

- Refer to the [Administrative Notice \(AN\)](#) for more information on alternative documentation.
- Click [here](#) to view a good question/answer guide on Alt. Doc. which is available in the GRH Forms section under the heading of Loan Origination.
- Alternative documentation is not appropriate for individuals that change employers frequently, self-employed individuals, occupations with unreimbursed employment related expenses, disability income, child support income, etc.
- Supply portions of divorce decree pertaining to property settlements, child support, and alimony.
- **Pending pay increases** that are scheduled to occur within 90 days based on the VOE must be considered for compliance purposes.
- A 12-month history of child support income must be verified through the State of WI (Family Support Division) or the Clerk of Court's office. The Wisconsin Support Collections Trust Fund can be contacted at 800-991-5530 or accessed through the following web site: <http://childsupport.wisconsin.gov/payments>. Information on who to contact locally for child support information can be obtained through the following web site: www.dwd.state.wi.us/bcs
- Supply copies of the most recent award letter to verify income from Social Security, SSI, SSI disability, pension, workman's compensation, or other types of unearned incomes.
- Unemployment compensation (UC) received as a result of seasonal types of employment can be verified by providing a copy of the applicant's income tax returns for the past two years. UC benefits can also be verified through the following web site: <http://ucclaim-wi.org>



LOAN CLOSING



- If requested, Rural Development will review your documentation prior to closing to verify that you have satisfied the conditions listed on the Conditional Commitment.
- Make certain that the loan amount and interest rate matches (or is less than) the amount and rate shown on the Conditional Commitment.
- Make sure the guarantee fee is 2.0% of the FINAL loan amount for purchase transactions or 0.5% for refinance transactions.
- Utilize the GRH Loan Closing Package Checklist as a cover sheet when submitting closing packages. Click [here](#) to review the GRH Loan Closing Package Checklist located in the GRH Forms section.
- Submit the closing package and guarantee fee to the Rural Development office that issued the Conditional Commitment.
- Upon receiving [Form RD 1980-17](#), Loan Note Guarantee from Rural Development, attach it to the original promissory note as evidence of the guarantee.

MINIMUM LOAN AMOUNT

None, check with your investor.

MAXIMUM LOAN AMOUNT - LTV



Up to 102% of the property's appraised value, when financing the 2.0% Rural Development guarantee fee. The initial GRH loan amount cannot exceed 102% LTV based on the property's appraisal under any circumstances.

- Newly constructed homes without a 10-year insured builder's warranty or documentation for the three required construction inspections are limited to 90% LTV based on the appraisal.
- The total debt against the property can exceed the value if housing assistance for closing costs or down payment is made by a state or local agency and is secured by a "soft second". Grants by the state or local agencies for closing costs or down payment assistance are acceptable.

Check with your investor or secondary marketing department for any restrictions they may impose in regard to the second liens.

- New GRH loans used for refinancing an existing Rural Development GRH or Direct 502 loan can be up to 100.5% LTV when including closing costs and the 0.5% guaranteed fee in the loan.

PAYMENT SHOCK & RISK LAYERING



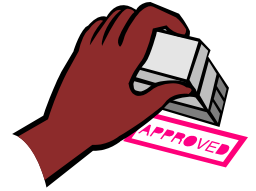
- Underwriters should document payment shock on Form 1008 or an equivalent underwriting worksheet. Refer to the [Administrative Notice \(AN\)](#) for more information on analyzing payment shock and risk layering.
- In cases where the **payment shock is 100%** or more as well as in cases where the applicant did not have housing expense, no additional risk layering (i.e. adverse credit waivers, debt ratio waivers, or buy downs) should be allowed without **strong** documented compensating factors. Acceptable compensating factors include, but are not limited to:
 - The borrower has an excellent credit history reflecting timely repayment of credit obligations;
 - Each applicant has a credit score of 660 or greater.
 - The applicant has demonstrated a conservative attitude toward the use of credit and an ability to accumulate savings;
 - The applicant has a stable employment history over the past two years, demonstrating a dependable income stream;
 - The applicant has demonstrated an ability to pay housing costs similar to the projected P&I payment, taxes, insurance, and maintenance.
 - The applicant has potential for increased earnings, as indicated by job training or education in the applicant's profession.

EXAMPLES OF RISK LAYERING

- *Payment shock over 100%.*
- *Self-employment income with less than 24 months history.*
- *Repayment ratios exceeding the normal maximums of 29/41.*
- *No cash reserves.*
- *No history of savings.*
- *No previous housing expense.*
- *Unstable income based on recent 24-month employment history.*
- *Low credit scores due to recent late pays.*
- *Purchasing a home with a great deal of deferred maintenance.*



PRE-APPROVALS



- Wisconsin Rural Development will issue written pre-approvals to approved lenders on “credit only” files that have been underwritten and approved by your underwriter or investor.
- The underwritten file must include all appropriate waivers for ratios, credit, and analysis of payment shock.
- The written pre-approvals are valid for 90 days and are specific to both the lender and county. *(Note: GRH funds are not “reserved” until the lender has submitted a Request for Reservation of Funds – see below.)*

Click [here](#) to review the GRH Loan Pre-Approval Processing Checklist located in the GRH Forms section.

GRH PROCESSING GUIDE

Step 1: Complete Form RD 1980-21 (Rev. 6-06) with the applicant(s) at the time of application.

Step 2: Fax the Reservation of Funds to the appropriate Rural Development office. (See “Reservation of Funds” section.)

Step 3: Rural Development will return a “Confirmation of Funds” for the requested amount. The funds are set aside for 60 days while you process the loan through underwriting and Rural Development’s approval. Upon approval of the loan, Rural Development will issue the Conditional Commitment to the lender listing any loan approval conditions. The Conditional Commitment provides you a 90-day window to close the loan and submit your closing package with the guarantee fee to Rural Development.

Step 4: Complete your loan origination package by obtaining the documentation required on the "GRH Application Processing Checklist" and any loan submission checklist required by your underwriter/investor.

Step 5: Send the original loan origination package to your underwriter/investor. If they approve the loan, they will send Rural Development a complete package with the underwriter's approval and supporting documentation. **Do not submit your application packages simultaneously to your underwriter and Rural Development.**

Step 6: Rural Development will review the underwritten application package and issue a Conditional Commitment, indicating any approval conditions, directly to the underwriter. Typically, a copy is faxed to the originator.

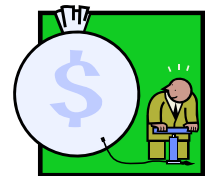
Step 7: The underwriting lender will inform the originating office and closing department of the loan conditions set by both the underwriter and Rural Development.

Step 8: The closing lender proceeds to close the loan if all underwriter and Rural Development conditions have been met.

Step 9: The underwriting/closing lender submits a closing package to Rural Development to obtain the Loan Note Guarantee. Refer to the "Loan Closing" section for more information.

Step 10. Rural Development issues the Loan Note Guarantee to the approved underwriting/closing lender. The Loan Note Guarantee must be attached to the original promissory note as proof of guarantee in the event of a loss.

REASONABLE COSTS AND FEES



- Lenders may charge normal and customary fees for their services as long as their fees do not exceed the charges or fees routinely made by the lender for similar transactions such as WHEDA, FHA or VA.
- Other **conforming** high LTV home mortgage products (excluding sub-prime) can also be used for comparison. This documentation is not routinely requested as part of the loan application process unless the fees observed on the Good Faith Estimate appear to be unusually high for that market. The 2.0% guarantee fee should not be included when making the comparison.
- Refer to the [Administrative Notice \(AN\)](#) on this topic for more information.
- Discount points may only be charged in cases where the interest rate is being bought down from the current FNMA rate. Discount points can only be financed for low income applicants who permanently buydown their rate.



RESERVATION OF FUNDS

The originating lender or broker must request a “Reservation of Funds” after the applicant has an accepted Offer to Purchase. This process assures all parties that the GRH funding is available prior to processing and underwriting the file. The availability of funds is generally good throughout the year. During the month of October, Conditional Commitments may be delayed pending the approval of a new fiscal year budget or continuing resolution for our Agency.

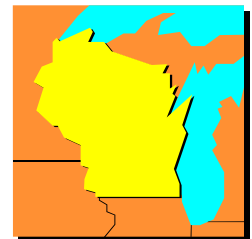
- Fax [Form RD 1980-86](#), Reservation of Funds, to the Rural Development State Office or to the Area Office serving the county where the property is located. Refer to the section “Submitting the Loan / Pre-approval Request” for guidance on which office you should be using.
- Rural Development will fax a “Confirmation of Funds” to the originator usually within the same day. The GRH funds remain in a “reserved” status, pending the receipt of a complete file from the lender’s underwriter. All “Confirmation of Funds” will expire in 60 days or on September 30th each year, whichever comes first.

SELLER CONCESSIONS

No Rural Development limit. Contact your investor or secondary marketing department. Typically, they are limited to 6%. However, some lenders may be limited to 3% depending on the servicing agreement they have with their investor.

SUBMITTING THE LOAN / PRE-APPROVAL REQUEST

Wisconsin Rural Development offers a “dual delivery” system to its GRH lenders through its State Office and 6 Area Offices. Lenders may always submit their files to the State Office, but may also be able to work through an Area Office, as described below.



- Area Offices may issue Conditional Commitments to approved lenders who prefer a **decentralized** method of program delivery. Upon completion of underwriting, approved lenders should submit their approved GRH loans to the Area Office that serves the county where the property is located.
- The State Office will issue Conditional Commitments to approved lenders who prefer a **centralized** method of program delivery on a statewide basis. These lenders are generally high volume lenders with multiple branch office locations that have centralized processing and underwriting functions.

- Contact information for the State Office GRH staff and an Area Office map identifying the service area of each Area Office is available at the end of this section.

Approved lenders and loan originators should determine the type of delivery system, **centralized or decentralized**, that works best for their business. Loan originators should consult their underwriting department or their investor for guidance on this issue.

TURN AROUND TIME



- Rural Development will respond within 1 or 2 business days of receiving a complete (underwritten) application. Lenders will be notified immediately if their application package is incomplete.
- Priority underwriting (**24-hour approval**) is available for those files where both applicants have a representative credit score of 620 or higher.
- While Rural Development is not underwriting the loan, we must verify that certain applicant and property compliance issues have been met. This includes a determination that all household income has been verified and is within the maximum amount allowed; verifying that the underwriter has properly documented any ratio or credit waivers; completing an environmental analysis, reviewing the appraisal; and verifying that Thermal Standards and HUD property requirements have been met. Depending on the availability of staff and the quality of your package, many files are reviewed and approved the same day they are received.

WAIVERS TO CREDIT & RATIO REQUIREMENTS

- Underwriters may consider mitigating circumstances to establish the borrower's intent for good credit when:
 - The circumstances were of a temporary nature, were beyond the applicant's control, and have been removed.
 - The adverse action or delinquency was the result of a justifiable dispute because of defective goods or services.
 - Underwriters must document their credit waiver on Form 1008 or a similar underwriting worksheet. Click [here](#) to view the **Waiver Request** in the GRH Forms section for a sample credit or ratio waiver format.
- Examples of adverse credit that must be waived by the underwriter when the applicant's representative credit score is less than 620:

- More than one 30 day late payment in past 12 months.
 - Any account converted to collection in past 12 months.
 - Any judgments outstanding in past 12 months.
 - Unpaid collection accounts, with no satisfactory arrangement for payments, no matter what their age, as long as they are currently delinquent and/or due and payable.
 - Any debt written off in the past 36 months.
 - Two or more rent payments paid 30 days late within past 12 months.
 - Foreclosure in the past 36 months.
 - Bankruptcy discharged within the past 36 months.
 - Unpaid tax liens or delinquent government debts (including student loans).
- Underwriters may request an exception to the 29/41 guidelines by properly documenting their decision to exceed the ratio guidelines. Generally, the amount of latitude given for ratio waivers is proportionate to the level of risk and compensating factors present in the loan application. Click [here](#) to view the **Waiver Request** form in the GRH Forms section for more information.
 - There is not a maximum amount the ratios may be exceeded. Depending on the strength of the compensating factors, housing ratios in the mid to high 30s and total debt ratios in the mid to high 40s are not uncommon.

WEB RESOURCES

- Updates to this handbook, current and past program updates (Lender Newsletters), forms & checklists, a servicing guide, and most National ANs (referenced throughout this handbook), are available from the Wisconsin Rural Development website: www.rurdev.usda.gov/wi.
- The national regulation for the GRH loan program is RD Instruction 1980-D. Other regulations that cover parts of the program are RD-Instruction 1924-A (construction issues), RD-1940-G (environmental), RD Instruction 426-2 (flood insurance, construction in flood zones).
- The national Rural Development regulations referenced above can be downloaded from the web site: www.rurdev.usda.gov/regs. Current Administrative Notices (ANs) referenced in this handbook can also be found at: www.rurdev.usda.gov/regs/an_list.html.
- Official Agency forms can be down loaded from the following web site: www.rurdev.usda.gov/regs/formstoc.html.



RURAL DEVELOPMENT HOME PAGES

- The USDA – Rural Development national home page is located at: www.rurdev.usda.gov. Look for the single family housing programs. There is a map where you can click on a State to find more information about that State's programs. This is useful for finding GRH contacts in other states.
- A national "Eligibility" website has been developed to help lenders determine property location and household income eligibility. The website address is: <http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>. This site allows you to simply enter a property address to determine if the location is eligible for Rural Development assistance. You can also determine the adjusted household (compliance) income limits for all states at this website.
- Each state home page can be accessed by using the national home page, then add a slash (/) and the two letter abbreviation of the state. For example, the Wisconsin Rural Development home page is: www.rurdev.usda.gov/wi.
- To directly access the Wisconsin guaranteed rural housing program information, go to: www.rurdev.usda.gov/wi/programs/rhs/sfhg/index.htm.

OTHER USEFUL SITES

The following web sites may be useful to you when looking for information on the GRH loan program and other homeownership related issues.

www.hud.gov/groups/lenders.cfm - HUD information for lenders on various home financing topics, including required disclosures. This site provides access to the HUD reading room where you can obtain handbooks, mortgagee letters, and forms. A link is also available to search for FHA approved condominiums.

www.hud.gov/offices/hsg/sfh/lender/lenders.cfm - This site provides a list of FHA appraisers who may be qualified to certify a property's compliance with HUD Handbooks 4150.2 and 4905.1.

www.hud.gov/offices/hsg/sfh/sys/caivrs/caivrs.cfm - Approved GRH lenders may obtain CAIVRS information, to determine whether their loan applicants are delinquent on a Federal debt, via the internet at this site.

www.wihomes.com - This site provides a real estate directory for homes available for sale in Wisconsin. The site also has links to the WI Realtors

Association and Realtor.com that are useful for property searches and market research.

www.commerce.state.wi.us - The Safety and Buildings section has current lists of licensed Uniform Dwelling Code (UDC) building inspectors (needed for new construction GRH loans).

www.homeloans.va.gov/ls.htm - This site contains lender and applicant information for the Federal VA home loan programs. This site also contains a list of Federal VA approved condominiums.

www.fema.gov - Information on the National Flood Insurance Program (NFIP) and FEMA Form 81-93, Standard Flood Hazard Determination, can be found here.

www.freddiemac.com/creditsmart - This site provides access to online homebuyer education offered through Freddie Mac. Homebuyer education materials are available in both English and Spanish.

www.getdownpayment.com/buyers/hec.asp - On line homebuyer education program offered through the Nehemiah non-profit organization.

www.mgichome.com/ - On line homebuyer education program offered through MGIC.

www.efanniemae.com - This site provides access to the current FNMA rate used by the GRH loan program. The single family originating and underwriting link will provide access to a list of FNMA accepted condominiums.

ucclaim-wi.org - This site provides Wisconsin unemployment compensation earnings data for individuals who have received benefit during the past 6 years. Lenders must use the applicant's state issued PIN in order to access the data.

childsupport.wisconsin.gov/payments - Use this site contact the Wisconsin Support Trust Fund to verify the child support payments received by an individual. They can also be reached by calling toll free 800-991-5530

DISCLAIMER: The material is mostly in bulleted format. It does not contain the full context of the Agency regulations. This is intended to be a brief overview that incorporates the essence of the Agency's national regulation and Wisconsin specific requirements. Because it is Wisconsin specific, it may not be suitable for use in other states. The information contained herein should provide adequate information for the processing of the majority of your GRH loans. Underwriters should consult with the State Office Guaranteed Housing Specialists or your Area Office Loan Specialists for guidance in unusual cases.



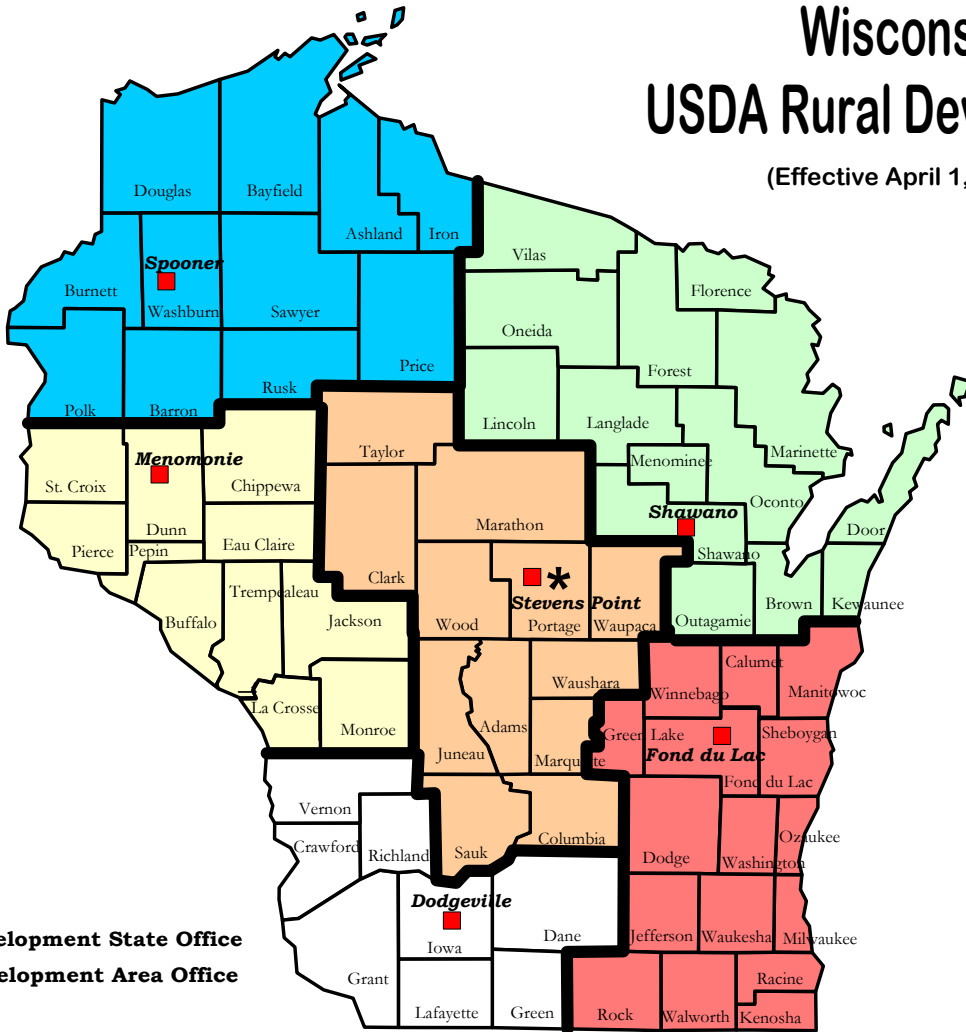
United States Department of Agriculture
Rural Development
Wisconsin State Office
4949 Kirschling Court
Stevens Point, WI 54481
(715) 345-7620 FAX (715) 345-7699 TTY (715) 345-7614
E-Mail: RD.SFH.SO@wi.usda.gov

GUARANTEED RURAL HOUSING PERSONNEL AT THE STATE OFFICE

NAME	TITLE	TELEPHONE EXTENSION #
ADMINISTRATIVE:		
DAVE SCHWOBE Dave.Schwobe@wi.usda.gov	HOUSING PROGRAM DIRECTOR	111
UNDERWRITING – LENDER TRAINING – GRH LOAN SERVICING:		
SARA L. KENDALL Sara.Kendall@wi.usda.gov	HOUSING SPECIALIST	113
JULIE A. CZAPPA Julie.Czappa@wi.usda.gov	HOUSING SPECIALIST	119
GRH LOAN PROCESSING – GRH LOAN CLOSING:		
KRISTIN PETERSON Kristin.Peterson@wi.usda.gov	HOUSING TECHNICIAN	118
SANDY L. BRAUN Sandra.Braun@wi.usda.gov	HOUSING ASSISTANT	623

Wisconsin USDA Rural Development

(Effective April 1, 2007)



★ Rural Development State Office
 ■ Rural Development Area Office

Area 1

Carol Wetuski, Area Director

- Dodgeville Area Office
 138 S Iowa Street, Suite 2
 Dodgeville WI 53533
 Phone: 608-935-2791
 E-mail: RD.Dodgeville@wi.usda.gov

Area 2

Brian Deaner, Acting Area Director

- Shawano Area Office
 603B Lakeland Road
 Shawano WI 54166
 Phone: 715-524-8522
 E-mail: RD.Shawano@wi.usda.gov

Area 3

Carol Wetuski, Area Director

- Fond du Lac Area Office
 W6529 Forest Avenue, Suite 200
 Fond du Lac WI 54937
 Phone: 920-907-2976
 E-mail: RD.FondduLac@wi.usda.gov

Area 4

Brian Deaner, Area Director

- Menomonie Area Office
 390 Red Cedar Street, Suite G
 Menomonie WI 54751
 Phone: 715-232-2614
 E-mail: RD.Menomonie@wi.usda.gov

Area 5

Barbara Brewster, Area Director

- Stevens Point Area Office
 1462 Strongs Avenue
 Stevens Point WI 54481
 Phone: 715-346-1313
 E-mail: RD.StevensPoint@wi.usda.gov

Area 6

Cora Schultz, Area Director

- Spooner Area Office
 800 N Front Street, Room 102
 Spooner WI 54801
 Phone: 715-635-8228
 E-mail: RD.Spooner@wi.usda.gov

State Office ~ Housing Programs
Dave Schwobe, Program Director

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 Stevens Point WI 54481
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State Office ~ Business & Community Programs
Mark Brodziski, Program Director

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 Stevens Point WI 54481
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State Office ~ Administrative Programs
Lori Wells, Program Director

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 Phone: 715-345-7680
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(Revised 04-25-2007)

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