transport, set up and installation, and if necessary, the retrofit of the manufactured homes. These costs will be the responsibility of the tribe. Tribes may use funds provided from HUD through the Indian Housing Block Grant (IHBG) program to pay for the cost of transporting and setting up the manufactured homes.

EXPIRATION DATE:
February 29, 2012

FILING INSTRUCTIONS:
Housing Programs

The unused manufactured housing units are single wide three bedroom units measuring 14x64. These homes were manufactured in accordance with the Manufactured Home Construction and Safety Standards set forth in 24 Code of Federal Regulations (CFR) 3280, commonly called the HUD code. The HUD code requires formaldehyde emission levels in manufactured housing not to exceed .2 parts per million (ppm) for plywood and .3 ppm for particleboard materials. The HUD standards also require that a Health Notice on formaldehyde emissions be posted in each manufactured home as required by 24 CFR 3280.309 of the Standards.

These manufactured homes have never been used and have been on the storage site for up to five years; however, they have been maintained in good condition; inspected and cleaned as needed every 30 days. Normally, we would look at the manufacturing date for considering the age of the units but based on the FEMA provided care and maintenance, and the fact that the units were never lived in, these units may be considered new.

An appraisal is required if the RHS loan is \$7,500 or more and the Agency's debt plus prior liens against the property will exceed \$15,000. If the total indebtedness against the property is less than or equal to \$15,000, an appraisal is not required if the Loan Originator is confident that the property has sufficient value to serve as adequate security. Total indebtedness includes any prior liens on the property. The Loan Originator should include a statement of the property's value in the case file whenever an appraisal is not completed.

Rural Development is pleased to be able to participate in this HUD/FEMA initiative and we encourage states to provide outreach for it, however these units must meet the requirements of Chapter 9, Section 3 "Manufactured Homes" of HB-1-3550. The units must meet thermal standards and be inspected by a qualified party to insure the unit was not damaged in the transport or set up process. The tribal entity may be considered the dealer/contractor for this initiative if they are able to demonstrate that they have the capacity to provide for the transportation, set-up and installation of the home.

We understand that this initiative may provide some challenges and the National Office is available to work with State Program staff to resolve issues. The contact person for this initiative will be Christopher Ketner of the Single Family Housing Direct Loan Division; he can be reached at (202) 690-1530, or via email at: Christopher.Ketner@wdc.usda.gov

March 15, 2011

TO: State Directors
Rural Development

ATTENTION: Rural Housing Program Directors,
Area Directors and Area Specialists

FROM: Tammye Treviño *(Signed by Tammye Treviño)*
Administrator
Housing and Community Facilities Programs

SUBJECT: Partnering to Eliminate Substandard and Inefficient Housing as
Represented by Pre 1976 Mobile Homes

In the United States, there are up to 2 million mobile homes built prior to the enactment of the national standards of the HUD Code in 1976. These homes usually represent the poorest housing conditions, are the worst energy violators, and result in excessive utility bills that are a burdensome expense for low-income families. These homes are among the nation's most energy inefficient. Most are found in economically depressed, rural areas and commonly are home to families that are near or below the poverty line. These households are often trapped in a cycle of very high energy bills with little or no resources to make efficiency improvements in their own homes. In most cases these homes have degraded to the point where it is more prudent and less costly to simply replace the home than make the sizable investment in the insulation, windows, new equipment, and energy envelope repair that would be needed.

There are a number of non-profit and governmental housing agencies making efforts to replace these old, substandard mobile homes with new ENERGY STAR manufactured homes. The benefits of their efforts are compelling, providing: substantial and sustainable energy savings and reduction in greenhouse gases, a powerful engine of job creation in the United States, and, improved affordability and financial stability for families most in need.

EXPIRATION DATE:
March 31, 2012

FILING INSTRUCTIONS:
Housing Programs

Rural Development (RD) supports the efforts of these agencies and non-profits and is committed to eliminating substandard and inefficient housing as represented by these pre 1976 mobile homes. We encourage field staff to discuss the possibility of partnering with local housing agencies and non-profits.

We understand that this initiative may provide some challenges and the National Office is available to work with State Program staff to resolve issues. The contact person for this initiative and for more information will be Christopher Ketner of the Single Family Housing Direct Loan Division; he can be reached at (202) 690-1530, or via email at:

Christopher.Ketner@wdc.usda.gov

March 15, 2011

SUBJECT: Interest Rates for Water and Waste Disposal Loans, Watershed Protection and Flood Prevention Loans, and Resource Conservation and Development Loans

TO: Rural Development State Directors,
Rural Development Managers,
and Area Directors

Language in the Consolidated Farm and Rural Development Act requires that the poverty rate and the intermediate rate be determined based on the approval date of the loan. For those loans approved on or after May 23, 2008, the poverty rate will be set at 60 percent of the market rate and the intermediate rate set at 80 percent of the market rate, adjusted to the nearest one-eighth of one percent. Following are the new interest rates for water and waste disposal loans approved on or after May 23, 2008:

Poverty Line.....increased to.....2.875%
Intermediate.....increased to.....3.750%
Market.....increased to.....4.750%

For loans approved but not closed on or before May 22, 2008, the poverty rate will remain fixed at 4.500 percent and the intermediate rate will continue to be set at one-half of the difference between the poverty line rate and the market rate. Following are the new interest rates for water and waste disposal loans approved on or before May 22, 2008:

Poverty Line.....unchanged at.....4.500%
Intermediate.....increased to.....4.625%
Market.....increased to.....4.750%

EXPIRATION DATE:
June 30, 2011

FILING INSTRUCTIONS:
Administrative/Other Programs

For this quarter, all loans approved or obligated before May 22, 2008 may be obligated at the lower market rate. These rates will be effective from April 1, 2011, through June 30, 2011.

Also, the rate for watershed protection and flood prevention loans and resource conservation and development loans is as follows:

CURRENT RATE	NEW RATE
4.250%	4.750%

Please notify appropriate personnel of these rates.

(Signed by Jonathan Adelstein)

Jonathan Adelstein
Administrator
Rural Utilities Service

Sent by Electronic Mail on 3/21/2011 at 2:00 pm by PAD.
State Directors should advise other personnel as appropriate.

March 15, 2011

TO: State Directors
Rural Development

ATTENTION: Rural Housing Program Directors,
Guaranteed Loan Coordinators,
Area Directors and Area Specialists

FROM: Tammye Treviño *(Signed by Tammye Treviño)*
Administrator
Housing and Community Facilities Programs

SUBJECT: Single Family Housing Guaranteed Loan Program
Identifying Red Flags Submitted Through the
Guaranteed Underwriting System – For Use by Agency

USDA Rural Development established the Guaranteed Underwriting System (GUS) to ensure accurate underwriting processes, consistent loan decisions, and to assist with loan portfolio management. GUS renders an underwriting recommendation based upon data entered by the approved lender. The underwriting recommendation considers multiple attributes associated with the application such as credit, capacity, collateral, property, income, applicant(s), and loan eligibility.

Approved lenders are responsible for verifying that all data entered into GUS for an underwriting recommendation is accurate and supported with retained documentation in their permanent loan file. The GUS underwriting recommendation is only as accurate as the data entered by the lender. GUS loan reviews have revealed data entry errors that may pose risks to the loan file or that may contribute to inaccurate underwriting recommendations. Data entry errors which result in gross misrepresentation of the loan or the applicant(s) are referred to as “Red Flags.” GUS loan files that exhibit red flags warrant further review by the Agency before a Conditional Commitment for Loan Note Guarantee can be issued.

EXPIRATION DATE:
March 31, 2012

FILING INSTRUCTIONS:
Housing Programs

GUS underwriting recommendations of “Refer” and “Refer with Caution” currently require a fully documented file be submitted to Rural Development. Therefore, the Agency will have all supporting documentation available to complete a review. GUS underwriting recommendations of “Accept” currently require as few as three documents to be submitted to Rural Development: Form RD 1980-21 “Request for Single Family Housing Loan Guarantee”, an appraisal report, and a flood zone determination. Additional documentation may be required to support a qualified alien, buydown request, confirm a delinquent federal debt has been paid in full or in some community property states – a credit report to support a non-purchasing spouse.

GUS does not return an automatic message when potential red flags are present. The attached “GUS Potential Red Flags” matrix has been developed in an effort to further educate the Agency regarding the accuracy of the loan application data submitted by the approved lender. It is a valuable resource to assist in identifying red flags and provides a recommended approach when an Agency employee is reviewing the commitment request and red flags are present. **The Agency may request additional supporting documentation from the approved lender for GUS loan files that receive an “Accept” underwriting recommendation and exhibit red flags.** Supporting documentation refers to the specific evidence the lender has retained to verify the data entered (e.g., a retirement statement with account balance to support 60 percent of the asset was considered in lieu of the full amount of the account balance, etc.). If multiple red flags are identified on a GUS loan file, it may become necessary for the Agency to request the full loan file for review.

In addition to the matrix, the Agency has included a comprehensive approach to review a GUS loan file in the “Employee User Guide for GUS.” GUS loan messages and their corresponding location in the GUS “Underwriting Findings Report” are detailed. The “Employee User Guide for GUS” is posted on the Agency’s internal website – SharePoint:
<https://rd.sc.egov.usda.gov/teamrd/hcfc/sfh/Single%20Family%20Housing%20Information/Forms/AllItems1.aspx>.

Select: Guaranteed Program Information / Guaranteed Underwriting System (GUS) / Employee Help.

Questions regarding this letter can be addressed by email, or telephone, to:

Kristina Zehr	kristina.zehr@wdc.usda.gov	309.452.0830, ext. 111
Debbie Terrell	debra.terrell@wdc.usda.gov	918.534.3254
Josh Rice	joshua.rice@wdc.usda.gov	304.872.1731, ext. 101



Guaranteed Underwriting System (GUS) Potential Red Flags

This matrix is designed to assist Rural Development employees with detecting data entry inconsistencies and potentially fraudulent information otherwise known as “Red Flags” when reviewing GUS loan submissions. The appearance of specific red flags may affect the underwriting recommendation rendered by GUS. Approved lenders remain responsible for the accuracy of the data entered.

Potential Red Flag	Observation	Recommended Review Action
<p align="center">Appraised Value Inconsistency</p>	<p>The appraised value entered on the “Additional Data” GUS application page does not coincide with the property value reported on the Uniform Residential Appraisal Report (URAR).</p> <p>Note: Employees may also view this discrepancy on the “GUS Underwriting Findings Report” under the “Mortgage Information” and “Property Information” sections.</p>	<ul style="list-style-type: none"> • Confirm with the lender the appraised value shown on the URAR is accurate. • From the “USDA Administration” page, release the loan back to the lender for correction. • The lender must revise their data entry in GUS to coincide with the actual appraised value reported on the URAR.

Potential Red Flag	Observation	Recommended Review Action
Assets	<p>Duplication of assets. A possible duplication of assets may have occurred (i.e., the same asset has been entered on more than one GUS application page).</p> <p>Or</p> <p>Excessive assets. The assets reported appear excessive and do not correspond with the applicant’s work history compared to retirement/savings timeline, etc.</p> <p>Or</p> <p>Assets and annual income. Net family assets as defined in RD Instruction 1980-D, Section 1980.302(a) with balances of \$5,000 or greater do not have corresponding interest or dividend income entered on the “Eligibility” GUS application page.</p>	<p>Duplication of assets:</p> <ul style="list-style-type: none"> • Rural Development should review the assets entered on the “Asset and Liabilities” GUS application page. Compare the amounts entered to data entered in the “Other Credits” section of the “Transaction Details” GUS application page. • If duplication exists, from the “USDA Administration” page, release the loan in GUS back to the lender for correction. Duplication most often occurs in reported assets (earnest money cash deposit and gifts total) that are entered again by the lender in the “Other Credits” section on the “Transaction Details” application page. <p>Excessive assets:</p> <ul style="list-style-type: none"> • Retirement assets may only be entered into GUS as 60 percent of the vested amount. Retirement accounts can only be considered an asset when the borrower has access to the account other than through retirement, separation of work, or death. If the amount entered appears to be excessive, Rural Development may request the retirement statement(s) from the lender for verification to confirm accurate data entry. Rule #30900 will display as a reminder to the lender when retirement assets are utilized in GUS. <p>Assets and annual income determination:</p> <ul style="list-style-type: none"> • Net family assets as defined in RD Instruction 1980-D, Section 1980.302(a) with balances of \$5,000 or greater must have the actual or imputed interest and/or dividend income entered on the “Eligibility” GUS application page. If the lender has not entered this income, release the loan back for correction. Asset income may be calculated per Section 1980.347(d)(3)(iii).

Potential Red Flag	Observation	Recommended Review Action
<p align="center">Borrower Name Does Not Match</p>	<p>The name on the credit report does not coincide with the name on the “Borrower” GUS application page, also reported on the “GUS Underwriting Findings Report.”</p> <p>A missing middle initial is not a red flag and does not require action by the Agency.</p>	<p>GUS will trigger rule #30682 on the “GUS Underwriting Findings Report” under the “Lender’s Required Conditions,” “Prior to Conditional Commitment” section of the report.</p> <ul style="list-style-type: none"> • Rural Development may view the credit report ordered by the lender from the “Credit Report” section on the “GUS Underwriting Findings Report.” Compare the name(s) on the credit report to the name(s) entered on the “Borrower” GUS application page. • If a discrepancy is found, the Agency must release the loan in GUS back to the lender for correction.

Potential Red Flag	Observation	Recommended Review Action
<p style="text-align: center;">CAIVRS</p>	<p>A “clear” CAIVRS (Credit Alert Interactive Voice Response System) confirmation code was not obtained for one or more applicants.</p> <p>Note: GUS performs an automatic check of CAIVRS once the “Borrower” application page in GUS is completed and saved by the lender. The CAIVRS number is displayed on the “Additional Data” GUS application page. Should the service be unavailable, the lender may utilize the action button to connect to the CAIVRS service. If CAIVRS indicates a current or previous delinquent government debt (any finding other than an “A” for “Acceptable”), message #512 will appear under the “Rural Development Required Conditions” “Prior to Conditional Commitment” section of the “GUS Underwriting Findings Report.”</p> <p>For non-GUS loans the CAIVRS service will be utilized to confirm a clear CAIVRS in GLS when the “Add Application” page is populated. This <u>may</u> result in an acceptable confirmation code.</p> <p>An applicant is not eligible for a loan guarantee if they are presently delinquent on Federal debts, per RD Instruction 1980-D, Section 1980.345(f).</p>	<p>When an acceptable CAIVRS is not retrieved, the lender must provide official documentation to Rural Development which confirms the applicant(s) is no longer liable for the Federal claim per RD Instruction 1980-D, Section 1980.345(f).</p> <p>If the documentation provided by the lender clearly indicates the applicant has no liability for the reported claim, Rural Development may continue processing the loan.</p> <ul style="list-style-type: none"> • The Agency should <u>not</u> condition for a “clear” CAIVRS. Until resolved, processing will be suspended. The official documentation must indicate the delinquency has been paid in full or otherwise resolved. An immediate update to the CAIVRS service may not occur. Depending on the Agency, CAIVRS may not update once a claim is resolved. • The documentation to support the resolved claim must be retained in lender’s permanent case file and should be an essential document in Rural Development’s Image Repository. <p>NOTE: Rural Development reports loss claims to CAIVRS. Loss claims with a loss type of “short-sale” or “deed-in-lieu” are not reported to CAIVRS. Loss claims that are subject to the Debt Collection Improvement Act (DCIA) [guarantees on/after 4/1/2003] are subject to Treasury Offset and cross-servicing indefinitely. Bankruptcy or death eliminates the borrower’s eligibility for collection by the Treasury on behalf of the Agency. Review the GLS Loan View Detail screen for links to loss claim, treasury off-set and cross-servicing items.</p>

Potential Red Flag	Observation	Recommended Review Action
<p align="center">Federal Debts / Federal Judgments</p>	<p>The presence of <u>Federal</u> debts or <u>Federal</u> judgments on the credit report.</p> <p>Or</p> <p>The applicant has reported a liability in the “Declarations” section of the “Transaction Details” GUS application page.</p> <p>Note: Messages #526 and #527 regarding judgments will display on the “GUS Underwriting Findings Report.” in the “Rural Development’s Required Conditions” “Prior to Conditional Commitment” section.</p>	<p>Applicants who are delinquent or in default on Federal debts or Federal judgments must resolve the debt and provide documentation as evidence they have been released of all liability. Payment arrangements for Federal debts or Federal judgments, other than those obtained in the United States Tax Court, are not acceptable.</p> <ul style="list-style-type: none"> • Rural Development must review documentation submitted by the lender to confirm the applicant meets RD Instruction 1980-D, Section 1980.345(f).
<p align="center">Income</p>	<p>Employment Income of Less than 24 months. One or more of the applicants do not have a two year employment history as recorded on the “Employment” GUS application page.</p> <p>Or</p> <p>Possible Erroneous Income Calculation. The income entered on the “Eligibility” application page is less than the figure entered on the “Income and Expenses” GUS application page. [Typically annual income for program eligibility exceeds and/or differs from stable and dependable income utilized for repayment purposes.] Verify if any eligible deductions were utilized for qualification purposes as these may account for the variance.</p> <p>NOTE: GUS does <u>not</u> evaluate the employment history or stability of income. It is the approved lender’s responsibility to determine if income sources entered into GUS are stable and dependable and meet the intent of RD Instruction 1980-D, Section 1980.345(c)(2)(i).</p>	<p>Employment Income of Less than 24 months. Employment periods of short duration may not demonstrate a stable and dependable repayment income source. Further clarification with the lender may be necessary or additional information to support the lender’s stable and dependable income decision may be required.</p> <p>Possible Erroneous Income Calculation. When repayment income on the “Income and Expenses” application page exceeds annual income on the “Eligibility” page of GUS, further clarification from the lender may be necessary.</p> <ul style="list-style-type: none"> • When discrepancies are noted that require correction, Rural Development must release the loan back to the lender in GUS for correction.

Liabilities Comparison

Liabilities entered in GUS do not match the liabilities listed on the credit report ordered/reissued by the approved lender in GUS.

Some examples include but are not limited to:

- Reported liabilities are missing from the credit report.
- Student loans are omitted and the credit report shows “deferred” or a balance is stated.
- \$1.00 is entered as the monthly payment for collections/judgments/liens, etc. The lender must have documentation to support \$1.00 a month repayment is correct, otherwise this is an incorrect entry.

The Agency will compare the liabilities on the credit report to the liabilities recorded on the “Asset and Liabilities” GUS application page. The credit report may be obtained from the “GUS Underwriting Findings Report.”

- If the examples such as those listed to the left are detected, release the loan back to the lender for correction.
- GUS loan files that receive an “Accept” underwriting recommendation, but the lender manually entered liabilities in GUS that were not reported on the credit report, must be downgraded to a “Refer” and require a manual underwrite. Liabilities that were not part of the credit report were not evaluated by the automated underwriting system. Standard message #622 on the “GUS Underwriting Findings Report” reminds the lender of this responsibility.

Exception: This downgrade does not apply to liabilities manually entered for debts of a non-purchasing spouse. When a property is located in a community property state, consideration of all household debts must be included in the underwriting analysis. The Agency should educate lenders to enter “spousal debt” or “NPS debt” in the “Notes” data field on the “Asset and Liabilities” application page in GUS. This downgrade also does not apply to liabilities manually entered for court ordered debts that typically do not appear on the credit report such as child support, alimony, etc.

- Encourage the lender to utilize the “auto populate” feature available on the “Credit/Underwriting” page. This will ensure all open liabilities listed on the credit report will be entered on the “Asset and Liabilities” GUS application page.

<p>Previous Agency Loss</p>	<p>The applicant(s) had a previous GRH loan in which the Agency has paid a loss.</p> <p>GUS message #510 is listed under “Rural Development Required Conditions” “Prior to Conditional Commitment” on the “GUS Underwriting Findings Report” for losses paid by the Agency electronically after April, 2003.</p> <p>Or</p> <p>Rural Development is aware of a loss payment <u>prior</u> to April 2003.</p> <p>Or</p> <p>A foreclosure is reported on the credit report which coincides with a previous loss paid on the guarantee. Foreclosures may appear on credit reports for a minimum of seven years after the event.</p>	<ul style="list-style-type: none"> • The Agency must review documentation submitted by the approved lender and determine if the previous agency loss for the applicant was due to circumstances beyond the applicant’s control and if the reason(s) for the loss no longer exists per RD Instruction 1980-D, Section 1980.345(e). • Loss claims subject to the Debt Collection Improvement Act (DCIA) [guarantees on/after 4/1/2003] are subject to Treasury Offset and cross-servicing <u>indefinitely</u>. Bankruptcy or death eliminates the borrower’s eligibility for collection by the Treasury on behalf of the Agency. An outstanding loss on a previous Agency loan currently being recovered through DCIA with an outstanding balance is a Federal debt. The applicant is not eligible for Guaranteed Loan benefits.

March 24, 2012

SUBJECT: Interest Rate for Direct Business
and Industry Loans

TO: Rural Development State Directors,
Rural Development Managers,
and Area Directors

The following interest rate is in effect April 1, 2011, through June 30, 2011.

<u>Loan Type</u>	<u>Existing Rate</u>	<u>New Rate</u>
Direct Business and Industry	3.250%	3.250%

Please notify appropriate personnel of this rate.

(Signed by Judith A. Canales)

JUDITH A. CANALES
Administrator
Business and Cooperative Programs

EXPIRATION DATE:
June 30, 2011

FILING INSTRUCTIONS:
Administrative/Other Programs

Sent by Electronic Mail on 3/31/11 at 10:00 am by PAD.
State Directors should advise other personnel as appropriate.

March 24, 2011

SUBJECT: Interest Rates for Community Facilities

TO: Rural Development State Directors,
Rural Development Managers,
and Area Directors

Effective from April 1, 2011, through June 30, 2011, the interest rates for direct community facility loans are as follows:

Poverty Line...unchanged at.....	4.500%
Intermediate...increased to.....	4.625%
Market.....increased to.....	4.750%

Please notify appropriate personnel of these rates.

(signed Tammye Trevino)

TAMMYE TREVINO
Administrator
Housing and Community Facilities Programs

EXPIRATION DATE:
June 30, 2011

FILING INSTRUCTIONS:
Administrative/Other Programs

Sent by Electronic Mail on 3/24/11 at 10:30 am by PAD.
State Directors should advise other personnel as appropriate.

March 24, 2011

SUBJECT: Interest Rate Changes for Housing Programs
and Credit Sales (Nonprogram)

TO: Rural Development State Directors,
Rural Development Managers,
and Area Directors

ATTN: Rural Housing Program Directors

The following interest rates, effective April 1, 2011, are changed as follows:

<u>Loan Type</u>	<u>Existing Rate</u>	<u>New Rate</u>
ALL LOAN TYPES		
Treasury Judgement Rate	0.260%	0.270%

The new rate shown above is as of the week ending February 25, 2011. The actual judgement rate that will be used will be the rate for the calendar week preceding the date the defendant becomes liable for interest. This rate may be found by going to the Federal Reserve website for the weekly average 1-year Constant Maturity Treasury Yield

(http://www.federalreserve.gov/releases/h15/data/Weekly_Friday_/H15_TCMNOM_Y1.txt).

RURAL HOUSING LOANS

Rural Housing (RH) 502 Very-Low or Low	4.500	4.625
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EXPIRATION DATE:
April 30, 2011

FILING INSTRUCTIONS:
Administrative/Other Programs

Single Family Housing (SFH) Nonprogram	5.000	5.125
Rural Housing Site (RH-524), Non-Self-Help	4.500	4.625
Rural Rental Housing and Rural Cooperative Housing	4.500	4.625

Please notify appropriate personnel of these rates.

(signed by Tammye Trevino)

TAMMYE TREVINO
Administrator
Housing and Community Facilities Programs

Sent by electronic mail on 3/24/2011 at 9:30 am by PAD.
State Directors should advise other personnel as appropriate.