



**United States Department of Agriculture
Rural Development**
Michael W. Aube ■ State Director

August 3, 2004

Dear Approved Lenders:

Your efforts with promoting opportunities for low and moderate-income rural homebuyers have pushed demand for Rural Development's Section 502 Single Family Housing guaranteed loan program to an all-time high. This is truly a commendable achievement and a positive development for rural America and for Maine.

Program funding for Section 502 guaranteed purchase loans will likely be exhausted by late August. It is expected that the Agency will not be able to fund new guarantees for purchase loans from late August until mid-October (approximately 60 days). It is anticipated that funds for the Fiscal Year 2005 Section 502 guaranteed appropriation will be available in October, subject to enactment by Congress and approval by the President.

You may continue to request loan guarantee reservations for individual loans at this time. Rural Development will issue reservation confirmations as long as funding lasts. A loan's reservation confirmation from Rural Development means that funding for that loan's guarantee is assured upon request from the lender. When funding for reservations for new loan guarantees is depleted, Rural Development will no longer be able to issue reservation confirmations, but will continue to process loan packages.

During the time from late August until mid-October, when funding is expected to be exhausted, the Agency plans to continue to accept, review, and conditionally approve loan packages from lenders until Fiscal Year 2005 appropriations are received.

These loans can be approved "subject to the availability of funds," meaning they can be closed upon Agency approval, but the loan guarantee will not be issued until funds for the guarantee are available. Loan reservations will not be required for this procedure. Further instructions will follow at a later date.

A similar procedure was instituted successfully last fiscal year in late August. Conversations with many of the approved lenders have indicated that they will continue to process and accept Section 502 guaranteed loans subject to the availability of Fiscal Year 2005 funding.

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Committed to the future of rural communities

Rural Development is an Equal Opportunity Lender, Provider, and Employer. Complaints of discrimination should be sent to USDA, Director, Office of Civil Rights, Washington, D. C. 20250-9410

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There are ample funds available for Section 502 guaranteed refinance loan transactions.

We regret the anticipated delay in guarantee authority and any disruption to lender processing. Your support of the Section 502 guaranteed program is appreciated. If you have questions regarding this letter, please contact the local office serving your area:

Presque Isle	Tel: (207) 764-4155, ext. 4
Bangor	Tel: (207) 990-3676, ext. 4
Lewiston	Tel: (207) 753-9400, ext. 1
Scarborough	Tel: (207) 883-0159, ext. 4

Sincerely,

/s/ Michael W. Aube

MICHAEL W. AUBE
State Director

cc: Area Directors, Presque Isle, Bangor, Lewiston, and Scarborough