



**Single Family Housing Direct Loan Program
Leveraged Loan Program**

United States Department of Agriculture, RHS, CALIFORNIA
PARTICIPATION LOAN FACT SHEET

Rural Housing Service (RHS), formerly Farmers Home Administration, has a new single family housing program available for the future homeowners of rural America. The concept of participation financing has been introduced as the result of a reduction in program funds. This concept has been tested and is taking off in major parts of the nation.

Comparable to our successful Guaranteed Loan Program, the lenders can sell their portion of the loan (up to 50% loan to value) to a secondary market. FNMA is the primary purchaser now and Ginnie Mae will be joining in soon.

MINIMUM REQUIREMENTS

	LENDER	RHS
Terms	30 year amortization. 15 year balloon acceptable if amortized for 30 years.	Minimum 33 year amortization.
Rate	Must be fixed. Rate is negotiable but should be reasonable in relations to the on going market rate.	Subsidized rate. Depending on the income, it may be as low as 1% effective rate.
Minimum Participation	At least 40% participation required.	The remaining portion to be financed by RHS with payment subsidy.

ADVANTAGES

Applicant

1. 100% financing.
2. Receive priority funding.
3. Receive full RHS servicing rights, including subsidy benefit which results in lower payments.
4. Impounded tax and insurance in payment.
5. Gain experience with conventional lenders.

Lenders

1. First lien on the property.
2. Credit towards CRA requirements.
3. Added protection with full RHS servicing rights of applicant.
4. Secondary market, sell up to 50% LTV to FNMA.
5. Acquire full loan customers with established track record (refinancing).

RHS

1. Make more loans with less money.
2. Deliver more programs.
3. Added protection with servicing provided by lenders.
4. Expend less subsidy.

FNMA REQUIREMENTS

1. Lenders must be FNMA approved. For FNMA approval process and its specific requirements, contact Jim Taylor at (202) 752-4085. **FNMA** regional office can be reached at **(818) 396-5338**.
2. Maximum loan amount is the applicable FHA maximum loan amount.
3. Servicing fee is 1/4 %.
4. Up to 50% LTV of the total loan could be sold to FNMA.

Eligibility

1. Income
 - At loan approval - must not exceed the applicable low income limit.
 - At loan closing - must not exceed the applicable moderate income limit.
2. Citizenship/ Legal Residence
3. Primary Residence.
 - not for the active military, unless will be discharged within a reasonable period of time.
 - not for full time student unless there is reasonable prospect of employment available in the area.
4. Legal capacity
5. Suspension or Debarment from federal programs.
6. Repayment
 - 29% PITI and 41% TD for very low income applicant
 - 33% PITI and 41% TD for low income applicant
7. Credit History
 - more than 2 debt payment of 30 plus days late within last 12 months
 - foreclosure completed within last 36 months
 - an outstanding tax liens with no satisfactory arrangement for payment
 - A court judgment within the last 12 months
 - more than 2 rent payment of 30 plus days late within last 12 months
 - outstanding collection accounts with no satisfactory arrangement for payment, or collection accounts paid in full within last 6 months
 - Agency debts that were debt settled, or are being considered for debt settlement
 - Delinquency on a federal debts

Other Issues

1. Closing Costs
 - Generally, the cost would be slightly higher than if the loan was financed 100% with direct 502 funds.
 - Closing cost can be included in the loan.
2. Forms/ Documents

The following forms can be shared between lenders and RHS:

 - Fannie Mae Form 1003 in lieu of Form RD 410-4. The applicant must complete page 6 and 7 of the 410-4 in addition to the Fannie Mae Form.

- Lender's verifications (e.g. VOE, VOB, etc...) may be used. VOEs should not be older than 90 days.
 - Form RD 1927-8, Agreement with Prior Lienholder, must be executed by the lender at closing.
 - A copy of an appraisal obtained by lender completed by a State Certified Appraiser may be accepted.
3. A copy of an appraisal obtained through the lender by a State Certified Appraiser may be accepted.
 4. Lender's credit report is acceptable.
 5. Down payments are required if applicant has non-retirement asset or liquidatable assets exceeding \$7,500 (\$10,000 for elderly families).
 6. Joint loan closing between lender and the Agency.
 7. One title policy for both loans. Lender provides a policy of Title Insurance which assures both the 1st and 2nd lien holder. RHS would only need a copy of the first lien holder's title policy.
 8. In the event that the closing of the lender's portion will be delayed, the lender must provide a commitment letter on lender's portion of the loan by the time of the Agency loan closing.
 9. The FNMA may charge the lender a fee up to 25 basis points (0.25 %) of the loan amount.

