Committed to the future of rural communities.

RURAL DEVELOPMENT GUARANTEED RURAL HOUSING LOAN PROGRAM

Tennessee Handbook

www.rurdev.usda.gov/tn

Overview of the Guaranteed Rural Housing Loan Program

- Lender uses mainly their own forms with some RD forms.
- 100% financing. No down payment required.
- Guarantee fee is 2% of loan amount. No other fees involved.
- Guarantee fee is .5% for refinancing.
- Single family homes, townhouses and approved condos in eligible rural areas.
- Income limits - 115% of the HUD median income limits.
- Repayment Ratios: PITI = 29% & total debt ratio = 41%.
- Loans saleable in secondary market and to SHFA.
- Closing costs can be included in the loan (points cannot be included unless applicant is low income) up to the Appraised Value. The 2% fee may exceed the appraised value.
- No limit on seller contributions.
- Fixed Interest Rates—Rate may not exceed the FNMA 90 day yield rate plus 60 basis points.
- 30 year term.
- Refinancing Rural Development direct and guaranteed loans is allowed under certain conditions.

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Websites

- **RURAL DEVELOPMENT, TENNESSEE** — www.*rurdev.usda.gov/tn*
- **RURAL DEVELOPMENT, USDA** — www.*rurdev.usda.gov*
- **UNITED STATES DEPT. OF AGRICULTURE** — www.*usda.gov*
- **RURAL DEVELOPMENT REGULATIONS & FORMS** — *http://www.rurdev.usda.gov/regs/*

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GUARANTEED INCOME LIMITS TENNESSEE (4/26/06)

STATE: TENNESSEE ——————ADJUSTED INCOME LIMITS——————

Number in household		1	2	3	4	5	6	7	8*
Davidson Cheatham Robertson Dickson Wilson Williamson Rutherford Sumner Maury Cannon Trousdale	MOD. INC-GUAR. LOAN**	49,600	56,700	63,800	70,850	76,550	82,200	87,900	93,550
All Other Counties	MOD. INC-GUAR. LOAN**	48,000	54,850	61,700	68,550	74,050	79,500	85,000	90,0500

* ADD 8% of 4-PERSON INCOME LIMIT FOR EACH PERSON IN EXCESS OF 8 PERSON

** MODERATE INCOME IS DEFINED AS THE GREATER OF 115% OF THE AVERAGE OF THE STATE NONMETROPOLITAN AND THE STATE-WIDE MEDIAN FAMILY INCOMES OR 115/80THS OF THE AREA LOW-INCOME LIMIT

TENNESSEE

Counties with Non-Rural Areas

ANDERSON
BLOUNT
BRADLEY
CARTER
DAVIDSON
HAMILTON
HAWKINS
KNOX
MADISON
MAURY
MONTGOMERY
PUTNAM
ROANE
RUTHERFORD
SHELBY
SULLIVAN
SUMNER
WASHINGTON
WILLIAMSON
WILSON

Maps are available on our web site at http://www.rurdev.usda.gov/tn

Select: Housing & Community Facilities
Ineligible Area Maps

Applicant Eligibility

- **ELIGIBLE INCOME**: The applicant's adjusted annual income cannot exceed the appropriate moderate income limit in Exhibit C of RD Instruction 1980-D. To determine whether a borrower's income is eligible based on the property location please visit: **http://eligibility.sc.egov.usda.gov**

- **ADEQUATE AND DEPENDABLE INCOME:** The applicant must have an adequate and dependably available income.

- **REPAYMENT ABILITY:** The applicant must demonstrate adequate repayment ability. The applicant is considered to have adequate repayment ability when the ratio of the proposed housing costs to income does not exceed 29% and the Total Debt Ratio does not exceed 41%. Ratio waiver requests must be accompanied by documentation of compensating factors.

- **CREDIT HISTORY:** The applicant must have a credit history which indicates a reasonable ability and willingness to meet obligations as they become due.

- **PREVIOUS LOAN:** The applicant cannot have had a previous RD loan which resulted in a loss to the government unless RD determines the loss was beyond the applicant's control.

- **OTHER FEDERAL DEBT:** The applicant cannot be delinquent on any tax or non-tax debts and there can be no judgment liens against the applicant's property for a debt owed to the Federal Government. The Lender will check HUD's Credit Alert Interactive Voice Response System.

- **PRESENT HOUSING:** The applicant cannot presently own a dwelling which is in the local commuting area and is structurally sound, functionally adequate and large enough to accommodate the needs of the applicant's household.

- **OTHER CREDIT:** The applicant must be unable to obtain the necessary conventional credit without a RD Guarantee.

- **CITIZENSHIP:** The applicant must be a citizen or a legally admitted alien.

- **LEGAL CAPACITY:** The applicant must possess the legal capacity to incur the loan obligation.

- **OCCUPANCY:** The applicant must have the potential ability to personally occupy the home on a permanent basis.

Income & Ratio Calculation Worksheet

Guaranteed Rural Housing

Name of applicants_____

Employee Initials_____ **Date of Calculation**_____

Applicant $_____

Co-applicant $ _____

Other $_____

Total $_____

Adjustments to Income: (RD Instruction 1980.358 Pg. 43)

1. No. of minors:_____ X $480 $_____
2. No. of disabled/handicapped adults: _____ X $480 $_____
3. No. of full time adult students: _____ X $480 $_____
4. Deduct $400 for an Elderly Family (1980.302) $_____
5. Planned child care deduction (include documentation) $_____
6. Medical expenses for an elderly family > 3% of gross annual income $_____

Total Adjustments $_____

Subtract total deductions from annual income to arrive at adjusted annual income for program eligibility purposes $_____

Show moderate income limit here $_____

Ratio Calculations (using repayment income)

Mortgage payment + taxes + insurance = total / monthly income = PITI ratio

_____ + _____ + _____ = _____ / _____ = _____

Total Housing Costs + other monthly debt = total / monthly income = Total debt ratio

_____ + _____ = _____ / _____ = _____

Debt Ratio Waivers

(1980-D)

Waivers may be granted to housing and debt ratio limits if the overall evaluation of the application indicates that there are acceptable compensating factors. Examples of common compensating factors are:

- The borrower has demonstrated a conservative attitude toward the use of credit and ability to accumulate savings.

- Previous credit history shows that the borrower has the ability to devote a greater portion of income to housing expenses (i.e.. The applicant has a history over the previous 12 month period of devoting a similar percentage of income to housing expense to that of the proposed loan, or accumulating savings which, when added to the applicant's housing expense, shows a capacity to make payments on the proposed loan).

- The borrower receives compensation or income not reflected in annual income, but directly affecting the ability to pay the mortgage, including food stamps and other similar public benefits.

- There is only a minimal increase in the borrower's housing expense.

- The borrower has substantial cash reserves after closing.

- The borrower has substantial non-taxable income not previously accounted for in the ratio computations.

- The borrower has potential for increased earnings, as indicated by job training or education in the borrower's profession.

- The home is being purchased as a result of, and/or relocation of, the primary wage-earner and the secondary wage-earner has an established history of employment, is expected to return to work, and there are reasonable prospects for securing employment in a similar occupation in the new area. The underwriter must address the availability of such possible employment.

- A low TD ratio. A low TD ratio by itself does not compensate for a high PITI ratio, however, when other strong compensating conditions are present, a low TD ratio should be viewed as a positive mitigating factor.

- A credit score of 660 or higher. The scores are known as Beacon, Empirica and Fair Isaac scores. If the borrower's credit report contains two scores, then the lower of the two should be used. If the credit report has three scores, then the middle score should be used.

Credit History

(1980.345)

- **The applicant must have a credit history which indicates a reasonable ability and willingness to meet obligations as they become due. Any of the following are indicators of an unacceptable credit history unless the cause of the problem was beyond the applicant's control:**

- Incidents of more than one secured or unsecured debt payments being more than 30 days late if the incidents have occurred within the last 12 months. This includes more than one late payment on a single account.
- Loss of security due to a foreclosure if the foreclosure has occurred within the last 36 months.
- Outstanding tax liens or delinquent Government debts with no satisfactory arrangements for payments, no matter what their age, as long as they are currently delinquent and/or due and payable
- A court-created or affirmed obligation (judgment) caused by non-payment that is currently outstanding within the last 12 months.
- Two or more rent payments paid 30 days or more past due that have occurred within the last three years.
- Accounts which have been converted to collections within the last 12 months (utility bills, hospital bills).
- Collection accounts outstanding with no satisfactory arrangements for payments, no matter what their age as long as they are currently delinquent and/or due and payable.
- Non-RD debts written off within the last 36 months.

- **The following does not indicate an unacceptable credit history:**

  No credit history.
  A bankruptcy discharged more than 36 months prior to application date.
  A satisfied judgment which was completed 12 months before the date of application.

- **Acceptable sources of credit verifications: Any form of the below mentioned reports should indicate on the report that it meets the standards of Fannie Mae, Freddie Mac, HUD or VA.**

  RMCR-(Residential Mortgage Credit Reports) This is preferred.
  MMCR-(Merged, Tri-Merged, or Multi-Merged Credit Reports) Acceptable as long as the applicant is not disputing the contents of the report.
  NTMCR-(Non-Traditional Mortgage Credit Reports) To be used only when applicant has no previous trade sources developed.

- **There is no established minimum credit score for eligibility**

Underwriting Issues

Risk Layering:

Refers to the existence of multiple levels of risk in an application such as marginal credit, high repayment ratios, extensive use of other credit, payment shock, etc. Lender should be very cautious when evaluating applications with multiple risk levels.

Payment Shock:

Measured by dividing the new PITI by previous housing expenses minus 1. In cases where payment shock is 100% or higher, no additional risk layering should be allowed unless strong compensating factors are present.

Credit Waivers:

The lender must request a credit waiver from RD and supply all back up documentation used in the decision making process. Lender must document that the instances of unacceptable credit must have been temporary in nature, beyond the applicant's control, and have been removed or the result of a justifiable dispute relative to defective goods or services. A lender need not require collection accounts to be paid in full if there are mitigating circumstances as described in RD Instruction 1980.345 (d)(3).

Credit scores of 660 and above eliminate the need for lender documentation of credit waivers.

Loan Purposes

Loan Purposes

1. Purchase and improve an existing single family dwelling, including townhouses.

2. Purchase of a condominium unit in projects where the Homeowners' Association has assumed full management responsibility from the developer. The association must collect fees and administer the affairs of the complex. The project must have been approved by HUD, VA, FANNIE MAE or FREDDIE MAC.

3. Purchase of a minimum adequate site and construction of a single family dwelling.

4. Application, appraisal and closing fees.

5. Refinancing direct and guaranteed rural housing loans under certain conditions.

6. Purchase of a new manufactured home from an RD approved dealer/contractor placed on a site owned, or to be owned by an applicant.

Prohibited Loan Purposes

1. Purchase of an existing manufactured home.

2. Payment of points except to low income borrowers.

3. Purchase of furniture or other personal property.

4. Refinancing of debts or debts owed other lenders.

5. Purchase or improvement of income producing land or buildings.

6. Payment of fees, charges or commissions such as finder's fees or placement fees.

7. Purchase of a dwelling with an in-ground swimming pool.

8. Properties with farm service buildings.

Limitations

A loan for the acquisition of a newly constructed dwelling, where the lender makes the required inspections or a an acceptable 10 year warranty plan is provided, may be made for up to 100% of the apprised value or the cost of acquisition and necessary development, whichever is less. A loan for the acquisition of an existing dwelling and development, if any, may be made for up to 100% of the appraised value or the cost of acquisition and necessary development, whichever is less.

Site & Building Requirements

(1980.313)

- The property must be a single family dwelling or an approved condominium unit.

- The property must be located in an eligible rural area.

- The property must be located on a hard surface or all-weather road.

- Dwellings must be located on a site which does not exceed 30% of the total value of the property.

- The property located in a floodplain must meet the following requirements.
    1. No new construction. Must be an existing house constructed prior to communities participation in Flood Insurance Program.
    2. Community must participate in the National Flood Insurance Program.
    3. Flood insurance must be purchased at or before loan closing and maintained for the life of the loan.
    4. Property must have public water.

- The dwelling must be determined to be decent, safe and sanitary. This can be verified by a home inspection report or by an appraisal completed by a FHA roster appraiser.

- The property must meet RD Thermal Performance Standards. For existing homes, this is a R-30 thermal factor in the attic. (See Exhibit D) Windows which are not thermo-pane should have storm windows in place. In addition to the above requirements, newly constructed homes should meet the requirements of the International Residential Building Code. (See Exhibit C)

Existing Dwelling

- An existing dwelling is defined as a dwelling which is 1 year old per the date of the Certificate of Occupancy.
- The Lender is responsible for all appraisals and inspections.
- The Lender will certify that the dwelling meets RD Thermal Performance Standards.
- The Lender will certify that the dwelling has an adequate electrical, plumbing, heating, water and waste disposal systems and is free of wood boring insects. The condition of the dwelling may be documented by:
    1. FHA roster appraisers in the appropriate sections of the appraisal form.
    2. Non-FHA roster appraisers may also complete the appraisal form; however, in such cases a separate home inspection report prepared by a home inspector should be obtained.
- The Lender certifies that all required development has been completed.

Condominiums & Townhouses

Condominiums and Townhouses are eligible for financing under the Rural Development Guaranteed Rural Housing Loan Program if they meet the following requirements:

- The complex must be served by a homeowners association.
- The homeowners association must be under the control of the homeowners, not the developer.
- The homeowners association must take monthly deposits into an escrow account. The amount deposited into the escrow account must be sufficient to pay for regular maintenance, plus emergency repairs of common area responsibilities.
- A condominium must be approved or accepted by HUD, VA, Fannie Mae or Freddie Mac.

New Construction

(1980.340)

New Construction is defined as a dwelling to be built or a dwelling which is less than 1 year old.

Lender will obtain the following:

1. Certified Building Plans and Specifications. Although plans and specs must be obtained by the Lender, the Lender need not submit a copy to the RD Field Office for review. Lender may use Form RD 1924-25, "Plan Certification" to certify that the dwelling has been built in accordance with the International Residential Building Code.

2. Evidence that the three required inspections have been completed. **They include:**
   a) When the foundation is in but prior to backfilling.
   b) When the shell is closed but plumbing, electrical and mechanical systems are still exposed.
   c) When construction is 100% complete.

3. Inspections must be completed by someone deemed qualified by the Lender.

4. A Builders Warranty is issued which provides for at least a 1 year warranty from the date of completion.

5. The first two inspections are not required when the builder supplies an insured 10 year warranty.

6. Certification from the Builder or Engineer regarding conformance with Rural Development Thermal Performance Standards. Form RD 1924-25, "Plan Certification" may be used to certify Thermal Performance.

Rates, Terms & Fees

Interest Rate

The interest rate must be fixed for the entire note. The rate may not exceed the Lender's published rate for VA first mortgage loans with no discount points or the current 90 day Fannie Mae rate plus 60 basis points.

Terms of Loan Repayment

The term of the loan must be for 30 years. Principal and interest shall be due and payable monthly.

Guarantee Fee

The Lender will pay a one time non-refundable fee equal to 2% of the loan. The fee is .5% of the loan amount for refinancing RD direct and guaranteed loans. The guarantee covers 90% of the original loan amount. The fee may be passed on to the borrower. There are no monthly charges.

Charges and Fees by the Lender

The Lender may establish charges and fees for the loan provided they do not exceed those charged other customers for similar transactions. Late payment fees may be assessed but these are not covered by the guarantee. Late payment fees cannot exceed the maximum amount prescribed by HUD, FNMA or FHLMC.

Appeals

The borrower and lender can jointly appeal a Rural Development administrative decision which directly or adversely affects them. The lender only may appeal cases where Rural Development has reduced or denied the amount of the loss payment to the lender. The applicant has no appeal rights to the RD regarding the Lender's loan making and servicing actions.

Escrows

Escrow accounts must be established to insure the payment of real estate taxes and homeowners insurance. Escrow accounts may be established to insure the completion of exterior items which cannot be completed due to weather.

Appraisals
(1980.334)

An appraisal of all property serving as security for the proposed loan will be completed. A copy of the appraisal will be submitted to Rural Development for review with the request for loan guarantee. The lender may pass the cost of the appraisal on to the borrower.

Qualified Appraiser:

The lender will use a qualified appraiser to make residential real estate appraisals. The appraiser must be properly licensed to perform residential appraisals in the area in which the property is located. The appraisal must have been completed within 6 months of the date the request for a conditional commitment is submitted to RD.

Appraisal Report:

The following appraisal forms are acceptable:

1. Uniform Residential Appraisal Report (URAR) (Freddie Mac Form 70/Fannie Mae Form 1004)
2. Manufactured Home Appraisal Report & Addendum (Fannie Mae Form 1004C/Freddie Mac Form 70B)
3. Individual Condominium Unit Appraisal Report (Fannie Mae Form 1073/Freddie Mac Form 465)

The appraiser must complete the following steps:

- Use the most recent revision of the appraisal form.
- Perform both an interior and exterior inspection of the subject property.
- Provide a description and analysis of the subject property, neighborhood, site and improvements.
- Complete a sales comparison analysis including at least three (3) comparable properties which are less than 12 months old, providing specific sales or financing concession information for the comparables.
- Develop the cost approach to value only in cases in which it is:
  - A. Requested by the lender.
  - B. Considered by the appraiser to be a good indicator of value of the property.
- Include an opinion of value for the site in all cases.
- Attach a narrative explanation supporting unusual adjustments.
- Include other comments, data, and exhibits if needed to describe the subject property, document analysis and valuation or to support appraiser's conclusions.
- Include clear, descriptive photographs of the front, rear and street views of the subject property.
- Include clear, descriptive photographs of the front view of each comparable sale.
- Provide an adequately supported estimate of value.

RD Review:

A desk review of the appraisal will be done by a RD representative prior to issuance of a Conditional Commitment for Guarantee.

RURAL DEVELOPMENT REVIEW OF APPLICATIONS

(1980.354)

When an application package is submitted to a Rural Development Area Office, the approval official will review it for completeness and determine whether the proposed loan is to an eligible applicant and for an eligible loan purpose. The RD representative will also review the applicant's repayment ability, the sufficiency of the collateral and determine if the environmental requirements of 1980.316 are met. RD will notify the Lender within 2 business days of receipt of a complete application of their decision.

Incomplete Applications:

RD will contact the Lender by telephone if the application is incomplete. Incomplete applications will be returned to the Lender if the package will not or cannot be made complete within 3 working days.

Denial:

If RD determines it is unable to guarantee the loan, the Lender will be informed in writing. Such notification will include the reasons for denial and appropriate appeal or review rights.

Issuance of Conditional Commitment:

When RD determines it can guarantee the loan, the approval official will prepare Form RD 1980-18 "Conditional Commitment for Single Family Loan Guarantee", listing all approval requirements and send an original and one copy to the lender. The Conditional Commitment shall be valid for a period of 90 days with an option by RD to renew for an additional 90 days.

Accepting Conditions:

After reviewing the conditions of the Conditional Commitment, the Lender may proceed with the loan closing. Any revisions to the terms of the Conditional Commitment must be approved by Rural Development and Form RD 1980-18 must be revised.

Canceling the Commitment:

If prior to loan closing the Lender decides that it no longer wants a Loan Note Guarantee, the Lender should immediately advise the RD approval official.

Requirement for Issuance of Loan Note Guarantee

(1980.360)

1. Lender Certification: The lender must certify to the following:

a) No major changes have been made in the Lender's loan conditions and requirements since the issuance of the Conditional Commitment, except those approved in writing by the Rural Development.
b) All planned property acquisition and all planned development has been completed.
c) The required insurance coverage is in effect.
d) Truth-in-Lending requirements have been met.
e) All Equal Employment Opportunity and Non-Discrimination requirements have been met.
f) The loan has been properly closed and the required security instruments have been obtained.
g) The borrower has marketable title to the collateral then owned by the borrower, subject to the instrument securing the loan to be guaranteed.
h) Lien priorities are consistent with the requirements of the Conditional Commitment for Guarantee.
i) The loan proceeds have been disbursed for the purposes and in amounts consistent with the Conditional Commitment for Guarantee.
j) There has been no adverse change in the borrower's financial condition or other adverse change in the borrower's situation since the Conditional Commitment for Guarantee was issued by Rural Development.

2. Inspections: Lender will certify that all required inspections have been completed for existing dwellings. Copies of the required inspections for new construction per 1980.360 of Instruction 1980-D must be submitted to RD. Exhibit C or D, as applicable, will be used to certify the thermal requirements.

3. Plans for Marketing: The Lender will advise RD of its plans to sell the loan on the secondary market. Form 1980-11 must be executed if the loan and/or servicing is to be sold.

4. Lender File: The Lender will maintain a file for each Guaranteed Rural Housing loan containing originals or copies as appropriate of all documents pertaining to the loan.

5. Reporting Loan Closing: The Lender will prepare Form 1980-19, "Guaranteed Loan Closing Report" and deliver it along with the guarantee fee and Lender Certification to the RD Field Office. The Lender Certification is located on the back of the Form 1980-18 (Conditional Commitment).

6. RD Review: RD will review the items submitted by the Lender to assure compliance with the conditions of the guarantee. If all requirements have been met, the RD will execute Form 1980-17, "Loan Note Guarantee" and send the original to the Lender.

LENDER WORKFLOW

1. LENDER:

A. Takes application.
B. Reserves funding by faxing form 1980-86 to appropriate RD Office.
C. Obtains required documentation.
D. Underwrites the loan reviewing it for RD guidelines.
E. Submits the loan package to RD for review.

2. RURAL DEVELOPMENT:

A. Reviews loan and obligates guarantee.
B. Issues Conditional Commitment to lender within 48 hours.

3. LENDER:

A. Receives the Conditional Commitment.
B. Closes the loan.
C. Sends closing package with Guarantee Fee to RD area office. The closing package consists of the following:
    1. Lender Certification (Reverse of Form 1980-18).
    2. Loan closing report (Form 1980-19).
    3. A copy of the Promissory Note.
    4. A copy of the Settlement Statement.
    5. Any other conditions listed in the Conditional Commitment.
    6. Inspection Reports
    7. Form 1980-11 (Guaranteed Rural Housing Lender Record Change) if loan/servicing is sold.

4. RURAL DEVELOPMENT:

A. Reviews closing package.
B. Issues Loan Note Guarantee (Form 1980-17).

5. LENDER:

A. May sell loan/servicing to secondary mortgage market or servicing lender.
B. Loan serviced in accordance with RD Instruction 1980.370-.377.

6. RURAL DEVELOPMENT:

A. Reviews 10% outstanding loans serviced by lender every 2 years.

Exhibits for Guaranteed Rural Housing Loan Program

The following exhibits must be submitted to Rural Development either as part of a complete Loan Application package or a complete Loan Closing package:

- Exhibit A, "Application Checklist".
  To be completed by the lender and submitted as part of a complete application package.

- Exhibit B, "Inspection of Existing Properties"
  To be signed by qualified inspector and submitted as part of a complete loan closing package.

- Exhibit C , "Thermal Certification - New Construction"
  To be completed by individual who certifies plans and specifications.

- Exhibit D, "Thermal Certification—Existing Property"
  To be completed by qualified inspector and submitted as part of a complete loan closing package.

- Exhibit E, "Loan Closing Package Checklist"
  To be completed by the Lender and submitted as part of a complete loan closing package.

Required Forms for Guaranteed Rural Housing Loan Program

Form #	Form name	Applicant signature	Lender signature	Agency signature	Purpose of form
1980-86	Request for Reservation of Funds		Yes		Loan Funds Reservation
AD-1048	Certification Regarding Debarment	Yes			Debarment Certification
1980-21	Request for Loan Note Guarantee	Yes	Yes		Request for Guarantee/Privacy Act information
1980-18	Conditional Commitment		Yes	Yes	Loan Commitment
1980-19	Closing Report		Yes	Yes	Report on Closing
1980-17	Loan Note Guarantee			Yes	Guarantee for Loan
1980-11	Lender Record Change		Yes		Change in Holder or Servicer

APPLICATION CHECKLIST

Exhibit "A"

(To be completed by the lender and submitted with the Request for Guarantee)

Please assure that all documents have consistent Names and Loan Amount

_____ 1. Copy of Form 1980-86, Reservation of Funds. (Fax prior to submission of package.)

_____ 2. Fannie Mae Form 1008, "Uniform Underwriting and Transmittal Summary" signed by the underwriter. Comments and prequalifying and final requirements of underwriter must be attached. (

_____ 3. Form 1980-21 "Request for SFH Loan Guarantee"
(original Form must be complete with original signatures of applicant(s) and Lender)

_____ 4. Copy of signed and dated application

_____ 5. Copy of acceptable credit report on all applicants

_____ 6. Copy of valid income verifications of each adult member of the household.

_____ 7. Form AD 1048 " Certification Regarding Debarment"
(Must be signed by the applicant(s)

_____ 8. Copy of sales contract or bid for construction contract.

_____ 9. Complete acceptable appraisal, less than 6 months old.

_____ 10. FEMA Form 81-93, Standard Flood Hazard Determination.

_____ 11. Form 1924-25, "Plan certification" or similar form for new construction.

Lender must include written documentation that each eligibility requirement is met and the basis for those determinations must be included in the Lender's file.

INSPECTION CERTIFICATION—EXISTING PROPERTIES (GRH)
Tennessee (2005)
Exhibit "B"

BORROWER(S): _____

PROPERTY LOCATION: _____

_____

I have inspected the above property and have determined that the dwelling is structurally sound, functionally adequate, in good repair, or will be placed in good repair (see repair list below), and that the following are adequate:

Plumbing_____ Electrical_____ Heating/Air_____ Foundation_____ Roof_____

Comment regarding site evaluation and list any site hazards, i.e. drainage problems:_____
_____
_____
_____

I Certify the dwelling meets current requirement of HUD Handbooks 4150.2 and 4905.1. Also, 100 % of the crawl Space is accessible for repairs & maintenance (18 inches from ground to floor joists). _____

OR

I certify that when the following repairs are done, the dwelling will meet the current requirements of HUD Handbook 4150.2 and 4905.1/ (Re-inspections required upon completion.)
_____
_____
_____
_____

If this property has a well, it is located a minimum of 50 feet from a septic tank, 100 feet from the septic tank's drain field and a minimum of 10 feet from any property line. If public water/sewer is available, connection must be made if cost is 3% or less of the estimated value of the property. _____

I have no personal interest, present or prospective, in the property, borrower(s) or proceeds of this mortgage.

_____ _____
Inspector's Name (Print) Date

_____ _____
Inspector's Name (Print) Telephone Number

_____

_____
Address

REINSPECTION AFTER COMPLETION OF REPAIRS

I have reinspected the dwelling and all repairs outlined above have been completed properly.

_____ _____
Inspectors's Signature Date

TN GRH THERMAL CERTIFICATION
New Construction
Tennessee
Exhibit C

BORROWER(S): _____

PROPERTY ADDRESS _____

PROPERTY COUNTY _____

I have inspected the above property and certify the following:

Dwelling:

_____ Complies with the thermal performance standards identified in the International Residential Code. The required thermal standards can be determined by reviewing Table 1 on the reverse to select the climate zone for the County where the dwelling is located and then reviewing Table 2 to identifying the correct R-values corresponding to the County's specific climate zone.

Windows:

_____ Double glazed (thermal pane)

_____ Single glazed, with storm windows

Exterior Doors:

_____ Insulated

_____ Solid-core, with a storm-type door

Vapor Barrier:

_____ A moisture vapor barrier consisting of at least 6-mil thickness polyethylene sheeting is properly installed throughout the crawl space.

_____ _____
Inspector's Signature Date

_____ _____
Inspector's Name (Please Print) Telephone Number

_____
Inspector's Address (Street or P.O. Box, City, State, Zip Code

EXHIBIT C—Continued

10/2005

Table 1. Tennessee Counties and Climate Zones[1]

County	Zone	County	Zone	County	Zone	County	Zone
Anderson,	9	Fentress	10	Lauderdale	8	Roane	9
Bedford	8	Franklin	9	Lawrence	8	Robertson	9
Benton	9	Gibson	9	Lewis	8	Rutherford	8
Bledsoe	8	Giles	9	Lincoln	8	Scott	10
Blount	8	Grainger	9	Loudon	8	Sequatchie	8
Bradley	8	Greene	9	Macon	9	Sevier	9
Campbell	10	Grundy	9	Madison	8	Shelby[2]	7
Cannon	9	Hamblen	9	Marion	8	Smith	9
Carroll	9	Hamilton	8	Marshall	8	Stewart	9
Carter	10	Hancock	10	Maury	9	Sullivan	9
Cheatham	9	Hardeman	8	Mcminn	8	Sumner	9
Chester	8	Hardin	8	Mcnairy	8	Tipton	8
Claiborne	10	Hawkins	9	Meigs	8	Trousdale	9
Clay	9	Haywood	8	Monroe	8	Unicoi	10
Cocke	9	Henderson	8	Montgomery	9	Union	9
Coffee	8	Henry	9	Moore	8	Van Buren	9
Crockett	8	Hickman	9	Morgan	10	Warren	9
Cumberland	9	Houston	9	Obion	9	Washington	9
Davidson	8	Humphreys	9	Overton	9	Wayne	8
De Kalb	9	Jackson	9	Perry	8	Weakley	9
Decatur	8	Jefferson	9	Pickett	10	White	9
Dickson	9	Johnson	10	Polk	8	Williamson	8
Dyer	8	Knox	8	Putnam	9	Wilson	9
Fayette[2]	7	Lake	9	Rhea	8		

Table 2. Minimum Required Thermal Performance (R-Values)[1]

Climate Zone	Ceilings	Walls	Floors[3]	Basement Walls	Slab Perimeter R-Value, Depth	Crawl Space Walls[4]
7	R-30	R-13	R-19	R-7	R-4, 2 feet	R-8
8	R-30	R-13	R-19	R-8	R-5, 2 feet	R-10
9	R-38	R-13	R-19	R-8	R-5, 2 feet	R-11
10	R-38	R-16	R-19	R-9	R-6, 2 feet	R-17

Notes

[1] Excerpted from the International Residential Code

[2] A moisture vapor barrier is not required in crawl spaces in Fayette and Shelby Counties.

[3] Floors beneath ventilated crawl spaces are required to be insulated. Crawl spaces must be ventilated unless an impermeable vapor barrier (without seams) is installed above the ground surface and the crawl space is heated and air conditioned.

[4] Crawl space wall insulation or insulating the cells of concrete masonry units cannot be substituted for floor insulation in ventilated crawl spaces. Crawl space walls should only be insulated (and floor insulation omitted) when the crawl space is not ventilated, an impermeable vapor barrier (without seams) is installed, and the air in the crawl space is conditioned (heated and cooled).

THERMAL CERTIFICATION – EXISTING DWELLINGS
(GRH Loans)
Tennessee 10/2005
Exhibit D

BORROWER(S): _____

PROPERTY LOCATION: _____

_____

I have inspected the above property and have determined that the dwelling thermal standards meet the requirements of Rural Development as follows:

For existing dwellings the R factors are:

R-30 Attic or ceiling insulation

The windows are: _____Double Glazed (thermal pane)

OR

_____Single pane with storm windows

The exterior doors are: _____Insulated doors

OR

_____Solid core with a storm door.

_____ _____
Inspector's Signature Date

_____
Name

_____ _____
Phone Number

_____-
_____
Address

Loan Closing Package Checklist for Lenders
Exhibit "E"

LENDER: _____

APPLICANT(S): _____

Property located in _____**COUNTY**

Closing Package Submitted to: Rural Development/USDA
_____
_____

Loan closing documents must be received by the Rural Development Office that issued the Conditional Commitment for Guarantee prior to the expiration of the Conditional Commitment.

_____ **Form 1980-19, Guaranteed Loan Closing Report, completed and signed by the Lender.**

_____ **Form 1980-18, Conditional Commitment for Guarantee (Lender must determine that all conditions have been met and must execute the reverse of the Form certifying to the requirements listed.)**

_____ **Correct Guarantee Fee as specified on the Conditional Commitment.**

_____ **Certification of Property Inspections**

_____ **Copy of Promissory Note, Deed of Trust & Settlement Statement**

The Loan Note Guarantee should be forwarded to the following address:

_____

_____

_____

ATTENTION:_____

GRH OFFICE LOCATIONS AND STAFF—TENNESSEE

KNOXVILLE AREA OFFICE

ADDRESS: 4730 New Harvest Lane
Suite 300
Knoxville, TN 37918

Phone 865-523-3338 Ext. 4
Fax 865-525-7622

Linda Whillock	- Area Specialist	linda.whillock@tn.usda.gov
Mary Short	- Area Specialist	mary.short@tn.usda.gov
Tanuja Dagley	- Area Technician	tanuja.dagley@tn.usda.gov

NASHVILLE STATE OFFICE

ADDRESS: 3322 West End Avenue
Suite 300
Nashville, TN 37203

Phone 1-800-342-3149
Fax 615-783-1338

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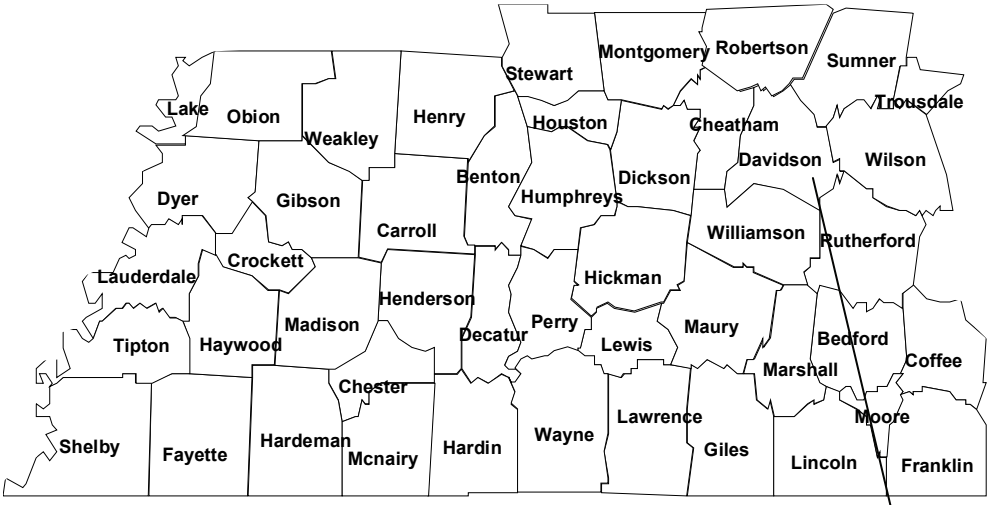
GRH Coordinator & Team Leader
Betty W. Hicks — betty.hicks@tn.usda.gov

Housing Programs Director -
Don Harris — donald.harris@tn.usda.gov

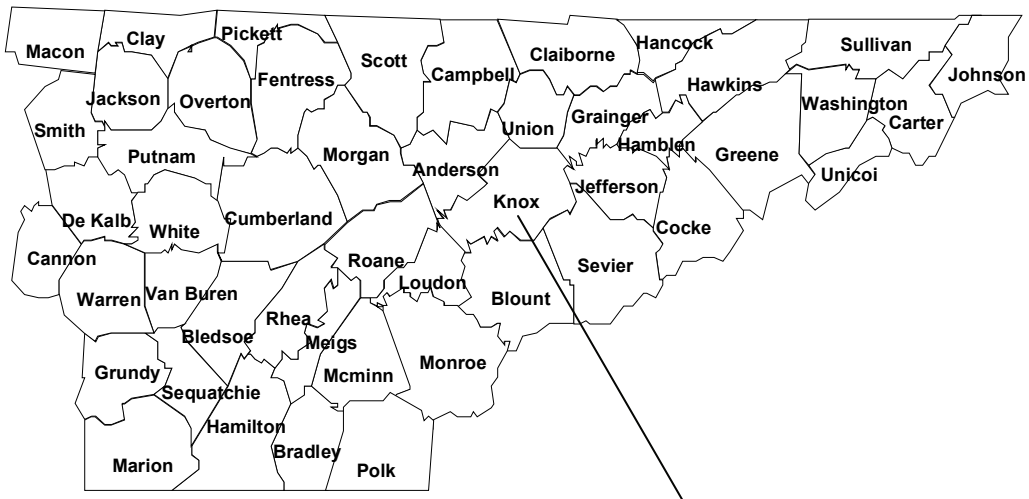
Rural Development GRH Offices in Tennessee



Nashville State Office
Don Harris, Program Director
3322 West End Avenue
Suite 300
Nashville, TN 37203
(615) 783-1376
FAX: (615) 783-1391

GRH STAFF:
Betty Hicks, GRH Team Leader
Ann Markham—Area Specialist
Tom Favreau—Area Specialist
Annette Fuller—Area Specialist
Judy Esperson—Area Technician
Christa Lindsey—Area Technician

Rural Development GRH Offices in Tennessee



Knoxville Area Office
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