



# Guaranteed News

Committed to the future of rural communities.

October/November 2008

## Thank You For A Record Breaking 2008!

### Guaranteed Loan Volume Exceeds Expectations!

The Single Family Housing Guaranteed Loan Program (SFHGLP) wishes to extend a huge "Thank You" to our lending and real estate professional partners for choosing Guaranteed financing to serve clients! Without your support and participation our program would not be successful. Nationwide SFHGLP Agency staff deserve a round of applause for providing exceptional service to our lending partners. The SFHGLP can not be successful without dedicated Agency staff and the support and participation of the lending community.

- \* 100% financing
  - \* No Monthly Mortgage Insurance
  - \* Flexible Credit
  - \* Flexible Qualifying Ratios
- Guaranteed loans serve more homebuyers with affordable rates and terms!

## CELEBRATE 2008!



GUARANTEED LOAN VOLUME  
62,933



GUARANTEED OBLIGATED FUNDING  
OVER \$6.9 BILLION

### Subscribe to "ListServ!"

FREE email subscription service delivers important program updates.

ListServ is a FREE email notification service provided by USDA Rural Development. If you would like to receive instant updates on funding, reservations, GUS, and other exciting Guaranteed loan topics subscribe online today!

- 1: Visit the ListServ website: [www.rdlist.sc.egov.usda.gov/listserv.mainservlet](http://www.rdlist.sc.egov.usda.gov/listserv.mainservlet)
- 2: Enter your email address.
- 3: Check the boxes next to the ListServ topics you wish to receive; Origination, GUS, and Servicing.
- 4: Scroll down to the bottom of the screen and click on "Subscribe."
- 5: You may unsubscribe at any time.



### GET TO KNOW GUS! NO TRICKS! JUST TREATS!

GUS is a lean, mean, automated underwriting machine dedicated to Guaranteed Loans!

- \* FREE!
- \* ONLINE!
- \* FAST LOAN RECOMMENDATIONS!
- \* DETAILED LOAN FINDINGS!



## No Automatic Approval!

Setting the record straight on Administrative Notice 4346.



Administrative Notice (AN) 4346 “Utilizing Credit Scores for Underwriting Single Family Housing Guaranteed Loans” issued on March 28, 2008, provides guidance for manually underwritten loan files. AN 4346 does **not** provide “automatic credit approval” for FICO scores of 620 and higher. AN 4346 allows reduced documentation submission to USDA Rural Development, and removes specific adverse credit instances (i.e. bankruptcies and foreclosures discharged less than 36 months) from disqualifying an applicant from Guaranteed loan consideration. Individual lender and investor guidelines may still consider these adverse credit instances unacceptable. Administrative Notices and Rural Development Instructions **do not** supersede prudent underwriting judgment or internal lender guidelines.

### AN 4346 excerpt: Applicants with FICO scores of 620 and higher qualify for streamlined documentation:

- A lender shall not be required to document adverse credit history waivers for instances outlined in RD Instruction 1980-D, §1980.345(d) (instances are listed in AN 4346).
- A lender shall not be required to document applicant rent payment history.
- No action will be necessary for any derogatory items, such as those outlined in RD Instruction 1980-D, §1980.345 (d), except for those involving a delinquent Federal debt or previous agency loan.

AN 4346 provides documentation requirements for FICO scores of 619-581, and 580 and below.

Refer to AN 4345 for Non-traditional credit history guidance.

Administrative Notices are located at: [www.rurdev.usda.gov/regs](http://www.rurdev.usda.gov/regs).

## Credit and Ratio Waivers: Document!

The Underwriting Transmittal Summary (FNMA Form 1008/FHLC 1077 or comparable lender form) is the preferred method for lenders to document underwriting decisions, notes, requests, etc. for manually underwritten loan files.

Lenders may document their credit waivers, a.k.a. rationale for approving a loan with adverse credit instances found in AN 4346 and 1980.345(d). For applicants with FICO scores of 620 and below, underwriters must document their basis for the credit waiver. The waiver must address all three criteria: the adverse credit was temporary in nature (how) **and** beyond applicants control (why) **and** has been removed (proof). Documentation supporting the lender’s adverse credit waiver remains in the lender’s permanent case file.

Over the 29/41 qualifying ratios? Submit a ratio waiver request and document the compensating factors which support the approval of the loan on Form FNMA 1008/FHLC 1077.

## Gobble up Guaranteed Trivia!

The following questions are for manually underwritten loan files.



1. Mike has a 636 FICO, bankruptcy discharged Jan 2007, lives with his parents, ratios are 31/44. AN 4346 states Mike’s loan is a slam dunk. True or False?
2. Debbie is documenting a credit waiver for a loan file. Her client has a 650 FICO, recent late pays on a few accounts because he broke his arm and missed work. Now that he has returned to work he has caught the payments back up and paid on time for the past 5 months. Where should Debbie document her credit waiver?
3. Josh has a 700 FICO, currently pays \$650 in rent, new PITI is \$850, ratios are 33/45, and has reserves of \$13,000. What compensating factors could an underwriter document to support a ratio waiver request?
4. Sean is a new underwriter who uses GUS. He thinks he is the last to know about enhancements and system updates. How can Sean ensure he is receiving the latest and greatest GUS information?
5. Juanita receives a GUS loan recommendation of “Accept.” She submits RD Form 1980-21, appraisal, FEMA flood determination certificate, signed 1008, and loan application. Are all of these forms necessary?

1. FALSE! AN 4346 does allow Mike to be considered for a Guaranteed loan (1980.345(d) would disqualify him due to his BK being discharged less than 36 months), BUT Mike also has payment shock (no current housing history), AND he is outside of the 29/41 ratios. Mike has 3 risk layers and no compensating factors. Rural Development would not grant Mike a ratio waiver.
2. Debbie should document her credit waiver on the Underwriting Transmittal Summary. The explanation provided does meet the three required conditions: the situation was temporary in nature (he is back to work paying on time), it was beyond his control (unless he broke his arm on purpose), and it is unlikely to reoccur again. Debbie should also document excellent compensating factors!
3. Josh has a very good FICO score of 700, no payment shock, and 15 months of reserves—excellent compensating factors!
4. Sean should register for ListServ online at [www.rurdev.usda.gov/listserv/mainserver/](http://www.rurdev.usda.gov/listserv/mainserver/).
5. NO—Juanita does not have to submit the signed 1008 or the loan application—THESE ARE IN GUS! For “Accept” files lender will only submit the 1980-21, appraisal, and FEMA, nothing more, nothing less!

Contact Rural Development for more information: