



United States Department of Agriculture
Rural Development

Section 538 Guaranteed Rural Rental Housing Lender Eligibility

Eligible Lenders: An eligible lender for the section 538 Guaranteed Rural Rental Housing Program (GRRHP) as required by 7 CFR 3565.102 must be a licensed business entity or Housing Finance Agency (HFA) in good standing in the state or states where it conducts business. Lender eligibility requirements are contained in 7 CFR 3565.102. Please review 7 CFR 3565.102 for a complete list of all of the criteria. Below is a list of some of the eligible lender criteria under 7 CFR 3565.102:

(1) Licensed business entity that meets the qualifications and has the approval of the Secretary of Housing and Urban Development (HUD) to make multi-family housing loans that are insured under the National Housing Act. A complete list of HUD approved lenders can be found on the HUD Web site at <http://www.hud.gov>.

(2) A licensed business entity that meets the qualifications and has the approval of the Ginnie Mae or Freddie Mac or Fannie Mae corporations to make multi-family housing loans that are sold to the same corporations. A complete list of Freddie Mac approved lenders can be found in Freddie Mac's Web site at <http://www.freddiemac.com>. Fannie Mae approved lenders are found at <http://www.fanniemae.com>. For a list of Ginnie Mae issuers, contact Ginnie Mae at <http://www.ginniemae.gov>.

(3) A State or local HFA with a top-tier rating from Moody's or Standard & Poors, or member of the Federal Home Loan Bank system, and the demonstrated ability to underwrite, originate, process, close, service, manage, and dispose of multi-family housing loans in a prudent manner.

(4) Be a GRRHP approved lender, defined as an entity with a current executed multi-family housing Lender's Agreement with USDA Rural Development.

(5) Lenders that can demonstrate the capacity to underwrite, originate, process, close, service, manage, and dispose of multi-family housing loans in a prudent manner. In order to be approved the lender will have to have an acceptable level of financial soundness as determined by a lender rating service. The submission of materials demonstrating capacity will be required if the lender's response is selected. Lenders who are otherwise ineligible may become eligible if they maintain a correspondent relationship with an eligible lender that does have the capacity to underwrite, originate, process, close, service, manage, and dispose of multi-family housing loans in a prudent manner. In this case, the eligible lender must submit the response and application on company letterhead. All contractual and legal documentation will be signed between USDA Rural Development and the lender that submitted the response and application.

GRRHP Lender Approval Application: Lenders whose responses are selected will be notified by the USDA Rural Development to submit a request for GRRHP lender approval application

"USDA is an equal opportunity provider, employer and lender."

To file a complaint of discrimination write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice or TDD).

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within 30 days of notification. Lenders who request GRRHP approval must meet the standards in the 7 CFR 3565.102 and 103. Lenders that have received GRRHP lender approval in the past and are in good standing do not need to reapply for GRRHP lender approval.

Submission of Documentation for GRRHP Lender Approval: All lenders that have not yet received GRRHP lender approval must submit a complete lender application to:

**Director, Multi-Family Housing Processing Division,
Rural Housing Service, U.S. Department of Agriculture, Room 1263, STOP 0781,
1400 Independence Avenue, SW., Washington, DC 20250-0781.**

Lender applications must be identified as "Section 538 Guaranteed Rural Rental Housing Program" on the envelope. As the Section 538 program does not have a formal application form, a complete application consists of a cover letter requesting GRRHP lender approval and the following documentation:

- (1) Request for GRRHP lender approval on the lender's letterhead;
- (2) Lenders who are HUD, Ginnie Mae, Freddie Mac or Fannie Mae multi-family approved lenders are required to show evidence of this status, such as a copy of a letter designating the distinction;
- (3) The lender's Loan Origination, Loan Servicing, and Portfolio Management Handbooks. These handbooks should detail the lender's policies and procedures on loan origination through termination for multi-family loans;
- (4) Portfolio performance data;
- (5) Copies of standard documents that will be used in processing GRRHP loans;
- (6) Resumes and qualifications of key personnel that will be involved in the GRRHP;
- (7) Identification of standards and processes that deviate from those outlined in the GRRHP Origination and Servicing Handbook (HB-1-3565) found at <http://www.rurdev.usda.gov/regs/hblist.html#hbw6>.
- (8) A copy of the most recent audited financial statements;



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(9) Lender specific information including:

- (a) Legal name and address,
- (b) list of principal officers and their responsibilities,
- (c) certification that the officers and principals of the lender have not been debarred or suspended from Federal programs,
- (d) Form AD1047,
- (e) certification that the lender is not in default or delinquent on any Federal debt or loan, or possesses an outstanding finding of deficiency in a Federal housing program, and
- (f) certification of the lender's credit rating; and

(10) Documentation on bonding and insurance.