



## HOT OFF THE PRESS

### New Administrative Notices (AN's) Released!

March was a busy month for USDA Rural Development. Many Administrative Notices (AN's) were released regarding credit scores, credit history verification, and servicing protocol. Details of each AN are highlighted below. Highlights presented are not all inclusive, please refer to the entire AN for full guidance.

#### AN 4345: Applicant Traditional and Nontraditional Credit History Verification

- Nontraditional credit: 3 tradelines should be developed from rent/housing, utilities, insurance payments, school tuition, or payments to retail stores proven by canceled checks, money order receipts, or written verification from third party.
- Nontraditional credit: Additional risk layers are not advised, payments to relatives do not qualify, all written verifications must detail payment history as 0x30, 0x60, etc. Subjective statements such as "Satisfactory" or "Acceptable" are not allowed.



#### AN 4346: Utilizing Credit Scores for Underwriting Single Family Housing Guaranteed Loans

- Guidance for manually underwritten Guaranteed loan files with FICO scores below 620.
- Which FICO do I use? Three scores= middle. Two scores= lowest. One score= that score.
- 620 FICO and above for all loan applicants: Streamlined underwriting and documentation apply (no verification of rent, no adverse credit history documentation required)
- 619 FICO scores and below: Underwriters must document adverse credit history. Exercise caution when layering risks such as ratio waivers, payment shock, questionable income, and credit waivers.
- 580 FICO scores and below: Lenders should not approve loans with FICO scores of 580 and below if they exhibit any of the indicators of unacceptable credit per RD Instruction 1980-D, section 1980.345(d) which include but are not limited to: one 30 day late within the last 12 months, foreclosure/bankruptcy discharged less than 36 months, outstanding collections and judgments, etc.  
**Additional risk layering with this lower score is not recommended!**

All AN's are available at: [www.rurdev.usda.gov/regs!](http://www.rurdev.usda.gov/regs!)

### GUARANTEED LOAN SERVICING UPDATES WITH NEW INFORMATION:

AN 4341: Acceptable Foreclosure Time Frames

AN 4341: Acceptable Liquidation Fees and Costs

AN 4326: Loss Claim and Future Recovery Processing

AN 4321: Loss Mitigation Comprehensive Policy Clarification

AN 4320: Liquidation Value Appraisals

## FANNIE MAE & FREDDIE MAC AGREE....

### NO RESTRICTIONS ON GUARANTEED LOANS!

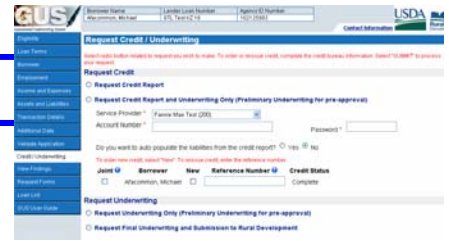


Many affordable lending products are experiencing higher Loan Level Price Adjustments (LLPA's), rate adjustments, or Loan To Value (LTV) caps (especially in declining markets). USDA Rural Development is proud to announce that Guaranteed loans are NOT party to any of these restrictions! Fannie Mae and Freddie Mac have recently published guidance assuring lenders that Guaranteed loans may be submitted as usual. Guaranteed loans are not experiencing any adverse changes during this evolving mortgage environment. While other programs have significantly reduced client benefits, Guaranteed financing remains constant with Fannie Mae, Freddie Mac, and many other of our other business partners.

- Up to 102% LTV
- \* No monthly mortgage insurance
- \* Flexible credit
- \* Expanded ratios
- \* NOT just for first time homebuyers

**100% FINANCING WITH NO RESTRICTIONS— GUARANTEED!**

## GUS UPDATE: Credit & Underwriting Merge



GUS, Rural Development's Guaranteed Underwriting System, continues to gain popularity among approved lenders eligible to utilize the new system. GUS is constantly evolving. A recent enhancement is the combined credit and underwriting screen. What was once a two step process and request, has now been combined into one "credit/underwriting" page. Credit and preliminary underwriting may be requested simultaneously. Requesting an Agency commitment is accomplished from this page also through a final submission. Final submissions are not restricted only to "Accept" recommendations. Lenders should also final submit their "Refer" and "Refer with Caution" recommendations upon manual underwriting completion.

GUS continues to impress and there are many more enhancements and features coming soon. AN 4330 elaborates on GUS. Contact your Rural Development office for GUS sign up information.



Sign up for GUS updates for FREE at [www.rdlist.sc.egov.usda.gov/listserv/mainservlet](http://www.rdlist.sc.egov.usda.gov/listserv/mainservlet)



### JUNE IS HOME OWNERSHIP MONTH!

Contact Rural Development with your housing success stories and events! We would love to highlight YOU!



### SPRING your Guaranteed knowledge out of hibernation!

1. Bob has a 560 FICO score, ratios of 33/45, \$1500 cash reserves, no previous rental history, and two outstanding collections to Direct TV. Should an underwriter consider Bob for a Guaranteed loan?
2. ABC Bank is processing a loss claim for a Guaranteed loan that has been in foreclosure for 6 years with \$25,000 in attorney fees. Does Rural Development offer lenders any guidance on these issues?
3. A lender is charging Guaranteed clients a 2% origination fee. Is this acceptable to Rural Development?
4. Jack and Jill have applied for a Guaranteed loan. FICO scores are 750 and 625, Ratios 22/41, but they have a bankruptcy discharged December 2006. Will Jack and Jill have to provide a letter of explanation for their bankruptcy?
5. Guaranteed loans sold to Fannie Mae and Freddie Mac are limited to 95% LTV if the FICO scores are below 680. True or False?
6. John's verification of rent comes back as "Satisfactory" for a two year history. Is this acceptable?
7. Maria's tri-merged credit report comes back with only one FICO score of 622. Can the underwriter use the 622?

1. No, Bob should not be considered for a Guaranteed loan. AN 4346 states FICO scores of 580 and below should have no additional risk layers, (i.e. outstanding collections). Rural Development Instruction 1980-D, as well as Administrative Notices, offer lenders guidance on loss claims and servicing issues related to Guaranteed loans. Please see page one of this newsletter to view a few servicing Administrative Notice topics.
2. RD Instruction 1980-D, section 1980.324(a) as well as AN 4307 outline Lender Charges and Fees. Lenders are permitted to charge normal and customary fees. Fees charged by a lender for guaranteed loans should not exceed fees charged by the same lender for loans insured or guaranteed by FHA, VA, or other high loan to value home mortgage products.
3. Jack and Jill both have FICO scores above 620 therefore they qualify for streamlined underwriting and documentation. The underwriter does not have to address their bankruptcy that is discharged less than 36 months.
4. FALSE: Fannie Mae and Freddie Mac have issued guidance that Guaranteed loans will be purchased up to 102% LTV. There are no LTV or credit score restrictions.
5. AN 4345 states subjective statements such as "Satisfactory" or "Acceptable" are not acceptable. Rural Development requires a verified payment history of 0x30, 0x60, etc. listed to show an acceptable payment history.
6. AN 4345 states when only one FICO score is retrieved on a tri-merged report, use that FICO score for underwriting analysis. Since Maria's FICO score is above 620 she is eligible for streamlined underwriting and documentation outlined in AN 4346



### BUILD YOUR BUSINESS TODAY WITH GUARANTEED FINANCING!

Contact Rural Development for more information:



USDA



Rural  
Development

# Illinois Guaranteed News

APRIL / MAY 2008 NEWSLETTER

## Increased Income Limits!



A special Procedure Notice was issued on March 19, 2008 reflecting the new income limits for the Guaranteed Rural Housing program. Income limits for the guaranteed program are 115% of the median income for the county or statewide non-metro median, whichever is greater. Check out the new limits under "Hot Items" at: [www.rurdev.usda.gov/il/grh.htm](http://www.rurdev.usda.gov/il/grh.htm)

Here is an example of how deductions can help a family qualify for a loan guarantee. For example, a 4 person household purchasing in Coles County now has an adjusted income limit of \$70,750. Gross income within the household totals \$76,200. The applicants have two eligible dependents and verified daycare expenses in the amount of \$5,200. See example calculations to the right!

### Deductions... Help More Applicants Qualify!

- Adjusted Income Limit for a 4 person household moving to Coles County: \$70,750.
- Families Gross Income: \$76,200

|          |                     |
|----------|---------------------|
| \$76,200 | Gross Income        |
| - 960    | Dependent Deduction |
| - 5,200  | Daycare Deduction   |
| <hr/>    |                     |
| \$70,040 | Adjusted Income     |

They Qualify!

## Proposed Regulation Change for Income Limits

The Federal Register published April 10, 2008 in Vol. 73, No. 70 included a proposed Income Limit Modification to the GRH program. Current regulations include income limits for 1 - 8 persons. The proposed regulation would change the income limits to a three tier income structure consisting of a

1 - 4 person limit, a 5 - 8 person limit, and a limit for 9+ persons. For example, the proposed regulation for a one person household would be the current adjusted income limit for the 4 person household.

To view the full text document of the proposed income limit modification utilize the following

web address: <http://www.regulations.gov/search/index.jsp>. Within the Comment or Submission box, enter **RIN 0575-AC73**. A full text version of the publication is available along with a link to submit a comment on the proposed regulation. Public comments are due May 12, 2008.



# Spring into Automated Underwriting

The Guaranteed Underwriting system (GUS) has been available to approved lenders for the past year. To date, Illinois has 25 lenders signed up and activated within the GUS system and an additional 19 lenders in the sign-up process.

Currently, the GUS system remains to be a dual entry system. However, GUS is anticipating another update in May which features an abbreviated 1003 and shortened screens within the system. Another update is anticipated for Fall 2008 will eliminate the dual entry system, allowing lenders to import data from their LOS into the GUS system.

If you're ready to "spring" into automated underwriting, please contact Lindsey Rademacher by phone at: 217-403-6216 or by e-mail at: [Lindsey.Rademacher@il.usda.gov](mailto:Lindsey.Rademacher@il.usda.gov)

## Leveraged Loan Program with Conventional Financing Eliminated

Effective April 1, 2008, Rural Development's Direct Single Family Handbook (HB-1-3550, Chapter 10) was revised. Section 502 direct subsidized loans still require a first lien position unless the participating lender provides at least 20% of the total financing amortized over 30 years with at least a 15 year term. However, participating lender interest rates are now capped at 3% (fixed) if the second mortgage is subsidized by RD, effectively eliminating leveraged loans with conventional first mortgage financing.

## IHDA Lenders

Effective April 1, 2008, the Illinois Housing Development Authority (IHDA) announced changes to the I-Loan program which affected the "Rural Initiative" loans insured by USDA Rural Development. Because of changing market conditions, "Rural Initiative" loans are priced at the standard I-Loan rate (currently 6.4%). Grants for closing cost assistance are now limited to 1% of the loan amount at the standard I-Loan rate + 35 bps (currently 6.75%). Please check the A/A Fannie Mae 30 year yield with 90 day delivery + 60 bps (rounded to the next highest 1/4 percent) when locking a customer's rate to be sure that the GRH program rate limits are not exceeded. Pre-purchase homebuyer counseling is required as well as \$1,000 or 1% downpayment, whichever is greater.

## Upcoming Broker Training

The IL Association of Mortgage Professionals Educational Foundation (IAMPEF) is partnering with our Agency to provide 2 hours of CEU credit to IL Licensed Mortgage Brokers. The first training session will be held on June 11, 2008 at the Northfield Inn & Suites, 3280 Northfield Dr., Springfield just off of Interstate 55. This is a great chance for wholesale lenders to encourage their originating brokers to get training on the GRH program! Visit [www.iamp.biz/](http://www.iamp.biz/) to register. The cost for members and non-members is \$60.

Get a sneak peak at GUS, the Guaranteed Underwriting System by checking out the free online training at:

<https://usdalinc.sc.egov.usda.gov/>

- Click on RHS LINC
- Under "Single Family Guaranteed Rural Housing" click on "Training and Resource Library"
- Scroll to "Guaranteed Underwriting System"
- Under Training click on "GUS Lender Overview Training"

## Guaranteed Underwriting System (GUS)

*Training*

[GUS Lender Overview Training \(Flash\)](#)

June is National Homeownership Month. Rural Development would be happy to partner with lenders across Illinois to promote homeownership. If you are having any events to promote homeownership, please contact Rural Development and we would be happy to participate!

