

Program Overview / Loan Terms / Marketing

[Program Overview](#)

[Applicant Eligibility](#)

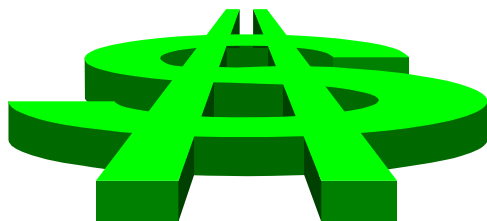
[Property Eligibility](#)

[Loan Processing / Underwriting](#)

ADVANTAGES - WHY LENDERS USE GRH



- No down payment.
- No monthly mortgage insurance.
- No cash reserves are required.
- No minimum credit score is required.
- No limit on cash assets.
- Borrowers have choice of this loan, WHEDA, FHA, or VA. Not required to first test for other credit availability.
- No maximum loan amount or purchase price limits. Loan amounts are limited only by the applicant's repayment ability and the property's appraised value.
- Home purchase loans up to 102% of appraised value (100.5% on refinance of Rural Development loans). See section on refinancing rules.
- No limitation on source of closing costs. 100% gifted closing cost or down payment assistance is permitted. Funds from CCAP, Down Payment Plus or similar housing assistance from community based organizations can be used. Soft second mortgages are allowed for closing costs even if the total debt exceeds the appraised value of the property.
- Repairs, closing costs, and the one time Rural Development guarantee fee of 2.0% can be financed up to 102% LTV.
- Seller concessions are allowed to pay loan closing costs and repairs. (Consult with your investor for the maximum allowed.)
- Affordable fixed interest rate with 30-year term.

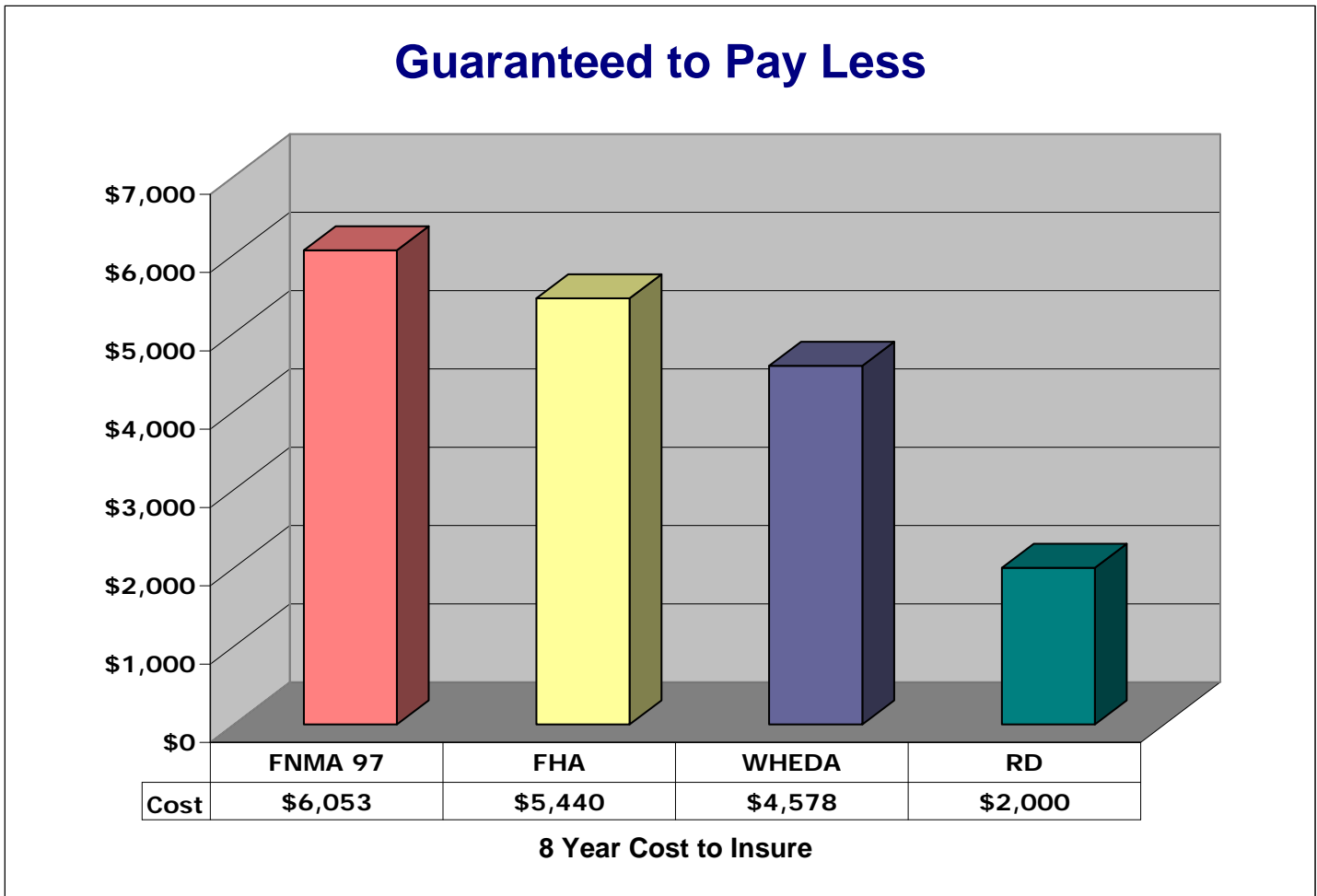


- **Premium pricing and service release premium may be available.**
- **No Rural Development prior approval of appraisers or builders.**
- **Any lender may participate with formal Rural Development approval.**
- **Prompt review by Rural Development (1 to 2 business days).**
- **Lenders may charge normal and customary fees for their services.**
- **Expand your mortgage customer base. You also have a chance to cross sell your other lending services to this customer.**
- **Obtain Community Reinvestment Act (CRA) credit and generate fee income with little or no risk.**
- **GRH loans are accepted in any Ginnie Mae I or II pool. They can be sold as a single loan or as part of a pool to Fannie Mae, Freddie Mac, and the Federal Home Loan Bank. Nationally, approximately 300 approved lenders are eligible to purchase GRH loans.**
- **Use of standard secondary market approved documents. (Only 2 or 3 Rural Development forms are needed in a typical file.)**
- **Local Rural Development offices are available for training and outreach assistance.**
- **RD's guarantee provides better loss protection than private mortgage insurance, with less cost to the customer.**



APPROVED GRH LENDERS

- Any lender licensed in Wisconsin may originate the loans and reserve funds. However, GRH loan packages must be submitted to Rural Development by an approved underwriting lender.
- Underwriting lenders must be approved by Wisconsin Rural Development or by our National Office in Washington, D.C. See the Lender Approval Checklist located [here](#) for more info.
- A listing of Wisconsin and Nationally approved lenders is available in the [Lender Information](#) section of our website.



On a \$100,000.00 loan, the borrower saves \$3,440.00 in the first 8 years by opting for the GRH loan rather than the FHA loan. Remember, it is difficult to drop MI coverage. Plus, the MI premium has to be calculated into the ratios. This is NOT an issue with the GRH loan since MI is not required.



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**QUICK REFERENCE GUIDE FOR
MORTGAGE FINANCING IN RURAL AREAS**

	RURAL DEVELOPMENT GRH	FHA	WHEDA (Home Program)	CONVENTIONAL
HOUSING RATIO (PITI)	29%* 31%* Energy eff.	29%*	33%*	28%*
TOTAL DEBT RATIO (TDR)	41%* 43%* Energy eff.	41%*	38%* (Max. = 45%)	36%*
MAXIMUM LTV	102% (including guarantee fee) Based on appraised value	97.65% > \$50,000 98.75% < \$50,000 Based on lower of purchase price or appraised value	97% Based on lower of purchase price or appraised value.	97% plus Based on lower of purchase price or appraised value
MAX LOAN	Limited only by the applicant's repayment ability	\$200,160 - \$244,625 depending on county	\$204,432 - \$249,861 depending on county	\$417,000 One unit
LOAN TERMS	30	15-30	30	15-30
INTEREST RATE	Market - Fixed	Market – Fixed or variable	Market – Fixed	Market – Fixed or variable
MONTHLY MORTGAGE INS.	None	.5%	None	.92 w/Min. CS Will vary based on product
GUARANTEE FEE	2.0% of loan amount	1.5% MIP	N/A	N/A
CASH RESERVES	None required. No limit.	1 Month PITI	1 Month PITI (Can't exceed \$7,000)	1 Month PITI
SOURCE OF DOWN PAYMENT	N/A	Not Restricted	N/A	Applicant's funds or an approved down payment assistance program.
SOURCE OF CLOSING COSTS	No Limitations - can be financed up to appraised value or gifted	Seller can pay up to 6% of buyers costs	Applicant can finance with Easy Close loan or can be seller paid	Applicant or seller paid (depending on the product)
MINIMUM CREDIT SCORE	None	None	620 min. credit score for all borrowers	Yes for most conforming products
PREMIUM PRICING	Yes	Yes	No	Yes
AUTOMATED UNDERWRITING	Yes (GUS)	Yes	No	Yes

* Standard repayment ratios can be exceeded with compensating factors

RURAL DEVELOPMENT & WHEDA HAVE HOUSEHOLD INCOME LIMITATIONS BASED ON FAMILY SIZE AND COUNTY. SEE THE WISCONSIN RD HOME PAGE FOR FURTHER INFORMATION ON INCOME LIMITS: www.rurdev.usda.gov/wi.



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RURAL DEVELOPMENT GUARANTEED RURAL HOUSING ADVANTAGES:

- No down payment
- No monthly private mortgage insurance
- Closing costs, repairs, and 2.0% Rural Development guarantee fee may be financed (Maximum LTV is 102% of appraised value.)
- Higher qualifying repayment ratios (Allows PITI & TD ratios up to 29% & 41% with flexibility given for compensating factors.)
- 30 Year Fixed Rate
- Refinancing available to existing Rural Development GRH and Direct 502 borrowers

Let's Compare Financing Options...

	RD	WHEDA	Conventional	FHA
Est. Monthly PITI	\$1,065	\$1,080	\$1,133	\$1,123
Est. Down Payment	\$0	\$3,713	\$3,713	\$3,713
Est. Closing Costs**	\$3,050	\$586	\$625	\$2,186
Est. Reserves	\$0	\$1,080	\$1,133	\$1,123
Est. Funds Needed to Close	\$575	\$5,379	\$5,471	\$7,022

(Assuming sales price of \$123,750, annual taxes of \$3,000, annual homeowners insurance of \$300 and minimum down payment for each program, Rural Development 6.9%/7.118% APR, WHEDA 6.25%/6.759% APR and PMI premium of .67%, Conventional 6.7%/7.357% APR and PMI premium of .84%, FHA 7.0%/7.584% APR and MIP premium of .50%.)

* Minimum 3% downpayment for WHEDA, Conventional, and FHA financing.

** May vary depending on lender and other rates or terms (excludes pre-pays). 2.0% Rural Development guarantee fee of \$2,475 can be financed up to 102% LTV.

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, sex, religion, age, disability, political beliefs, sexual orientation or marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at 202-720-2600 (voice and TDD).

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 and TDD). USDA is an equal opportunity lender.

Comparison – PMI vs. GRH Fee

<u>GRH Fee =</u> 2.0% of Mtg Amt	<u>PMI for Conventional</u> 3% Downpayment @ 78 basis pts	<u>MIP for FHA</u> 3% Downpayment @ 50 basis pts Can Finance 1.5% up front MIP	<u>PMI for WHEDA</u> 3% Downpayment @ 59 basis pts
\$100,000	\$100,000	\$100,000	\$100,000
X 2.0%	- \$ 3,000	-\$ 3,000	-\$ 3,000
\$ 2,000	\$ 97,000	+\$ 1,500	\$ 97,000
	X .0078	\$ 98,500	X .0059
	\$ 756.60 / Annual	X .0005	\$ 572.30 / Annual
	\$ 63.05 / Month	\$ 492.50 / Annual	\$ 47.69 / Month
		\$ 41.04 / Month	

* One-Time Fee	* Paid Each Month	* Paid Each Month	* Paid Each Month
* Can Be Financed	Until 20% Equity Reached	Until 20% Equity Reached	Until 20% Equity Reached
	* Cannot Be Financed	* Can Finance 1.5% UpFront Only	* Cannot Be Financed

Based On Average Retention Period For This Type Purchase, of 8 Yrs, Total Cost for Guarantee or Mtg Ins Protection:

\$ 2,000 X 1 Payment =	\$63.05/Mo X 96 Months =	\$41.04/Mo X 96 Months =	\$47.69/Mo X 96 Months =
\$ 2,000	\$ 6,052.80	\$3,939.84 + \$1,500 Up Front =	\$4,578.40
		\$ 5,439.84	

Lender's 'Coverage':

100% of loss up to 35% of the GRH loan, and 85% of any additional loss, up to the initial loan amount.	Only on the first 20% of the mortgage amount.	Only on the first 20% of the mortgage amount.	Only on the first 20% of the mortgage amount.
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GUARANTEE FEE

- Two percent (2.0%) of the total loan amount for purchase transactions and one half percent (0.5%) for refinance transactions. The fee may be included in the loan in excess of the appraised value not to exceed 102% LTV based on the appraised value. To calculate the final loan amount to include the fee, divide the proposed loan w/o the fee by .98 for purchases or .995 for refinances (see page 9).

Example: \$90,000.00 loan without the fee. $\$90,000 / .98 = \$91,836.73$ final loan. The guarantee fee is 2.0% of the final loan or \$1,836.73.

- The guarantee fee is submitted to Rural Development after the GRH loan has been closed. Click [here](#) to view the GRH Loan Closing Package Checklist in the GRH Forms section for more information.

INTEREST RATE



- The **maximum** interest rate charged on GRH loans may not be more than the current Fannie Mae rate (which is the Fannie Mae 90-day actual / actual yield for 30 year fixed rate conventional loans plus 60 basis points rounded up to the nearest one quarter percent) or the lender's published rate for VA first mortgage loans with no discount points, whichever is higher. Lenders may elect to establish their current interest rate based on the previous business day's Fannie Mae rate.
- Most investors provide a daily rate schedule. GRH loan applications may be submitted to Rural Development with floating or locked interest rates. Conditional Commitments issued by Rural Development on applications with floating rates will always be at the lesser of the lender's proposed rate or the current Fannie Mae rate. The interest rate, when locked by the applicant and lender must be at an eligible rate of interest as defined above. If a lender locks an eligible interest rate that is higher than the rate shown on their Conditional Commitment, a revised Conditional Commitment must be obtained from Rural Development approving the higher rate.
- Lenders may access historical Fannie Mae Rates without a Lender ID and password. The Fannie Mae website for obtaining historical information is: <https://www.efanniemae.com/sf/refmaterials/hrny/index.jsp>
- Select the current month under "30-year FRMs A/A Remittance". When looking at the chart of the Fannie Mae 30 Year Fixed Rates, the rate you need to look for is the 90 day posted yield at the bottom right of the chart, corresponding to the previous business day. The 60 basis points are added to the 90-day posted yield, then rounded up to the nearest one quarter percent, to determine the maximum rate.

LOAN NOTE GUARANTEE COVERAGE

Rural Development's guarantee provides lenders with better protection than most types of mortgage insurance at a lower cost to the applicant. Because of the high quality of our guarantee, GRH loans are sellable on the secondary market, resulting in good value for both lenders and homebuyers.

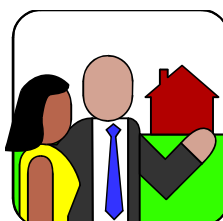


- Lenders are protected 100% on the first 35% of the original loan amount. Any loss in excess of the first 35% is covered by an 85% guarantee.
- The following briefly explains the loss claim process:
 - Step 1: Add all unpaid accrued interest, principal, foreclosure costs, all REO costs, interest from foreclosure date to REO sale (maximum of 6 months), and all REO sales expense to determine gross investment. Subtract gross REO sale price from gross investment to determine the loss.
 - Step 2: Multiply the original loan by 35 percent.
 - Step 3: Rural Development pays *the lesser of* all of the loss determined in Step 1 or 35% of the original loan (Step 2)
 - Step 4: Rural Development pays 85% of any loss remaining unpaid from Step 3.
- The maximum loss payable is 90% of the original principal borrowed.
- For more information on electronic reporting, loss claims and the servicing of GRH loans click on [Loan Servicing and Loss Claims](#).

LOAN TERMS



- 30-year amortization only. Shorter or longer terms are not permitted. Since there are no pre-payment penalties, additional principal payments made by the borrower will shorten the loan's amortization period. For construction-permanent loans, the 30-year term begins with the date of the loan modification to the permanent terms.



LOAN PURPOSES

Purchases

- Existing or new homes, including: modular housing; manufactured homes (new units only, see the section titled “Manufactured Housing”); townhouses; and condominiums.
- Townhouses and condominiums must be property eligible for Fannie Mae, Freddie Mac, FHA, or VA financing. Refer to the section “Site and Building Requirements” for more information.
- New construction: take out (or end loan) and construction-permanent financing only. Applicants are responsible for obtaining their own interim construction financing, if needed. Site loans may be refinanced as part of the new construction financing.
- Payoff the balance of an existing land contract (or contract for deed) in which the applicant has not acquired title to the property. (No cash out.)
- Property repairs and improvements can be financed up to the “as improved” value of the property. Repairs and improvements must be completed before the final guarantee is issued. Escrows are allowed for exterior weather delayed repairs only.
- All of the buyers closing costs, including prepaid expenses and the one time Rural Development guarantee fee of 2.0% can be financed up to 102% of the property’s appraised value.



Refinancing

Limited to refinancing existing Rural Development GRH and Direct 502 loans only.

- Refer to the [Administrative Notices \(ANs\)](#) for more information on refinancing existing GRH and Direct 502 loans.
- Rural Development Direct 502 loans may have subsidy recapture due. The recapture can be deferred (Rural Development maintains a lien and subordinates their mortgage) or it can be included in the payoff. A 25% reduction of the recapture amount is offered for payoff rather than deferral.
- Loan term must be 30 years.
- Fixed interest rate at or below the current rate.

- A 0.5% guarantee fee must be paid to Rural Development.
- Compliance income limits and repayment ratios are the same as for an initial GRH loan.
- No insulation certification; No flood certification; No property inspection.
- CANNOT refinance debts other than the existing Rural Development GRH loan or the Direct 502 loan.
- Can add or delete borrowers.
- Property must be owner occupied.
- Maximum loan cannot exceed the balance of the loan being refinanced, plus the 0.5% guarantee fee, and reasonable and customary closing costs, including funds necessary to establish the new escrow for taxes and insurance.
- The LTV can be up to 100.5% (based on the appraised value) for refinances if the 0.5% guarantee fee is included in the loan.
- Appraisals less than one year old may be used for GRH refinance transactions if the lender obtains a re-certification of value from the original appraiser. The LTV cannot exceed 100.5% of the property's original appraised value.
- A new appraisal is not required when refinancing only the **unpaid principal** on an existing GRH loan with the 0.5% guarantee fee. However, a new appraisal is required when refinancing a Direct 502 loan or if interest, closing costs (including pre-paid expenses) are included in the new GRH loan.
- No cash back (except the nominal amount paid up front for the credit check and appraisal). The applicants may receive any escrow refund from the old loan.
- The property may be in an ineligible (non-rural) area because of eligible area delineation changes by Rural Development since the original loan was made.
- Click [here](#) to view the GRH Refinancing Chart in the GRH Forms section for more information.



MARKETING STRATEGIES

- The ADJUSTED household income limits for most Wisconsin counties range from \$48,000 for a 1-person household to \$90,500 for an 8-person household and is higher in many other counties. Market to the higher end of the income range for larger loans and easier qualification. The maximum loan is limited only by the appraised value and reasonable repayment ability.
- Last year the average GRH loan amount in Wisconsin was approximately \$106,600. This indicates that the majority of GRH financing is used to purchase existing homes. Market this program to real estate brokers who have listings in eligible areas that are in the starter home range (\$90 – \$180k).
- Use web sites such as www.realtor.com or www.wihomes.com to identify properties that could be financed with the GRH program. Market your services directly to the listing real estate brokers.
- Click [FY07 Activity Map](#) to see the number of GRH loans made in each county during the past year. Click [Total Activity Map](#) to see the number of GRH loans made since the program started in WI. High numbers indicate that lenders and real estate brokers are actively using the GRH program. Low numbers indicate an untapped market with potential for growth. Real estate brokers in those areas may need to be trained by a lender before any growth occurs.
- Use the pre-approval program available through Rural Development (and most GRH lenders) to resolve any credit, income, or ratio concerns that your customer may have prior to getting a property under contract. This will let the real estate brokers know that they have a serious qualified buyer.