

Feel The Love:

\$5.2 Billion available for Guaranteed Loans!

On December 26, 2007 the President signed the omnibus spending bill for fiscal year 2008. Congress appropriated \$4.2 billion in Guaranteed loan funding at a 2 percent funding fee. With carry over funds from fiscal year 2007 the Single Family Housing Guaranteed Loan Program has a total of \$5.2 billion for fiscal year 2008.

This may sound like a lot of money to obligate before September 30, 2008, however funds are going fast! Homebuyers, lenders, and real estate professionals are aware of the many benefits Guaranteed loans offer. As of January 31, 2008 the Guaranteed Loan Program has served over 13,000 homebuyers nationwide. Over 4,800 more clients have been served compared to last fiscal year.

Cupid really hit the mark with Guaranteed Financing!

- 100% financing, no downpayment required
- No monthly mortgage insurance
- No maximum purchase price
- Flexible credit and qualifying ratios
- 30 year fixed rates
- Generous adjustments to assist more homebuyers qualify
- NOT just for first time homebuyers



Fall in love with Guaranteed Financing! Contact your Rural Development office for more information today!



Calculating the Guarantee Fee:

You don't have to be a President to figure it out!



To receive all of the benefits of a Guaranteed loan there is a one time guarantee fee of 2% assessed on the total loan amount. The guarantee fee may be rolled into the loan (above the appraised value), the client may pay for it with their own funds at closing, or it can be paid with gift or grant funds, or a seller concession. How to pay for the fee is not a problem, but calculating the correct fee seems to have caused some confusion.

1. Is the 2% Guarantee fee going to be financed as part of the total loan amount?

NO: Tally your purchase price plus any allowable costs and multiply by 2%= Your correct fee

YES: Tally your purchase price plus any allowable costs and divide by .98= Your final loan amount including the 2% guarantee fee

WHY? When you finance the 2% guarantee fee into the loan, it becomes part of your total loan amount of which the 2% fee is based.

2. Try an example:

Purchase Price: \$150,000 Appraised Value: \$152,000 Closing costs included: \$2,000

(Note: The maximum loan amount is 100% of the appraised value plus the 2% guarantee fee may be rolled in above the appraised value. The difference between purchase price and appraised value may be used to include eligible loan expenses.)

Financing the Guarantee fee? NO

$\$150,000 + \$2,000 = \$152,000 \times 2\% = \$3,040$

On the 1980-21 your requested loan amount will be \$152,000

Financing the Guarantee fee? YES

$\$150,000 + \$2,000 = \$152,000 \div .98 = \$155,102.04$ this loan amount includes the one time 2% guarantee fee. To disclose the correct fee to your clients $\$155,102.04 \times 2\% = \$3,102.04$, therefore $\$155,102.04 - \$3,102.04 = \$152,000$. SEE THE FLOW?

Financing the guarantee fee into the loan amount will continue to offer your clients an affordable payment while keeping more cash in their pocket for emergencies, debt reduction, and investment purposes. Still confused? Don't chop down a cherry tree! Contact your Rural Development office. Better yet, sign up for GUS and the guarantee fee will automatically be calculated for you!



Forget the end of the rainbow!

Past Guaranteed purchases = Guaranteed refinances today!



As mortgage rates improve many Guaranteed Loan clients may benefit from refinancing their current loans. Section 502 Guaranteed and Direct loans are eligible to be refinanced as Guaranteed Loans. (Example: A MyCommunityMortgage could not be refinanced into a Guaranteed loan.) Clients must meet applicable adjusted income limits and continue to occupy the property as their primary residence.

Guaranteed refinance loans offer clients:

- Interest rate reductions, the rate of the new loan must be lower than the current rate
- 30 year loan terms
- .5% guarantee fee
- No new appraisal **IF** you only refinance the principal balance and the .5% guarantee fee.
- A new appraisal is necessary if lenders wish to include accrued interest, closing costs, and/or lender fees along with the principal balance and .5% guarantee fee. The maximum loan amount is 100% of your new appraised value plus the .5% guarantee fee may be rolled into the loan above the appraised value.
- No new property inspections are necessary.

Administrative Notice (AN) 4239 and AN 4238 further outline refinance transactions, and are located at <http://www.rurdev.usda.gov/regs>. Click on "Administrative Notices" and scroll to locate the proper notice. You may also contact your Rural Development office for more details.

Following up with previous Guaranteed loan clients could mean increased business today!



Are you smarter than a leprechaun?

Take our quiz to find out!



1. What is the correct guarantee fee for a \$175,000 purchase price, \$177,000 appraised value, \$1,800 closing costs, with 2% guarantee fee financed into the loan?
2. Bob and Susie want to refinance their Guaranteed loan. They want to include accrued interest and closing costs if possible. Do Bob and Susie need a new appraisal?
3. ABC Lender would like to offer Guaranteed financing to his clients but he is a broker and is concerned about the cost burden of audits and insurance/bonding requirements. Do brokers have to pay for any of these fees to participate in the Guaranteed program?
4. The correct guarantee fee for refinance transactions is 2%? Guaranteed True or False?
5. ABC Lender is worried that Guaranteed loan transactions will take the luck of the Irish to close within his 30 day contract timeframes. Should he be worried?

1. Answer: \$3,608.16 We are financing the fee, so therefore it is a part of our loan amount of which the fee is based. $\$175,000$ purchase price + $\$1,800$ closing costs = $\$176,800$. $\$176,800 + .98 = \$180,408.16$ This is the total loan amount to request on the 1980-21 from RD. To disclose the correct fee: $\$180,408.16 \times 2\% = \$3,608.16$
2. YES: If Bob and Susie wish to refinance more than just the principal balance of their guaranteed loan and the .5% guarantee fee they will need to secure a new appraisal. Their new maximum loan amount will be 100% of the appraised value plus the .5% guarantee fee may be financed above the appraised value. Please note that Bob and Susie will not be required to have any new property inspections for their refinance transaction.
3. NO: Brokers may participate in the Guaranteed Loan Program through any approved investor of their choice. Brokers should contact each investor to determine if they have any additional participation criteria. There are no annual fees, bonding requirements, or audit costs for any lender participating in the Guaranteed Loan Program.
4. FALSE: The correct guarantee fee for refinance transactions is .5%.
5. NO LUCK OF THE IRISH NEEDED! Guaranteed loans are originated, underwritten, and approved by participating approved lenders. Rural Development issues conditional commitments on complete and approved loan files within 24-48 hours. The progress of the loan file rests securely with the lender for 99% of the loan transaction.
- WANT TO SPEED UP YOUR GUARANTEED LOAN PROCESSING? GET TO KNOW MOW GUS! The Guaranteed Underwriting System is FREE and available for lenders to use today!**
Call your Rural Development office for more information.

For more information contact:



Illinois Guaranteed News

February/March 2008

Thank You...Thank You...Thank You!!!

Fiscal Year 2008 is gearing up to be another successful year for the Guaranteed Rural Housing program in Illinois. Over \$85 million has been obligated this year helping more than 1,000 Illinois residents become homeowners. The word has gotten out as more homebuyers, lenders and real estate professionals are utilizing the guaranteed housing program. To date, the guaranteed program has obligated over 200 more loans during FY 2008 than obligations made during the same period in FY 2007!

Our sincere thanks goes out to our lenders, appraisers and real estate professionals who are utilizing the benefits of the Guaranteed Rural Housing program!



"We're offering you an assumable mortgage. We assume you'll make the payments and you can assume we'll make your life miserable if you don't."

Guaranteed Program Delivery

As utilization of the Guaranteed Rural Housing program has increased, so has delinquency. The chart below indicates first year delinquency rates for Illinois in fiscal year 2008. From October 2007 to February 2008 the first year delinquency rate for the Guaranteed Rural Housing program has increased by 50%.

With the drastic increase in first year delinquency levels as shown in the chart below, we need your help to reverse this trend. Guaranteed Loans are the lenders loan. Lenders are responsible for underwriting loans based on credit and capacity. Rural Development must concur with any ratio waivers (above 29/41) in a file.

Ratio Waivers and Payment Shock

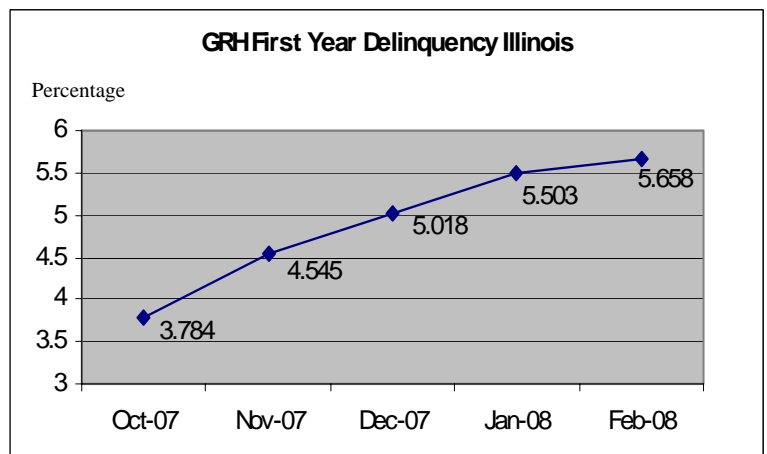
*Ratio Waivers:

- 660 FICO score and above, no further documentation
- No minimum FICO score required for ratio waiver
- Request a waiver in writing
- RD must concur and issue an approval

*Payment Shock:

- Files with 100% payment shock or higher- automatic Risk Layer.
- No housing history (lives with parents) - Automatic risk layer; use caution.

Risk Layering (Adverse Credit/Ratio Waiver, Payment Shock) =Strong Compensating Factors Required!





Committed to the future of rural communities.

For Additional Information, please contact:

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Loan Modifications...

As interest rates have decreased, questions concerning refinancing have increased. To assist borrowers with refinancing, guaranteed lenders can do loan modifications to decrease interest rates for the same term on current borrowers accounts. Loan modifications will assist customers in obtaining lower interest rates with the same term.

In order to obtain a loan modification, the Centralized Servicing Center only requires that lenders complete the Servicing Plan which can be found within administrative notice 4321. Indicate within the Servicing Plan that you are modifying a current loan and decreasing the interest rate. Fax the completed servicing plan to the Centralized Servicing Center at 314-206-2873.

Servicing Lenders....

Administrative Notice 4321

Administrative Notice 4321 introduces the availability of a one-time loss mitigation incentive for either a pre-foreclosure sale or deed-in-lieu of foreclosure, lifting the 12 month seasoning requirement for a loan modification, and clarification on lender/servicer monitoring of pre-foreclosure sale plans. Effective 12/18/2007 all lenders/servicers who assist a borrower by approving and closing either a pre-foreclosure sale or deed-in-lieu of foreclosure will receive a one time loss mitigation incentive. Check out Administrative Notice 4321 at: www.rurdev.usda.gov/regs/an/an4321.pdf.

GUS GUS...has an update for you!



The Guaranteed Underwriting System (GUS) is available to any approved lenders at this time. Several lenders have begun using the Guaranteed Underwriting System. With feedback from current lenders utilizing the system, the release date for the import feature has been pushed back. An abbreviated 1003 feature should be available Spring 2008 which will decrease the number of screens within the system. It is anticipated that the import feature will be available within the system Fall 2008. GUS in its current function is still a dual-entry system.

If you are interested in starting the sign up process to gain access to the Guaranteed Underwriting System, please contact Lindsey Rademacher at 217-403-6216 or by e-mail at Lindsey.Rademacher@il.usda.gov.

Have you checked out the Illinois Guaranteed Website lately?

www.rurdev.usda.gov/il/grh.htm

Lots of valuable information can be found on the Illinois Guaranteed Website including a Lender Handbook, servicing and loss claims information as well as information for potential applicants. Check it out today! Bookmark it as a Favorite!

