

RD AN No. 4432 (1980-D)
April 20, 2009

TO: State Directors
Rural Development

ATTENTION: Rural Housing Program Directors,
Guaranteed Rural Housing Specialists,
Area Directors and Area Specialists

FROM: James C. Alsop (*Signed by James C. Alsop*)
Acting Administrator
Housing and Community Facilities Programs

SUBJECT: Single Family Housing Guaranteed Loan Program
Conditional Commitment for Loan Guarantee
Proposed New Construction

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to provide additional guidance surrounding the expiration date of the Single Family Housing Guaranteed Loan Program (SFHGLP) Conditional Commitment when new construction is involved and clarify when loan document information must be updated.

COMPARISON WITH PREVIOUS AN:

This AN replace AN 4337, which expired March 31, 2009.

EXPIRATION DATE:
April 30, 2010

FILING INSTRUCTIONS:
Preceding RD Instruction 1980-D

BACKGROUND:

In accordance with section 1980.354 of RD Instruction 1980-D, when Rural Development determines an application for conditional commitment from an approved lender is eligible for the SFHGLP, Rural Development will prepare Form 1980-18, "Conditional Commitment for Single Family Housing Loan Guarantee." This form sets forth the conditions of loan guarantee approval and establishes the expiration date of the commitment. Typically, the commitment is valid for 90 days from the date of issuance. Rural Development has an option to renew the commitment for an additional 90 days.

In some areas, construction extends beyond the 180 days term of the conditional commitment permitted above.

IMPLEMENTATION RESPONSIBILITIES:

The following provides guidance regarding the term of a Conditional Commitment involving proposed new construction and the age of application documents at loan closing:

Term of Conditional Commitment

In some states, the construction period of a home to be built extends beyond the commitment term permitted at Section 1980.354(a)(1)(ii). A footnote on Form RD 1980-18 permits the term of the commitment to correspond with the projected date of completion when construction is involved.

In cases involving construction, whereby the expiration date of the commitment exceeds the typical 180 days that could be granted, the expiration of the commitment should not exceed 1 year from the issuance of the commitment unless the State Director sets a written policy to allow a longer term based upon special circumstances within the State.

Term of Appraisal Report

An appraisal of the property serving as collateral is valid for 6 months from the effective date of the appraisal. If the commitment expiration date extends beyond the typical 180 days outlined in section 1980.354 of RD Instruction 1980-D, the lender must provide a new appraisal of the property which would capture the current conditions in the real estate market. The new appraisal is typically an extension of the original appraisal report that modifies the opinion of value to reflect the current date. It is intended to provide an accurate update of a prior appraisal. Updates may be reported by utilization of Form 1004D, *Appraisal Update and/or Completion Report* or a new appraisal report. Generally, the original appraiser should complete the appraisal update; however, the lender may utilize a substitute appraiser.

Term of Credit Report

In accordance with mortgage industry standards, a credit report may be up to 180 days old at the time the loan closes for loans involving proposed new construction (120 days

for existing construction purchases). An updated report must be obtained when the age of the report exceeds this limit.

Term of Verification of Household Income

Employment verifications and other income verifications are valid for 180 days for loans involving proposed new construction (120 days for existing construction purchases) in accordance with section 1980.353(e)(1) of RD Instruction 1980-D. If the nature of the document is such that its validity for underwriting purposes is not affected by being older than the number of prescribed days (e.g. divorce decrees, tax returns), the document will not be required to be updated. When the age of income verification documents exceed the limits prescribed, written updated verifications must be obtained.

Term of Application Package

The application package must contain all documentation supporting the lender's decision to approve the loan. The age of all documents involving proposed new construction may be up to 180 days old at the time the loan closes (120 days for existing construction purchases), as recognized by mortgage industry standards. Updated documents must be obtained when the age of the documents exceed the limits prescribed.

If you have any questions please call Debbie Terrell, of the Single Family Housing Guaranteed Loan Division, at (918) 534-3254, or via email at debra.terrell@wdc.usda.gov.