



Committed to the future of rural communities.

# Guaranteed Loan News

April/May 2007

The official newsletter of the  
Single Family Housing Guaranteed Loan Program

## CSC centralization complete!

Guaranteed loss mitigation and claims move to St. Louis

The Single Family Housing Guaranteed Loan Program (SFHGLP) lender/servicer transition to the Centralized Servicing Center (CSC) was completed December 31, 2006. Servicing actions for loss mitigation, REO property disposition plan approval, loss claim submission, and future recovery processing are now employed directly at the Centralized Servicing Center (CSC) located in St. Louis, Missouri. Additional details of this centralization of services includes:

- Liquidation appraisals will continue to be ordered by the local Rural Development offices when requested by CSC.
- CSC may have to work directly with local Rural Development offices to perform research, inspections, or to provide unique state/county specific guidance.
- CSC will manage loss mitigation, REO property disposition approval, loss claim processing, and future/other recovery functions.
- The Deputy Chief Finance Office (DCFO) will continue to manage transfers of servicing changes, electronic funds transfers (EFTs), and monthly default/quarterly status reporting.
- Individual states will continue to be responsible for lender monitoring and compliance reviews for all State approved lenders.

CSC offers convenient submission options:

- Loss Mitigation Servicing Plans: CSC Fax Server: 314-206-2873
- REO Property Disposition Plans (PDP): CSC Email: [guarantee.svc@stl.usda.gov](mailto:guarantee.svc@stl.usda.gov)
- Guaranteed Loss Claims Processing: CSC Priority Mail:  
Centralized Servicing Center—USDA, Rural Development  
1520 Market Street, FC-225  
St. Louis, MO 63103
- Future and Other Recoveries: CSC Fax Server: 314-206-2873

Please contact CSC for all of your Guaranteed loan servicing needs at 1-866-550-5887.

### Administrative Notices released for servicing Guaranteed loans:

**AN 4259:**  
Foreclosure Sale Bids

**AN 4258:**  
Acceptable  
Liquidation Fees and  
Costs

**AN 4257:**  
Acceptable  
Foreclosure  
Timeframes



### In this issue:

- CSC update
- Four Federal Home Loan Banks announce their partnership with Rural Development
- New Interest rate cap changes for 100% Guaranteed loans
- Administrative Notices explained: 4216, 4237, 4260



## Four Federal Home Loan Banks partner with Rural Development Guaranteed program!



FHLB lenders have an affordable opportunity to expand homeownership in their communities with 100% Guaranteed financing!

USDA Rural Development is proud to welcome these Federal Home Loan Banks:

- **Chicago:** Serving Illinois and Wisconsin
- **Pittsburg:** Serving Delaware, Pennsylvania, and West Virginia
- **Topeka:** Serving Colorado, Kansas, Nebraska, and Oklahoma
- **Des Moines:** Serving Iowa, Missouri, Minnesota, North Dakota, and South Dakota

100% Guaranteed loans may now be sold under the Mortgage Partnership Finance® (MPF®) program. This new partnership offers FHLB partners a competitive 100% loan with service retained options. Qualified members include commercial banks, thrifts, insurance companies, and credit unions.

The move to become approved participating lenders surfaced as many FHLB partners expressed interest in offering this innovative product. Now four FHLB's have the ability to extend 100% financing with no monthly mortgage insurance, no maximum purchase price, flexible credit guidelines, expanded qualifying ratios, and many more benefits.

USDA Rural Development is currently in contact with all remaining FHLB's to pursue Guaranteed loan participation.

To contact the FHLB in your area log on: [www.fhlbanks.com](http://www.fhlbanks.com)

For more information on MPF® call 1-877-463-6673 or visit [www.fhlbmpf.com](http://www.fhlbmpf.com)



## Maximum Note Rate Increase

On March 21, 2007 USDA Rural Development released an update to the 1980-D regulations regarding the maximum note rate a lender may charge 100% Guaranteed clients.

**OLD MAXIMUM:** Fannie Mae 90 delivery rate plus 60 basis points

**NEW MAXIMUM:** Fannie Mae 90 day delivery rate plus 60 basis points, rounded up to the nearest quarter of one percent

To view Fannie Mae Delivery rates: [www.efanniemae.com/sf/refmaterials/hrny/](http://www.efanniemae.com/sf/refmaterials/hrny/)

### MANDATORY DELIVERY COMMITMENT — 30-YEAR FIXED RATE A / A

DATE	TIME	10-DAY	30-DAY	60-DAY	90-DAY
04/02/2007	08:15	06.10309	06.11161	06.12053	06.14093
04/03/2007	08:15	06.12500	06.13171	06.14064	06.16139
04/04/2007	08:15	06.11624	06.12285	06.13171	06.15229
04/05/2007	08:15	06.11639	06.12285	06.13183	06.15405
04/06/2007	08:15	06.12715	06.13378	06.14288	06.16521
04/09/2007	08:15	06.16528	06.17376	06.18223	06.20477
04/10/2007	08:15	06.15892	06.16813	06.18107	06.18968
04/11/2007	08:15	06.14226	06.15257	06.16104	06.17676
04/12/2007	08:15	06.15088	06.16104	06.16952	06.18538
04/13/2007	08:15	06.16952	06.17920	06.18859	06.20477

The maximum note rate for 4/13/2007

6.20477

+ 60 basis points

6.80477

Round up to the nearest quarter of one percent: **7.00% Maximum Note Rate**

1980.320 states the lender may base the rate on their published VA rate for first mortgage loans with no discount points, or the Fannie Mae rate as explained. The lender must document the rate and the date it was determined on the 1980-21 "Request for SFH Loan Guarantee" question #10.



# Administrative Notices

If you are not familiar with Administrative Notices please keep reading! USDA Rural Development's Single Family Housing Guaranteed Loan program operates from 1980-D regulations. At times the 1980-D does not adequately provide guidance on many loan origination topics, such as credit score interpretation, open collection accounts, foreclosure proceedings, etc. Administrative Notices or AN's provide additional guidance and interpretation to the 1980-D in order to assist lenders in serving more qualified guaranteed clients. A few of the most recently issued AN's are highlighted below.

## AN 4216: Treatment of Applicant Collection Accounts

Issued: 9/26/2006

Expires: 9/30/2007

- If the lender has established that there are mitigating circumstances (temporary situation, and beyond the applicant's control, and have been removed, or the account is being disputed) the **lender is responsible** to determine what collection accounts, if any, should be paid in full by the borrower prior to or at closing.
- **DOCUMENT** these mitigating circumstances in the file, on the 1008/1077 UW Transmittal Summary "UW Comments" section.
- 620 credit scores and above do not require further documentation.
- Aged collections (12 months or greater) are **not** considered a risk layer when calculating ratios.
- Paying off collections may closing or emergency funds.
- **Whether the collection account represents a greater risk or must be paid off is entirely the lender's decision, regardless of credit score.**



## AN 4237: Utilizing Credit Scores

Issued: 1/25/2007

Expires: 2/29/2008

### FICO 620 or higher:

- Streamlined documentation options now available for manually UW loans.
- No adverse credit waivers are necessary from the UW except for delinquent Federal debts or previous agency loans.
- No verification of rent history
- No action necessary for derogatory items listed in 1980.345(d) such as bankruptcies and foreclosures released less than 36 months, late payments in the past twelve months including mortgage and rent, collection accounts created in the last twelve months, collection accounts outstanding with no payment arrangements regardless of age.

### FICO scores 619 or lower:

- Still an acceptable credit risk
- UW should review more carefully and be especially cautious of layered risks such as: \* Ratio waivers \*Adverse credit history waivers \*Questionable repayment or job stability
- UW should document justification for approving loan with additional risk layers on the UW Transmittal Summary 1008/1077 including compensating factors and credit explanations.

## AN 4260: Existing Dwelling Inspections Requirements, Acceptable Origination Appraisal Forms

Issued: 3/29/2007

Expires: 4/30/2008

- 12/19/2005 HUD published changes to HUD Handbook 4150.1 and Appendix D.
- Required repairs only for those property conditions that rise above the level of cosmetic defects, minor defects, or normal wear and tear.
- FHA roster appraisers, **OR** licensed / certified appraisers (not FHA designated) deemed qualified by the lender may perform the inspection
- **OPTIONAL** dwelling inspection form is included but not required to document findings.
- "Additional comments" section is preferred for documenting any necessary or suggested repairs and thermal standard results.
- **Lenders** are reminded that they are **responsible** for the acts of their agents, including appraisers.
- Report thermal standards
- Individual water supply must be tested
- Septic inspections are not required unless there is observable evidence of system failure.
- Pest inspections are deferred to lender, appraiser, inspector, or State law.
- **Cost approach only for dwellings less than one year old.**
- **Marshall and Swift cost approach not required.**

The highlights outlined are just that—highlights. Please fully review these AN's to ensure proper understanding. **Administrative Notices are available at [www.rurdev.usda.gov/regs/an\\_list.html](http://www.rurdev.usda.gov/regs/an_list.html). The entire 1980-D regulation is available at [www.rurdev.usda.gov/regs/regs/pdf/1980d.pdf](http://www.rurdev.usda.gov/regs/regs/pdf/1980d.pdf).**

Rural Development understands that in many cases circumstances are beyond an applicants control, loss of job/spouse, medical etc. FICO scores are also not always the best indicator of an applicant's ability to be a successful homeowner. AN 4216 and 4237 were created in an effort to accommodate many of these customers.

**Rural Development emphasizes that the loan, while guaranteed by the agency, is the lender's loan. Rural Development expects the lender to make prudent underwriting decisions.**

Lenders with high first year or total delinquency ratings will be contacted for lender reviews to examine loan files in an effort to curtail delinquencies.





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## JUNE IS HOMEOWNERSHIP MONTH!

Rural Development is seeking success stories and events through our lending partners to highlight and promote the Guaranteed loan program. Contact your local Rural Development office for more information!



## Grow your business today with 100% Guaranteed financing!



Another day, another news story regarding the fallout from the subprime loan debacle. Why are so many of these homeowners in trouble? Many were put into more exotic loans to meet their unique needs. Rising rates, home prices, and construction costs have priced many homebuyers out of the market and they needed innovative (and risky) loan terms to gain homeownership.

100% Guaranteed financing from Rural Development can help you meet the unique needs of your clients with affordable terms today!

- **100% financing**, no downpayment necessary, yet they are accepted
- **No monthly mortgage insurance**: clients can afford more home
- **Flexible credit: guidelines**: Make the loans that make sense, clients are more than just a FICO score
- **Expanded qualifying ratios** of 29 / 41, ratios may be exceeded with compensating factors
- **No asset limit / no reserve minimum**
- **Fixed 30 year interest rates**, no surprise adjustments
- **Temporary and permanent buydowns allowed**, clients qualify with the flexibility of a ARM rate yet they have the stability of a thirty year fixed rate.
- **NOT LIMITED TO FIRST TIME HOMEBUYERS**
- **Many more benefits!** Contact your local Rural Development office today!

