



**United States Department of Agriculture
Rural Development
Wisconsin State Office**

August 4, 2004

SUBJECT: Wisconsin Rural Development Guaranteed Rural Housing (GRH) Update

TO: Approved GRH Lenders, Originators, and Loan Servicers

Following is important information regarding the funding status and program delivery of Wisconsin's GRH loan program. Please distribute this information to all of your branch offices, correspondent banks, or mortgage originators that originate GRH loans in Wisconsin.

URGENT!

GRH FISCAL YEAR 2004 FUNDING STATUS

URGENT!

Fiscal year to date, Wisconsin has obligated 880 GRH loans for a total of \$87.6 million. We currently have requests for Reservations of Funds exceeding \$8 million. We appreciate your continued support of the GRH program and look forward to exceeding \$100 million again this year. Your efforts with promoting opportunities for low and moderate-income rural homebuyers have pushed demand for Rural Development's GRH loan program to an all-time high. This is truly a commendable achievement and a positive development for rural Wisconsin.

Program level funding for GRH purchase loans will likely be exhausted by late August. It is expected that the Agency will not be able to fund new guarantees for purchase loans from late August until mid-October (approximately 60 days). It is anticipated that funds for the Fiscal Year 2005 GRH appropriation will be available in October, subject to enactment by Congress and approval by the President. (There are ample funds available for GRH refinance loan transactions.)

You may continue to request loan guarantee reservations for individual loans at this time. Rural Development will issue reservation confirmations for as long as funding lasts. A loan's reservation confirmation from Rural Development means that funding for that loan's guarantee is assured upon request from the lender. When funding for reservations for new loan guarantees is depleted, Rural Development will no longer be able to issue reservation confirmations, but will continue to process loan packages.

During the time from late August until mid-October, when funding is expected to be exhausted, the Agency plans to continue to accept, review, and conditionally approve loan packages from lenders until Fiscal Year 2005 appropriations are received.

These loans can be approved "subject to the availability of funds", meaning they can be closed upon Agency approval, but the loan guarantee will not be issued until funds for the guarantee are available. Loan reservations will not be required for this procedure. Further instructions will follow at a later date.

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A similar procedure was instituted successfully last fiscal year in late August. Conversations with many of the larger nationally approved lenders have indicated that they will continue to process and accept GRH loans subject to the availability of Fiscal Year 2005 funding.

Lenders should review all GRH loans currently in process that have not received a Conditional Commitment from Rural Development to determine if funds have been reserved. Form RD 1980-86, "REQUEST FOR RESERVATION OF FUNDS," must be faxed in when you have pre-qualified an applicant that has a property under contract.

ELIGIBILITY WEBSITE UPDATE

Rural Development has recently developed a website so lenders, real estate agents, and home buyers can determine if a property is in an eligible area. The web site address is: <http://eligibility.sc.egov.usda.gov/eligibility/mainervlet> This website allows you to type in a property address or click on a county and zoom in to determine if a property is located in an eligible area.

You will note that as you enter the site, you must "accept" a Property Eligibility Disclaimer. This disclaimer is necessary since not all addresses are able to be mapped, however, we expect a very high percentage of the addresses can be mapped. Some reasons why a property address may not be mapped include:

- The address is new and not yet in the national database.
- The address is not a valid 911/fire/standardized address that can be geo-coded.
- Part of the address is incorrect.
- There is an error in the national database.

We are excited about this new website and how it will assist our partners. In addition to the eligibility maps, income eligibility can also be determined. Lenders can input income and applicable deductions to determine if the applicant's household income is within the moderate income guidelines. Rural Development will continue to add features to this site as we continue to move towards an automated underwriting system for the GRH loan program.

LOAN PROCESSING & CLOSING REMIDERS

Loan Processing - Income verification for all applicants must cover at least a 24 month employment history. If you are using the "Full Doc" method, you must include a fully completed VOE and a recent paycheck stub showing YTD earnings information. "Alt. Doc" requires W-2 forms for two years, 30 days worth of recent paycheck stubs, and a verbal VOE. *(Providing complete income verifications will allow us to issue Conditional Commitments faster and with fewer loan approval conditions!)*

Loan Closing – When submitting loan closing package to Rural Development, please use the most recent version of the Closing Package Checklist that is available on our website at: <http://www.rurdev.usda.gov/wi/programs/rhs/library/GRH-Loan-Closing-Package-Checklist.pdf> (Using this checklist will help ensure that all required information is provided. This will allow us to issue the Loan Note Guarantee sooner and send it to the correct investor / individual / department, etc.)

MANUFACTURED HOME APPRAISALS

It is our understanding that both Freddie Mac and Fannie Mae now require additional appraisal documentation when financing a manufactured (HUD code) home. As a result, Fannie Mae Form 1004C, Manufactured Home Appraisal Report Addendum, is now required on GRH loans secured by manufactured homes. A complete URAR appraisal along with the 1004C addendum must be obtained from the appraiser when providing GRH financing for the purchase of a new manufactured home from a Rural Development approved dealer-contractor.

This form is attached for your viewing, but will also be available soon in the “What’s New?” folder at the GRH Loan Origination and Servicing Handbook website. The internet address for this folder is: <http://www.rurdev.usda.gov/wi/programs/rhs/grh/handbook/new.htm> We will also be updating the GRH Originator’s Handbook and the Loan Processing Checklist with this information in the near future.

If you have any questions regarding this memo, call 1-866-GRH-3600 and ask for a Guaranteed Housing Specialist.

/s/ Rand W. Bersch

for

PETER G. KOHNEN
Housing Program Director

PGK: pjb