



Committed to the future of rural communities.

Info NOW

March 2007

A Publication of USDA Rural Development's Guaranteed Single Family Housing Program

Funding Update

USDA Rural Development Guaranteed staff has now received ample funds which we expect to carry us through the remainder of the Fiscal Year (through September 30, 2007).

We are now funding reservations. Please submit your loan reservation as soon as possible in the loan process.

Ineligible Areas

For those lenders working in the Bangor Area- we have now opened up a section of Bangor, which makes it eligible for Rural Development housing programs. In general the area north of Union Street, Griffin Road, and Burleigh Road is now eligible. Maps can be found on our web site at:

<http://www.rurdev.usda.gov/me/SFH/helpful%20sfh.htm>

The online interactive maps will be updated in the near future.

Refinancing Loans

A reminder to lenders that any loan currently financed through Rural Development's Single Family Housing Direct, or Guaranteed Loan Program may be eligible for refinancing through the Guaranteed Loan Program. Please refer to Administrative Notices 4238 (Direct Loans) and 4239 (Guaranteed Loans) for more information on refinancing. Administrative Notices can be found at: <http://www.rurdev.usda.gov/regs/>

Credit Scores

Administrative Notice 4237, issued on January 25, 2007, made changes to the minimum credit score allowed for streamlined documentation. A credit score of 620 is considered acceptable and qualifies the applicant for the streamlined documentation. Please see the Administrative Notice for more information.

Form RD 1980-21, Request for Single Family Housing Loan Guarantee

A reminder: If your loan amount changes after it has been submitted to Rural Development, we require a new, original Form RD 1980-21 with the corrected information. If the loan amount increases, you also need to submit a new loan transmittal form indicating that the applicant is eligible for the new loan amount and that the appraisal indicates the new loan is adequately secured.

Homeownership Month



June is **National Homeownership Month**. Each year Rural Development highlights our program successes at different events throughout the state. If you have an outreach event, a new homeowner who was assisted through our joint efforts, or some other idea for Homeownership Month, please contact us. This is an ideal time to showcase affordable homeownership programs through media coverage at the events. Let's work together to get the word out and let people know what may be available to assist them.

Look for our NEW Design!

Rural Development is always looking for ways to serve you better. The InfoNow is undergoing **renaming and redesign!** The summer issue of the Guaranteed Single Family Housing newsletter will include useful new information and features with a completely new look! If there is information you would like to have provided to you in this newsletter, send a suggestion to:

Lorrie.Hamlin@me.usda.gov.

We welcome your comments.

Frequently Asked Questions

This month we are adding a new section to our newsletter: "Frequently Asked Questions." If you have questions you would like to have answered in the newsletter, please submit them by email to lorrie.hamlin@me.usda.gov or by fax to (207) 990-9119.

How can a Rural Development Guaranteed Loan help my client?

Response: With Rural Development's Single Family Housing Guaranteed Loan Program your client can borrow up to 100 percent of the market value of the property – there are no down payment requirements. If the guarantee fee is being financed for your client, they can actually finance 102 percent of the market value to include the 2 percent guarantee fee.

How much paperwork is involved in processing a request for Rural Development Loan Guarantee?

Response: Very little. The lender uses their own application processing forms, promissory note, and mortgage. Lenders have only four forms specific to the Rural Development Loan Guarantee: RD Form 1980-81, Request for Reservation of Funds; RD Form 1980-21, Request for Single Family Housing Loan Guarantee; RD Form 1980-18, Loan Certification on reverse of the Conditional Commitment; and RD Form 1980-19, Loan Closing Report.

Why should my client be placed in a program with a guarantee fee such as Rural Development's?

Response: The Rural Development guarantee fee is a one-time fee that is paid up front and can be included in the loan. There is no monthly payment required as in Private Mortgage Insurance (PMI). This gives the applicant greater buying power as all funds available can be applied toward Principal, Interest, Taxes, and Insurance. This also costs the borrower less over the life of the loan.

What if the home under contract requires repairs?

Response: Loans with repairs can be guaranteed by Rural Development. The repairs can be done before closing; if work needs to be delayed due to weather conditions (outside work that can't be done during the winter), funds can be escrowed in accordance with RD Instruction 1980-D, Section 1980.315, or the lender can enter into an escrow waiver agreement with Rural Development and escrow the funds for the work to be done after closing.

Procedures

The following Administrative Notices (AN) have recently been issued to provide further guidance on our regulations. The full text of each AN can be found on our web page at:

http://www.rurdev.usda.gov/regs/an_list.html

Loan Making:

- **AN 4196** (1980-D) dated July 10, 2006, Condominium Requirements and how to determine if the condominium has been approved or accepted by the United States Department of Housing and Urban Development (HUD), Veteran Affairs (VA), Fannie Mae (FNMA), or Freddie Mac (FHLMC).
- **AN 4199** (1980-D) dated July 21, 2006, Section 8 Homeownership Vouchers. This AN clarifies how vouchers may be used for qualifying applicants in the Single Family Housing Guaranteed Loan Program.
- **AN 4200** (1980-D) dated July 26, 2006, Eligibility of Non-U.S. Citizens and the Systematic Alien Verification for Entitlements (SAVE) Program. Lenders must secure proof of identity and evidence that non-citizens who apply for a guaranteed loan are qualified aliens. Lenders may obtain the non-citizen's alien identification number and communicate it to the Rural Development office servicing their area. Agency staff will then submit the alien's identification number to SAVE and, in most cases, will be able to promptly inform the lender of the applicant's eligibility status based on the alien's Class of Admission (COA).
- **AN 4202** (1980-D) dated August 5, 2006, Form RD 1980-17, Loan Note Guarantee. This AN clarifies Rural Development procedure on the issuance and retention of Form RD 1980-17 and affirms the Agency policy on a lender's request for a duplicate copy of the Loan Note Guarantee.
- **AN 4216** (1980-D) dated September 26, 2006, Treatment of Applicant Collection Accounts. This AN is intended to clarify RD Instruction 1980-D, section 1980.345(d) concerning collection accounts with outstanding balances. If the lender determines that there are mitigating circumstances under RD Instruction 1980-D, Section 1980.345 (d)(3), the lender's underwriter is responsible for deciding whether an applicant must pay off any collection accounts prior to or at settlement.
- **AN 4217** (1980-D) dated September 26, 2006, Lender Charges and Fees. The Agency wishes to prevent lenders from charging excessive fees for guaranteed loans and to protect low and moderate income borrowers from paying excessive loan fees or borrowing funds for fees that are not reasonable

and customary. This AN does not apply to maximum interest rate requirements.

- **AN 4221** (1980-D) dated October 17, 2006, Program requirements related to New Construction and Homes in Planned Unit Developments. This AN clarifies regulatory requirements dealing with lender loan file documentation requirements for newly constructed homes and regulatory requirements when the guaranteed loan is used to purchase a home in a Planned Unit Development (PUD).
- **AN 4237** (1980-D) dated January 25, 2007, Utilizing Credit Scores for Underwriting Single Family Housing Guaranteed Loans. As noted above, the new minimum credit score allowed for streamlined documentation is 620. Applicants with credit scores under 620 need to be carefully reviewed by the lender's underwriter.
- **AN 4238** (1980-D) dated February 2, 2007, reissues guidance to lenders on refinancing loans currently held in Rural Development's Single Family Housing Direct Loan Program portfolio
- **AN 4239** (1980-D) dated February 2, 2007, reissues guidance to lenders on refinancing loans currently held in Rural Development's Single Family Housing Guaranteed Loan Program portfolio.
- **AN 4249** (1980-D) dated February 23, 2007, Conditional Commitment for Proposed New Construction. This AN renews guidance surrounding the expiration date of the Conditional Commitment when new construction is involved.

Loan Servicing:

- AN 4210 (1980-D) dated August 31, 2007, Report of REO sold and future recovery of sale proceeds. This AN provides the requirements for reporting the sale of REO and clarifies the procedure for the future recovery of sale proceeds when REO held by the guaranteed lender sells at a higher price than the appraised value used to estimate a net recovery loss claim.
- AN 4220 (1980-D) dated October 17, 2006, Liquidation Value Appraisals and Definition of Value Type and Procedure. This AN provides guidance on the definition of a liquidation value type appraisal and outlines the steps taken in obtaining a report from a Qualified State Licensed or Certified Appraiser. These appraisals are obtained by Rural Development.

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This newsletter is posted on our website at <http://www.rurdev.usda.gov/me>.
To receive notification of newsletters by email, or to unsubscribe, please submit your email address to
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