



Committed to the future
of rural communities.



ALABAMA GUARANTEED RURAL HOUSING LENDER'S MANUAL

No downpayment? No problem!

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***OVERVIEW OF USDA RURAL DEVELOPMENT'S
GUARANTEED RURAL HOUSING (GRH) LOAN PROGRAM***

NOT LIMITED TO FIRST TIME HOMEBUYERS

NO REQUIRED DOWNPAYMENT

LOAN AMOUNT LIMITED ONLY BY APPLICANT'S REPAYMENT ABILITY

LOANS CAN BE 100+% LOAN TO VALUE (The fee financed can exceed the Value)

FLEXIBLE CREDIT STANDARDS

LENDERS PROCESS AND USE THEIR OWN FORMS

30 YEAR FIXED RATE TERM

**AVAILABLE FOR PURCHASE FINANCING IN DESIGNATED RURAL AREAS
(Limited Refinancing available to current Direct and GRH Borrowers)**

AVAILABLE FOR MODERATE INCOME HOUSEHOLDS

REPAYMENT RATIOS - (Can be exceeded with justification)

TOTAL DEBT RATIO < 41% PRINCIPAL, INTEREST, TAXES & INSURANCE < 29%

CLOSING COSTS CAN BE INCLUDED IN THE LOAN

NO LIMIT ON SELLER CONTRIBUTION BY USDA RURAL DEVELOPMENT

ELIMINATES REQUIREMENT FOR MORTGAGE INSURANCE

**QUALIFIES FOR ALABAMA HOUSING FINANCE AUTHORITY PROGRAMS
(Some restrictions apply)**

QUALIFIES FOR COMMUNITY REINVESTMENT ACT CREDIT

AUTOMATED UNDERWRITING AVAILABLE TO APPROVED LENDERS

**INTEREST RATE IS NEGOTIATED BETWEEN BORROWER AND LENDER
(Some limitations apply)**

GUARANTEE COVERS UP TO 90% OF THE PRINCIPAL ADVANCED

CAN FINANCE NEW OR EXISTING PROPERTIES

GUARANTEE FEE OF 2% OF LOAN AMOUNT DUE AFTER CLOSING

LOAN PURPOSES

PURCHASE A NEW DWELLING

USDA RURAL DEVELOPMENT'S DEFINITION OF A NEW DWELLING IS ONE THAT IS LESS THAN ONE YEAR OLD.

PLAN CERTIFICATION - The Dwelling Plans the dwelling was or is proposed to be built to, must be properly certified to meet an acceptable model building code with an energy component. See *Form 1924-25* for a certification that can be used. Other adequately documented certifications are acceptable. Persons authorized to certify plans as being code compliant include Licensed Architects, Professional Engineers, and qualified Plan Reviewers or Building Officials. In addition, HUD Approved Builders, and 10-Year Warranty Approved Builders, providing an approved 10-Year Warranty can "self-certify" their own plans. Lenders must maintain evidence of acceptable plan certification in the Lender's file.

COMPLIANCE WITH LOCAL ORDINANCES - Dwellings must comply with all local, County, and State requirements including but not limited to codes, permits, occupancy certificates, etc.

BUILDING INSPECTIONS - Three Building Inspections (Footing, Dry In, and Final) are required and must be maintained in the Lender's file, unless an acceptable 10-Year Warranty is provided, in which case only a final inspection is required. Copies of these inspections must be in the Lender's file verifying that the dwelling has been built in accordance with the certified plans. If properties are constructed in areas where building permits and inspections are required by local ordinances, the inspection process may be handled as indicated on *EXHIBIT 2*, "New Dwelling Inspections and Certifications".

Loans can be made on new properties **not inspected as required above** but **the loan is limited to 90% of the appraised value** of the property.

WARRANTY REQUIREMENTS - The Builder must provide to the borrower, at least a one-year home warranty on the dwelling. The lender must keep a copy of the warranty in their file.

APPROVALS OF INDIVIDUAL WELL AND/OR SEPTIC SYSTEMS - Individual well and/or septic disposal systems must be installed to meet the local health department's requirements. Written approvals must be obtained and kept in the lender's file.

USDA Rural Development reserves the right to require Lenders provide any and all documentation that is required to be maintained in the Lender's file.

PURCHASE AN EXISTING DWELLING

ONE THAT IS MORE THAN ONE YEAR OLD.

PROPERTY CONDITION - Existing Dwellings must have adequate systems (Electrical, Plumbing, Heating/Cooling, Sewage Disposal, Water Supply, and Termite Inspection) and be determined to meet the HUD/FHA requirements of being **structurally sound, functionally adequate, in good repair.**

THERMAL REQUIREMENTS - USDA Rural Development has eliminated our requirement for properties for Agency Thermal Standards. Properties properly certified to meet HUD's standards are eligible.

HOME INSPECTION / DETERMINATION OF ACCEPTABILITY - **IF a FHA Roster Appraiser** is used, the appraisal form can outline that the property meets all requirements. **If a Non FHA Appraiser** is used; the Lender is responsible for requiring that an acceptable Inspector inspect the property and certify that the dwelling meets the standards. Evidence of the acceptable inspection or FHA approved appraisal must be a part of the Lender's loan file. Lenders should explain to the borrower that they have the right to obtain an inspection on the property, but they will be responsible for the cost of the inspection if not otherwise provided for in the Sales Agreement. **The Certification of Existing Dwelling Form (EXHIBIT 3)** can be used to document the inspection and acceptance process.

EXISTING INDIVIDUAL WATER OR SEPTIC SYSTEMS - Acceptance of **any Individual Water Supply System** must be provided by the local health department or a state certified laboratory. **Individual Septic Disposal Systems** must be free of observable evidence of system failure. This can be made by the FHA appraiser, the local health department, a qualified home inspector, or a septic system professional.

TERMITE INSPECTIONS - **An acceptable termite inspection must be provided by a State licensed pest control company.** Evidence of termites or wood destroying organisms, or previous damage must be addressed. (Treated, and damage sustained must be repaired if it affects structural soundness or value of the property). The Appraiser should also address if any previously unknown termite infestation and related damage affects the appraised value of the property.

Lenders must maintain all related inspection documents in their file.

LOAN PURPOSES (Continued)

The loan must primarily be for dwelling acquisition, but **may include: Payment of Legal Fees, Title Services, Loan Closing Costs, Payment of the USDA Rural Development guarantee fee, and the establishment of required escrow accounts.** Financing the payment of Discount Points, paid by other than Low Income Applicants, is **NOT** Allowed.

Loans for the **refinancing of an existing GRH loan or a Direct USDA Rural Development loan** are authorized as specified in applicable *Administrative Notices (AN's)*.

LOAN LIMITS

The Maximum Loan amount is 100% of the market value established by a current (less than 6 month old) acceptable Appraisal. Loans can exceed the 100% limit if the guarantee fee is financed. In these cases, the maximum amount of the loan is the total amount of the authorized costs (up to 100% of the appraised value of the security) plus the amount of the fee financed in the loan (**see Exhibit 11**). Loans are also limited by the repayment ability of the applicant. Appraisers must be properly licensed by the state and must provide documentation for unusual differences between the subject and comparable (**see applicable AN's for additional appraisal guidance**). Loan amounts may also be limited by investor allowances.

LOCATION AND SITE REQUIREMENTS

RURAL AREA - **The property must be located in a rural area as designated by USDA Rural Development.** Eligible areas are the same as for the USDA Rural Development direct loan program. Maps are available at Local Rural Development Offices and on the internet at <http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do> Lenders must carefully review the eligibility of properties in close proximity to ineligible cities and towns. USDA Rural Development offices will provide guidance to lenders requesting assistance in these determinations. Any area that is incorporated into an ineligible municipality becomes ineligible effective with the annexation.

ACCESS - Sites must be Contiguous to and have direct access to a street, road or driveway. Streets and roads must be paved or an all weather surface.

SITE VALUE - **The Site Value cannot exceed 30% of the Total Value of the property unless it can be documented that the site cost is typical for the area.**

The property financed typically cannot have an in-ground swimming pool. Individual water and Sewage disposal systems must meet Health Department requirements.

RATES, TERMS AND COSTS

Loan terms must be for **30 years** with **Monthly payments**. The Interest Rate cannot exceed the **Fannie Mae 90 Day Actual/Actual Rate plus 0.60%, rounded up to the nearest ¼%**. Closing costs and fees must be typical of similar transactions. The Fannie Mae rate can be found on the Fannie Mae web site at <http://www.efanniemae.com/sf/refmaterials/hrny/index.jsp>

APPLICANT ELIGIBILITY

HOUSEHOLD INCOME: (Is the Household a Moderate income Household?)

The Applicant's Household Adjusted Annual Income must fall within the Moderate Income Limits for the Area. To determine this, the Lender must first determine the Household's Annual Income and then determine what, if any, adjustments can be made. Instruction 1980-D, 1980.347 & 1980.348 provides instructions. *EXHIBIT 5* can be used to assist in these calculations. The Lender must provide documentation as to how this determination is made

INCOME CALCULATION FOR THE DETERMINATION OF FALLING WITHIN THE ALLOWABLE INCOME LIMITS (ANNUAL INCOME)

- * CURRENT INCOME EXPANDED TO A YEARLY BASIS
- * APPLICANT MUST DISCLOSE ALL INCOME OF ALL ADULT MEMBERS OF THE HOUSEHOLD
- * IF AN ADULT MEMBER OF THE HOUSEHOLD HAS A HISTORY OF EMPLOYMENT, BUT IS NOT PRESENTLY EMPLOYED, THAT INCOME HAS TO BE INCLUDED, UNLESS THEY CERTIFY THEY DO NOT INTEND TO RESUME EMPLOYMENT IN THE FORESEEABLE FUTURE
- * BONUS AND OVERTIME MUST BE CONSIDERED BASED ON HISTORICAL DATA AND EMPLOYER EXPECTATIONS.
- * ALIMONY, CHILD SUPPORT, OR SEPARATE MAINTENANCE INCOME MUST BE REVEALED AND INCLUDED IN INCOME. THIS INCOME IS NOT BE CONSIDERED A DEDUCTION FROM INCOME.
- * INTEREST AND OTHER UNEARNED INCOME MUST BE INCLUDED
- * NET BUSINESS INCOME MUST BE CONSIDERED (BUSINESS LOSSES ARE NOT DEDUCTED)
- * INCOMES OF MINORS ARE NOT INCLUDED
- * CASUAL, SPORADIC, OR IRREGULAR GIFTS ARE NOT INCLUDED
- * INCOME LISTED IN 1980-D, EXHIBIT F ARE NOT INCLUDED
- * SEE *EXHIBIT 5* FOR INCOME CALCULATION SHEETS

DEDUCTIONS FROM GROSS INCOME (ANNUAL INCOME - DEDUCTIONS = ADJUSTED ANNUAL INCOME)

- \$480** Annual Deduction for EACH **DEPENDENT** in the Household under the age of 18, or 18 and older, if either disabled or a full time student. (The Applicant, Co-applicant or spouse cannot qualify as a dependent.)
- \$400** One Deduction for a qualified **ELDERLY FAMILY** (The head of the Household or spouse is disabled, has a qualifying handicap, or is 62 or older). See Certification of Disability or Handicap, Form 1944-4. Elderly families also qualify for a deduction equal to the out of pocket medical expenses anticipated to be incurred over the next 12 Months, that exceed 3% of the household's gross income.

Child Care Expenses for Children, under 12 years old, that are necessary to allow employment with earnings equal to or greater than the amount of the child care expense, or to enable a member of the Household to further their education.

THIS ADJUSTED ANNUAL INCOME IS USED TO DETERMINE IF THE HOUSEHOLD QUALIFIES AS A MODERATE INCOME HOUSEHOLD AND IS ELIGIBLE FOR GRH ASSISTANCE.

APPLICANT ELIGIBILITY (Continued)

REPAYMENT

The Applicant'(s) **Repayment Income** must be adequate to assure reasonable prospects for repayment of the proposed loan. Repayment Income only includes the **Dependable** gross income of **persons that will be a borrower or co-borrower**. The Lender must determine and document that the income on which repayment is based is both **Adequate and Dependable**. Adequacy is based on Ratio Calculations as follows:

PITI - (Principal, Interest Taxes, and Insurance)

Normally **does not Exceed 29%** of the **Repayment Income**.

Total Debt Ratio - Total Monthly Obligations, including PITI, Home owner and other Assessments, and the Applicants' Long Term Obligations (Alimony, Child Support, other Obligations with a remaining term of 6 Months or longer, and Shorter Term Obligations that could have a significant impact on the Applicants' repayment ability). (See 1980.345 (C)(1)(i) for how Co-Signed Obligations of the Applicants are considered),

Normally **does not Exceed 41%** of the **Repayment Income**.

If either Ratio is exceeded, the Lender may request, in writing, USDA Rural Development concurrence in allowing a higher ratio (**A Ratio Waiver**). These requests must be based on legitimate compensating factors such as, credit score(s) above 660, the Applicant having a history, over the past 12 Month period of devoting a similar percentage of their income to housing costs, reasonable anticipated increases in income, accumulated savings which, when added to the Applicant's housing expense, shows a capacity to make the proposed payments, etc. Higher ratios require stronger factors. Ratio waiver requests must be in writing.

(See *applicable AN's* for guidance on Ratio Waivers and *Exhibit 10*)

Notes on Repayment Income:

The Lender must determine that income used in **Repayment Income** is **Stable** and **Dependable**.

Typically, **Income of less than 12 Months duration** should not be included without documentation documenting reasonable dependability.

If the Applicant is obligated to pay Child Care Costs, the amount of any **Federal Tax Credit for which the Applicant is eligible** may be added.

Federally Non-Taxable Income may be grossed up, based on the attributable tax savings, other adjustments are not allowed. If Grossed-up, the Lender must verify that the income is not subject to Federal Taxes, and that the income and its tax-exempt status is likely to continue.

For **Incomes not Included in Annual Income but which may be included in Repayment Income** See EXHIBIT F to the 1980-D Regulations.

APPLICANT ELIGIBILITY (Continued)

CREDIT HISTORY

The Applicant(s) must have a Credit History indicating a reasonable ability and willingness to meet obligations as they become due.

APPLICANTS WITH A MIDDLE CREDIT SCORE (Lower if only two scores are given) **OF 620 OR ABOVE**, will be considered to have **ACCEPTABLE CREDIT UNLESS THERE IS A CO-APPLICANT WITH A SCORE UNDER 620**. Applicants with scores below **620** should be carefully reviewed as part of the underwriter's analysis and require adequate documentation to be determined acceptable. This documentation should indicate the adverse credit was beyond applicant's control, temporary in nature and no longer exist. Applicants with credit scores of **580** and below should not exhibit any major credit issues and must have extraordinary compensating factors in order to be determined acceptable applicants.

For applicants with Credit Scores below 620, the following are considered **INDICATORS OF UNACCEPTABLE CREDIT**. **ISOLATED INDICATORS** can be waived as indicated under **CREDIT WAIVER**.

- ◆ Incidents of **MORE THAN ONE DEBT PAYMENT MORE THAN 30 DAYS LATE WITHIN THE PAST 12 MONTHS**. This includes **MORE THAN ONE LATE PAYMENT ON A SINGLE ACCOUNT**
- ◆ Loss of security due to **A FORECLOSURE WITHIN THE PAST 36 MONTHS**
- ◆ **OUTSTANDING TAX LIENS OR DELINQUENT GOVERNMENT DEBTS WITH NO ARRANGEMENTS FOR PAYMENT**, no matter what the age, as long as the debt is currently delinquent or due and payable.
- ◆ **A JUDGMENT CAUSED BY NONPAYMENT THAT IS CURRENTLY OUTSTANDING OR HAS BEEN OUTSTANDING WITHIN THE LAST 12 MONTHS**.
- ◆ **TWO OR MORE RENT PAYMENTS PAID 30 DAYS OR MORE PAST DUE THAT HAVE OCCURRED WITHIN THE PAST 3 YEARS**.
- ◆ **ACCOUNTS CONVERTED TO COLLECTION WITHIN THE PAST 12 MONTHS**.
- ◆ **COLLECTION ACCOUNTS OUTSTANDING WITH NO SATISFACTORY PAYMENT ARRANGEMENT**, no matter what their age, as long as they are currently delinquent and/or due and payable.
- ◆ **BANKRUPTCIES DISCHARGED IN THE LAST 36 MONTHS**.

CREDIT WAIVERS

Exceptions to the Credit Standards may be considered by the Lender to establish the **APPLICANT'S INTENT FOR GOOD CREDIT** when the Applicant provides documentation that:

1. The circumstances were **TEMPORARY IN NATURE, BEYOND THE APPLICANT'S CONTROL, AND HAVE BEEN REMOVED**. OR
2. The adverse action or delinquency was a result of a refusal to make full payment because of **DEFECTIVE GOODS OR SERVICES** or as a result of **SOME OTHER JUSTIFIABLE DISPUTE** related to the goods or services purchased or contracted for.

Exceptions to Credit Standards should be few and well documented. (SEE EXHIBIT 7)

CAIVRS - Lender must **ACCESS HUD'S CREDIT ALERT INTERACTIVE VOICE RESPONSE SYSTEM (CAIVRS)** to determine if the Applicant(s) are delinquent on any Federal Debt. Evidence of this CAIVRS number for each Applicant and Co-Applicant must be shown on the underwriting form.

LOAN GUARANTEE PROCEDURES

Guaranteed Loan Packages in Alabama are Submitted to the Guaranteed Housing Loan Processing Center:

USDA Rural Development,
Attn: GRH Loan Processing Center
819 Cook Avenue NW, Suite 150
Huntsville, AL 35801-5983

Phone Number (256) 532-1677
Fax Number (256) 533-2412
Office email address: ra.alhuntsvil.rd-grh@al.usda.gov

The Staff of the center includes: Albert Butler, Manager al.butler@al.usda.gov
Cynthia Smith cynthia.smith@al.usda.gov Cynthia Despres cynthia.despres@al.usda.gov
Doug Shortt douglas.shortt@al.usda.gov Bonnie Woodall bonnie.woodall@al.usda.gov

Authorized approved lenders may use the Guaranteed Underwriting System (GUS) to process loans. Loans receiving an "Accept" through GUS qualify for abbreviated submission. GUS Lenders must assure that adequate documentation exists to verify data entered into the GUS system. "Refer" and "Refer with caution" cases require a complete submission. A reservation of funds is required for both loans submitted through GUS and non-GUS submissions.

1. Receipt of Application by Lender and Reservation of Loan Funds (Approved Lenders or Brokers)

The Lender receives the application. Once the Lender has a complete application indicating the applicant has:

1. An adjusted annual household income within the allowable limits,
2. Sufficient repayment income, and
3. An acceptable credit history,

but prior to complete loan underwriting, the Lender will request a reservation of funds. The amount needed and the dwelling to be purchased must be known in order to reserve funds. Substitutions of applicants or changes in the property financed or loan amount are not authorized.

Requests are made by faxing *Form 1980-86* to the Huntsville Office at (256) 533-2412.

When the lender requesting the reservation is not an approved lender, the approved lender and their tax identification number must also be entered on the form. In cases where a different branch of the same lender is underwriting the loan, the underwriting branch number should be included as the approved lender.

Cases involving refinancing must be indicated on the second line under "APPLICANT/PROPERTY INFORMATION:". **This is most important because funding for refinance loans comes from a different source and a special reservation must be processed to assure refinance funds are reserved.**

The form must be complete. Lenders requesting a reservation must assure that the most recent revision of Form 1980-86 (currently 12-05) is used. Please note that the reservation form requires additional information which includes citizenship status, date of birth, number of dependents and the number of people that are members of the household. Please make sure **all** information on the request for reservation is complete and legible.

Funds are reserved and Lender is notified by return fax. Brokers, Loan Originators, or Approved Lenders may make reservation requests. Fund reservations are valid for 60 days. If the Lender determines that a reserved loan will not result in a package being submitted to USDA Rural Development, they should request the reservation be cancelled.

APPRAISALS - Based on previous appraisal reviews, some appraisers have been determined unacceptable by USDA Rural Development. Please contact the Huntsville office for a current listing of these appraisers. E-mail appraisals to ra.alhuntsvil.rd-grh@al.usda.gov

2. The Approved Lender then manually underwrites the loan or processes through GUS.

If manually underwritten, lender submits a complete package. If processed through GUS, submission to USDA Rural Development office will either be an abbreviated submission (for "accept" cases) or a complete submission as for manually underwritten cases (for "refer" or "refer with caution" cases)

3. Submission of Guarantee Request and Review of Conditional Commitment

Abbreviated Submissions include: The Reservation form, the Request for Single Family Housing Loan Guarantee form, the Flood Certification and the appropriate appraisal form

Complete Packages should be assembled as indicated in Exhibit 8.

4. **Package review and Issuance of Conditional Commitment For Guarantee** - The Processing Center will review the package for eligibility and completeness and, **if appropriate, obligate funds and issue a Conditional Commitment, Form 1980-18** to the Lender outlining the requirements for a Guarantee. This is normally completed within 48 Hours. **An Administrative Review of the appraisal** will be completed on all cases. **A Technical Review** will be completed on a representative number of cases and on all cases **where the Administrative Review indicates potential problems.**
5. **Review of Conditional Commitment for Guarantee - The Approved Lender must review the Conditions.** If the Lender determines that all conditions can be met, they authorize closing. If not acceptable, the Lender must contact the Processing Center for possible alternatives. Once issued, the Conditional Commitment is good for 90 days and can be extended under certain circumstances for 90 additional days.
6. **Loan Closing, Submission of closing Package, & Issuance of Loan Note Guarantee**
The loan closes; the Lender collects the GRH fee, and assembles the Package. The Loan Closing Package, (see *EXHIBIT 9* for Checklist) **must be received by the Processing Center prior to the expiration of the CC and within 15 days of loan closing.** The Processing Center will issue the Loan Note Guarantee (Form 1980-17) within 10 days of the receipt of a proper, complete closing package. If the loan is sold to another lender, the loan-closing package should include a Lender Record Change, Form 1980-11, advising of the lender that will be responsible for the servicing of the loan. In cases where the loan is not sold to another lender, the approved lender should indicate which of their branches will service the loan.

Originating Approved Lenders must maintain in their files all documentation necessary to assure information submitted is accurate and that all loan conditions and requirements are met. This information must be made available to Agency officials upon request.

LOAN SERVICING (Instruction 1980-D, 1980.370 & Form 1980-16, Agreement to Participate)

NORMAL SERVICING The servicing must be equal in quality of the servicing provided by a prudent institutional lender for its own portfolio of similar loans which are not guaranteed by the Government. The Lender, or its authorized agent, must take prudent steps to collect and apply loan payments; protect and preserve the loan collateral in accordance with Agency regulations when security properties are vacant or abandoned; and liquidate the loan if repayment cannot be reasonably assured through the use of collection tools or loan adjustments permissible under Agency regulations or guidelines. The Lender must maintain all records required to document proper servicing of the loan.

Payments shall be processed upon receipt and will include sufficient escrow payments for hazard insurance and real estate taxes. The Lender is responsible for maintaining hazard insurance, if the borrower fails to do so. The Lender is responsible for maintaining the security property in cases where the borrower fails to do so. The Lender shall consider any request for loan subordination, release of collateral, or reduction of or temporary suspension of loan payments, in accordance with Agency requirements.

DEFAULT The Lender will make a diligent effort to contact and collect payments from borrowers who fail to make payments as agreed, assure that security property is maintained and protected, and work with borrowers to arrange forbearance, if appropriate. The Lender must make a reasonable attempt to contact the borrower if payment is not received by the 20th day after it is due. The Lender must make a **reasonable attempt to arrange and hold an interview with the borrower before the account becomes 60 days delinquent.** If unable to contact the borrower, the lender must determine if the property is abandoned. If the loan becomes 3 months delinquent, the Lender must report the delinquency to credit repositories. **On accounts over 90 days delinquent, the Lender must take prompt and diligent action.** Actions to obtain security property title through foreclosure or voluntary conveyance, as well as all incident actions, must be consistent with applicable laws and Agency regulations.

Loss mitigation and loan modifications should be handled as indicated in the Administrative Notices clarifying our Loss Mitigation Policy.

LIQUIDATION When the decision to liquidate is made, the Lender will notify the Agency. A servicing plan will be submitted if the account is 90 days delinquent and **a method other than foreclosure is recommended to resolve the delinquency**. Voluntary liquidation by the borrower in order to maximize recovery should be considered. Foreclosure must be initiated within 90 days of the decision to liquidate is made. When there is a legal delay, such as bankruptcy, foreclosure must be started within 60 days after it becomes possible to do so. The Lender is expected to preserve and protect the property and title in accordance with pertinent laws, & Agency regulations & guidelines.

SALE OF LOANS OR TRANSFER OF SERVICING The Lender shall transfer and/or assign the right to service GRH loans only to servicers meeting participation requirements and performance standards. Such servicers must agree to provide, either directly to the Agency or through the Lender, information necessary for the Lender to comply with the reporting requirements of the Agreement to Participate, as well as permit reviews of their operations as called for in the Agreement to Participate. Servicers may resell the loan only to qualified servicers. Lenders must advise the applicable USDA Rural Development office of the change in lender using the *Lender Record Change, Form 1980-11*.

TRANSFER OF SECURITY PROPERTY AND ASSUMPTION OF GRH LOANS Lenders **may** allow transfers and assumptions as specified in 1980.366

FORECLOSURE Once the decision is made to foreclose, foreclosure actions must be aggressively pursued. All foreclosure costs incurred must be reasonable and justified. It is recommended that Lenders encourage third party bidding and possible purchase at foreclosure sales. Appraisals based on the current condition of the security property must be obtained in order to establish the Lender's foreclosure bid. On cases where Lenders wish to reduce their bid amount at the foreclosure sale in order to stimulate third party bidding, request should be made to the Agency. The request should indicate other actions taken or planned to stimulate third party bidding. Request for 10% to 15% reductions will be authorized. Higher percentage reductions will require justification.

REO MAINTENANCE AND DISPOSITION If the Lender obtains title to the security property at the foreclosure sale, the Lender must review the status of the property and formulate a plan to dispose of the property while maximizing recovery. In most instances some cleanup and repair will be necessary. It is recommended that the Lender work with a local Realtor to formulate a disposition plan that includes recommended sales price, recommended repairs, required maintenance, and Lender sales costs. The disposition plan should be presented to the Agency as soon after acquisition as is possible (typically within 30 days). Any offers or changes in plans that affect the net recovery from the REO must be approved by the Agency. Lenders are allowed 6 months after acquisition to dispose of a REO, otherwise the loss amount will be based on an appraised value. If an offer is pending at the time of the 6 month expiration, the Lender can request and the Agency can approve a 30 day extension. It is most important that the Lender take an active role in the disposition of any REO property that is acquired. A reduction in the amount of the loss can be assessed if it is determined that the Lender was negligent in the maintenance or disposition of the property. It is the Lender's responsibility to maximize recovery and minimize the amount of the loss.

REPORTING REQUIREMENTS 1980.370 (d)

MONTHLY REPORT The Lender must report each borrower that is more than 30 days delinquent to the Agency through an electronic process or through our web based reporting system. Reports must be submitted after the 1st but no later than the 15th of the month. For reporting purposes, any loan more than 30 days delinquent should be reported. A reportable delinquency is defined as a payment not received within 45 days of the due date. (Example: payment due on 1st, delinquent on 16th and required to be reported if not paid by the 15th of the following month.) Reporting should be performed electronically or through the web based reporting system.

QUARTERLY REPORT The Lender must submit a report electronically or through the web based system on the status of each GRH loan quarterly.

Lenders should advise the Agency when an account is liquidated and also when a foreclosure sale has been scheduled. Once a foreclosure sale has been scheduled the Lender must keep the Agency advised as to developments (Property sold prior to foreclosure, account paid in full, property sold to third party at foreclosure, property acquired at foreclosure, borrower filed bankruptcy, etc.). Once a REO is acquired, the Lender must advise the Agency of developments with the disposition.

In order to keep accurate records of the responsible Lender, Lenders must report all loan sales or transfer of responsible servicer to the Agency using Form 1980-11. If the loan is transferred simultaneously with loan closing, this must be included as part of the closing package, otherwise the form should be submitted within 15 days of the transfer.

LOSS CLAIMS

(1980.376)

Loss claims will be paid within 60 days of the Lender submitting a properly filed loss claim. The properly filed claim will include Form 1980-20, "Rural Housing Guarantee Report of Loss", documents required in RD Administrative Notices, evidence of the disposition of any funds in escrow, a copy of the Lenders servicing file (documentation of collection efforts), evidence of liquidation expenses claimed, and evidence of expenses involved with the sale of the security property (typically the HUD-1 form). The Lender must submit the claim within 30 calendar days of REO disposition or the expiration of the 6 month disposition period. If the security property is not acquired (i.e. sold by borrower, sold at foreclosure to a 3rd party) the claim must be submitted within 30 days of that date. The loss may include interest on the unpaid principal accrued until final loss settlement. The loss will be determined by first calculating unpaid principal and interest on the loan and any allowable protective advances. From this the net recovery from the property and other recovery will be deducted. The amount of loss payable is any loss that results up to 35% of the principal advanced plus 85% of any loss over 35% of the principal advanced. In no case will the loss payable exceed 90% of the principal advanced.

DENIAL OR REDUCTION OF LOSS CLAIM

The Agency will document any loss claim that is denied or reduced. A connection must be made between the Lender's actions or failure to act and the amount of loss. Reduction or denial may be made when:

1. Lender committed fraud,
2. Lender claims unauthorized items,
3. Lender violated usury laws,
4. Lender failed to acquire or maintain security position,
5. Loan is for unauthorized purpose(s),
6. Lender is negligent in servicing,
7. Lender delays in filing the claim

FUTURE RECOVERY

The proceeds of any amounts recovered after the loss claim is paid will be shared between the Agency and the Lender proportionally to the amount of loss borne between the Agency and the Lender. Loans based on liquidation value appraisals require lenders to provide documentation when the lender disposes of the REO to determine if recovery is due the Government.

Forms, Instructions and Exhibits: (Forms and Instructions are available on the web at the indicated locations)

Form 1910-5, Request for Verification of Employment	http://www.rurdev.usda.gov/regs/forms/1910-05.pdf
Form 1924-25, Plan Certification	http://www.rurdev.usda.gov/regs/forms/1924-25.pdf
Form 1944-4, Certification of Disability or Handicap	http://www.rurdev.usda.gov/regs/forms/1944-04.pdf
Form 1980-11, GRH Lender Record Change	http://www.rurdev.usda.gov/regs/forms/1980-11.pdf
Form 1980-16, Agreement for Participation	http://www.rurdev.usda.gov/regs/forms/1980-16.pdf
Form 1980-17, Loan Note Guarantee	http://www.rurdev.usda.gov/regs/forms/1980-17.pdf
Form 1980-18, Cond. Commitment for SFH Loan Guarantee	http://www.rurdev.usda.gov/regs/forms/1980-18.pdf
Form 1980-19, Guarantee Loan Closing Report	http://www.rurdev.usda.gov/regs/forms/1980-19.pdf
Form 1980-20, RH Guarantee Report of Loss	http://www.rurdev.usda.gov/regs/forms/1980-20.pdf
Form 1980-21, Request for SFH Loan Guarantee	http://www.rurdev.usda.gov/regs/forms/1980-21.pdf
Form 1980-86, Reservation of Funds	http://www.rurdev.usda.gov/regs/forms/1980-86.pdf
RD Instruction 1980-D and ANs, GRH Loans	http://www.rurdev.usda.gov/regs/regs_toc.html#1980
Instruction 440.1, GRH allowable rate Pg 6, footnote 9	http://www.rurdev.usda.gov/regs/regs/doc/04401.doc
Instruction 440.1, Exhibit K, GRH Fees Pg 101 of 102	http://www.rurdev.usda.gov/regs/regs/doc/04401.doc
1924-A Instructions	http://www.rurdev.usda.gov/regs/regs_toc.html#1924

Regulations Pertaining to Manufactured Housing Pg 15-21 <http://www.rurdev.usda.gov/regs/handbook/hb-1-3550/1chap09.pdf>

(for state regulations pertaining to manufactured housing, including approved Dealer/Contractors, contact the Local Rural Development office)

Moderate Income Limits <http://www.rurdev.usda.gov/rhs/sfh/sfh%20guaranteed%20loan%20income%20limits.htm>

Alabama Local Rural Development Offices <http://www.rurdev.usda.gov/AL/lo-list.htm>

Alabama GRH EXHIBITS

Exhibit 1	1-06	Guide for access to USDA Rural Development Regulations
Exhibit 2	1-06	New Dwelling Inspections and Certification
Exhibit 3	1-06	Certification of Existing Dwelling
Exhibit 4	1-04	Applicant and Loan Eligibility Requirements
Exhibit 5	5-08	Annual, Adjusted, & Repayment Income Calculation Form
Exhibit 6	8-07	Calculation Sheet for Grossing Up Nontaxable Income
Exhibit 7	1-03	Waiver of Adverse Credit History (Can be documented on underwriting statement)
Exhibit 8	1-04	Initial Loan Submission Checklist
Exhibit 9	1-06	Loan Closing Submission Checklist
Exhibit 10	1-04	Ratio Waiver Request
Exhibit 11	1-06	Maximum Loan / Guarantee Fee Calculation
Exhibit 12	5-08	Request For Authority to Finance Dwelling with a Pool

Alabama GRH Exhibit 1 1-06 Guide for access to Rural Development Regulations

The following website provides access to GRH Administrative Notices, Income Limits, and Regulations (Part 1980-D) http://www.rurdev.usda.gov/regs/regs_toc.html#1980

The screenshot shows a Microsoft Internet Explorer browser window with the address bar displaying <http://www.rurdev.usda.gov/regs/1980>. The page content is organized into sections:

- PART 1980 - GENERAL**
 - 1980-D Rural Housing Loans; [Guaranteed Loan Income Limits](#); see also [AN 4000](#); [AN 4001](#); [AN 4011](#); [AN 4013](#); [AN 4019](#); [AN 4025](#); [AN 4026](#); [AN 4027](#); [AN 4042](#); [AN 4048](#); [AN 4049](#); [AN 4051](#); [AN 4052](#); [AN 4053](#); [AN 4054](#); [AN4056](#); [AN4058](#); [AN4059](#); [AN 4060](#); [AN 4061](#); [AN 4062](#); [AN 4066](#); [AN 4067](#); [AN 4068](#); [AN 4069](#); [AN 4070](#); [AN 4078](#); [AN 4080](#); [AN 4081](#); [AN 4099](#); [AN 4103](#); [AN 4104](#); [AN 4106](#); [AN 4111](#); [AN 4114](#); [AN 4115](#) PDF DOC TXT
 - 1980-E Business and Industrial Loan Program; [Exhibits \(PDF only\)](#); see also [AN 4021](#); [AN 4098](#) PDF DOC TXT
- PART 1992 - COUNTY AND DISTRICT OFFICES**
 - 1992-E Reporting Property Transactions to the Internal Revenue Service (IRS); [Exhibits \(PDF only\)](#) PDF DOC TXT
- PART 2000 - GENERAL**
 - 2000-A Memorandum of Understanding Between the Rural Development Administration and the Extension Service - U.S. Department of Agriculture PDF DOC TXT
 - 2000-B Memorandum of Understanding Between the Extension Service and Rural Development; [Exhibits \(PDF only\)](#) PDF DOC TXT
 - 2000-D Memorandum of Understanding with the Natural Resources Conservation Service; [Exhibits \(PDF only\)](#) PDF DOC TXT
 - 2000-E Rural Development Policy on Meetings PDF DOC TXT
 - 2000-G Notaries Public Expense Act of 1955 PDF DOC TXT
 - 2000-M Memorandum of Understanding Between and Among Agriculture Stabilization and Conservation Service; Rural Development; Soil Conservation Service; and Federal Crop Insurance Corporation PDF DOC TXT
 - 2000-O Memorandum of Understanding Between the Small Business Administration and the U.S. Department of Agriculture Rural Development PDF DOC TXT
 - 2000-P Memorandum of Understanding Between the Small Business Administration and the U.S. Department of Agriculture PDF DOC TXT

The browser's taskbar shows several open windows, including 'Sent Items - Micr...', 'Alabama_GRH_M...', and two instances of 'USDA-RURAL DEV...'. The system clock indicates 10:48 AM on May 2008.

Click on AN Link to bring up corresponding unexpired Administrative Notice.
Some expired notices can continue to provide needed guidance and clarification.

Click on "Guaranteed Loan Income Limits" Link, to access income limits for the area property financed with a GRH Loan will be located.

Click on which format you wish to request the referenced regulation to be accessed through.

This Exhibit addresses Plan Certifications and Inspections on New Dwellings

New dwellings financed utilizing a USDA Rural Development Guarantee must meet acceptable building codes.

In order to assure this, the plans the dwelling is built by must be reviewed and certified by an appropriate official. Officials authorized to make this certification include:

Licensed Architects,

Professional Engineers,

Plan Reviewers certified by a national model code organization,

Registered Professional Building Designers certified by the American Institute of Building Design
(Certified Professional Building Designers from other states are acceptable),

Officials of a local city, town, or County authorized to review and approve building plans and specifications (The building permit or Certificate of Occupancy may serve as acceptable evidence),

A plan service that provides drawings and specifications that are certified by acceptable individuals or organizations, or

National code organizations

Dwellings built in accordance with certified plans must be inspected to assure the construction complies with the plans and specifications. This normally requires 3 acceptable inspections (footing, frame-in, and final) by a currently state registered inspector.

IN CASES WHERE AN ACCEPTABLE 10-YEAR WARRANTY IS PROVIDED, ONLY A FINAL INSPECTION IS REQUIRED.

In situations where a dwelling is built in a county or city requiring plan submittal and review, the attached "**CODE COMPLIANCE & PLAN & SPECIFICATION CERTIFICATION**", may be used at the Lenders discretion, if the property has been inspected by a city or county official for code compliance. The form certifies that the dwelling has been inspected for that purpose, and that the builder has certified that the dwelling and site development have been completed in accordance with the plans and specifications.

Please Note: If the lender accepts the certification from the builder and later it is proven that the certification was false, USDA Rural Development may reduce or deny a loss claim submitted on the property in question.

In cases where the dwelling is constructed in a jurisdiction requiring plan review and code compliance, the Certificate of Occupancy or other official document that verifies the dwelling was inspected and meets the code, can be accepted as the final inspection.

(Please complete part A or part B as applicable)

Part A

NEW HOME-INSPECTOR CERTIFICATION

(To be used for state registered inspectors of new dwellings under USDA Rural Development's 502 Guaranteed Rural Housing Program.)

As an authorized agent for _____, I hereby certify that _____
(Name of Lender) (Name of Inspector)

who inspected the property located at _____
(Property Location)

is a registered inspector with the Secretary of State in accordance with the Alabama Home Inspectors Registration

Act (96-574). The home inspector's registration number is _____.

Signature and Title of Certifying Official

Date

Part B

CODE COMPLIANCE & PLAN & SPECIFICATION CERTIFICATION

(To be used in cases where new dwellings have been inspected by city or county officials for code compliance and for certifying that the builder has certified that the dwelling and site development have been completed in accordance with the plans and specifications. You will need to furnish copy of city or county inspections with signature on the final inspection.)

As an authorized agent for _____, I hereby certify that the dwelling located at _____
(Name of Lender)

_____, has been inspected for code compliance
(Property Location)

by the building inspector for _____. I further certify that the builder of said
(Insert name of city or county)

dwelling _____, has certified to Lender that the dwelling and site development have been
(Name of Builder)

completed in accordance with the dwelling plans and specifications.

Signature and Title of Lender's Certifying Official

Date

Acceptance and inspection requirements for existing dwellings

CERTIFICATION OF EXISTING DWELLING

(The Lender must determine that the inspector is adequately qualified and licensed to make the following certification)

Completed by the Dwelling Inspector

I, _____ have inspected the dwelling located at
(Name of Registered Inspector)

This inspection included a review of the physical condition of the structure, including the roof surface and the foundation, the electrical, plumbing, the heating/cooling systems, readily observable site hazards, and readily observable property considerations such as drainage problems or evidence of wood infestation.

I certify that the dwelling design and conditions meet the current HUD/FHA requirements. Deficiencies noted in any of the above conditions are listed below. (Indicate none if none noted, continue on attachment if necessary.) _____

Signature of Registered Dwelling Inspector

Date

Title

Inspector's I D Number

Termite/Pest Inspection (REQUIRED)

An acceptable termite inspection report, HUD-NPCA-1, must be provided by a state licensed pest control company (active infestation of termites or other wood destroying pest, or any damage from such, which would affect property value, requires treatment and repair).

Water Certification (If Applicable)

Certification of individual water systems must be provided by the local health department or state certified laboratory. The water quality must meet state and local standards.

Waste Water Certifications (If Applicable)

Waste water systems must be determined to be free of observable evidence of system failure. Certification can be provided by the local health department, a septic system professional, a qualified home inspector, or can be evidenced on the appraisal if completed by a FHA roster appraiser.

The Lender must document their loan file that the Loan Applicant(s) meet the following requirements. This form can be used to provide that documentation.

1. Applicant(s) will reside in _____ County and their household consist of ____ People. The Adjusted Family Income of the household is \$_____ and does not exceed the currently published limit of \$_____.
2. The source of the applicant(s)'s repayment income is _____ and is considered adequate and dependable. Income with a short term history is determined dependable due to the following: _____
3. The applicant's repayment ability has been determined as follows:
 PITI Ratio Total PITI \$_____ / Repayment income \$_____ = _____ %
 Total Debt Ratio Total Debt \$_____ / Repayment income \$_____ = _____ %
4. The applicants have no adverse credit history with the possible exception of instances of adverse credit which have been waived. Credit history which has been waived has adequate documentation provided by the applicants and written waivers by the underwriter are included.
5. The applicants have not had any previous USDA debts except the following: _____.
6. There are no delinquent taxes or non tax federal debts based on a check of HUD's Credit alert interactive Voice Response system (CAIVRS) # _____ Applicant _____ Co Applicant.
7. The applicants presently do not own a dwelling in the local commuting area or own a dwelling which is not structurally sound and/or functionally adequate.
8. The applicant(s) are without sufficient resources to provide the necessary housing and are unable to secure the necessary conventional credit without a government guarantee.
9. The applicant(s) are U. S. Citizens or resident aliens admitted for permanent residence.
10. The applicant(s) possess the legal capacity to incur the obligation.
11. The purpose of the loan is to acquire the dwelling for personal occupancy and the applicant(s) have the ability to and intend to occupy the dwelling on a permanent basis.
12. The Interest Rate is _____% which is within the allowable rates as determined by the following:
 The Fannie Mae 90 day actual/actual 30 year rate as of ____/____/____ is _____+ .60% rounded up to the nearest ¼ of 1% = _____%
13. The total loan amount is \$ _____ which is less than or equal to the appraised value of \$ _____ .
14. The property must meet USDA Rural Development environmental requirements and is either:
 A new property built in accordance with certified plans and specifications with required inspections and permits or an existing property which has been determined to meet HUD, & Health Department, requirements as evidence by a HUD appraiser, on an acceptable VC Sheet, or a State Registered inspector.

(Note: Homes with in-ground swimming pools typically are not eligible for being financed with a GRH Loan.)

Lender Underwriter

Date

Alabama GRH Exhibit 5 5-08 Annual, Adjusted, & Repayment Income Calculation Form (1 of 1)

Applicant(s) _____ Date _____

Lender _____ Underwriter _____

Applicant' Annual Income from all sources (If \$0 enter \$0) _____ \$ _____

Co-applicant' Annual Income from all sources (If \$0 enter \$0) _____ \$ _____

Other Household Income (all income must be disclosed) (If \$0 enter \$0) _____ \$ _____

Total Household Annual Income from all sources _____ \$ _____

Deductions From Annual Income:

Non Medical Deduction Calculation - Deduction for minor dependents members Number ___ X \$480 = _____

Deduction for disabled adults Number ___ X \$480 = _____

Deduction for Full-time students Number ___ X \$480 = _____
(do not include borrower, spouse, or non-household member in above calculations)

Deduction for Qualifying Elderly Family one time \$400 _____

Planned Child Care Expense for next 12 Months (include documentation) _____
(must be necessary to allow employment or furthering of education)

Total of Non Medical Deductions - _____

Medical Deduction Calculation

If Elderly Family, non-reimburse expenses exceeding 3% of Gross Family Income _____

If not an Elderly Family, non-reimbursed medical expenses necessary to enable
employment of disabled family member that exceed 3% of Gross Family Income _____

Allowable Medical Deduction - _____

Adjusted Annual income (Total Household Income less Non-Medical and Medical Deductions) _____

Moderate Income limit for appropriate County and Household size _____

I certify that to the best of my knowledge the above represents a reasonable expectation of the applicant's income and allowable deductions to income.

RATIO CALCULATIONS

Note use repayment Income, not necessarily Annual Income in this calculation

Mortgage Payment	+	1/12 Annual Taxes	+	1/12 Annual Insurance	=	Total Housing Costs (PITI)	/	Monthly Repayment Income	=	PITI Ratio (typically <29%)
_____	+	_____	+	_____	=	_____	/	_____	=	_____

Total Housing Costs	+	Other Monthly Debts	=	Total Monthly Debts	/	Monthly Repayment Income	=	Total Debt Ratio (typically <41%)
_____	+	_____	=	_____	/	_____	=	_____

CALCULATION SHEET FOR GROSSING UP NONTAXABLE INCOME
(Based on 2007 tax rates)

Name _____, Filing Status _____, # of Dependents _____

I - A Gross Income (taxable and nontaxable) _____

I - B Nontaxable portion _____

Deductions:

II - A Standard Deduction _____
(Single 5,000, Head of Household 7,300, Married 10,000)

II - B Exemptions including self _____ x 3,200 _____

II - C Total Deductions _____

Tax Rate:	Single	10% up to \$7,825	+ 15%	\$7,825 to \$31,850	+ 25%	\$31,850 to \$77,100
(2007) Head of Household		10% up to \$11,200	+ 15%	\$11,200 to \$42,650	+ 25%	\$42,650 to \$110,100
	Married	10% up to \$15,650	+ 15%	\$15,650 to \$63,700	+ 25%	\$63,700 to \$128,500

Taxes figured if all income taxable:	/	Taxes based on only taxable portion:
III A. Gross income _____	/	III I. Taxable amount _____
III B. SS Taxes (above x .0765) _____	/	III J. SS Taxes (above x .0765) _____
III C. Gross Income less deductions _____ (if less than \$0 enter \$0)	/	III K. Taxable Income less deductions _____ (if less than \$0 enter \$0)
III D. Taxable Income X tax rate _____	/	III L. Taxable Income X tax rate _____
III E. Less projected EIC _____	/	III M. Less projected EIC _____
III F. Net Federal Income Tax Liability _____	/	III N. Net Federal Income Tax Liability _____
III G. State Tax Liability (35% of Fed.) _____	/	III O. State Tax Liability (35% of Fed.) _____
III H. Total tax Liability (B + F + G) _____	/	III P. Total tax Liability (J + N + O) _____

IV A. Tax Liability based on all income being taxable (III H.)..... _____

IV B. Tax Liability based on only the taxable portion being taxable (III P.) _____

IV C. Tax Savings (amount to gross-up)..... _____

IV D. Tax Savings (IV B.) divided by Nontaxable Income (I B.) _____ %
(percentage to gross-up non taxable portion)

Typically "GROSS UP" amounts of more than 20% will require documentation such as this form.

This form is not required for a lender to document the "grossing-up" of non taxable income but is merely provided as possible alternative documentation to perform the necessary calculations to meet the requirements of Instruction 1980.345 (c) (2) (ii).

WAIVER OF ADVERSE CREDIT HISTORY

Not required if credit scores of Borrower(s) is/are 620 or above.

This can be documented on the Lenders Underwriting Statement

Applicant(s) _____

Lender _____ Underwriter _____

The credit report and/or investigation of referenced applicant(s) indicate instances of adverse credit. We have reviewed **each** indicator of adverse credit and based on the following have determined that the instance(s) were 1. of a temporary nature, 2. beyond the applicant’s control, and 3. the reasons for the adverse indicator no longer exist. Based on these explanations, along with other investigation of the applicant’s past credit history, I have determined that the applicant’s credit history indicates a reasonable ability and willingness to meet their obligations as they become due.

Documentation to support this credit waiver is attached.

Explanation: (Why it was temporary, no longer exists & beyond applicant’s control)

Based upon the above I have determined the applicant(s) meet the credit worthiness requirements of the USDA Rural Development GRH guidelines.

Underwriter’s Signature

Date

INITIAL ORIGINATION SUBMISSION CHECKLIST

Lender: _____
Applicant(s): _____
Property Located in _____ County

Package Submitted to USDA Rural Development
Guaranteed Rural Housing Processing Office
819 Cook Avenue NW, Suite150
Huntsville, Alabama 35801

Please assure that all documents have consistent names and the correct loan amount!!

Form 1980-86, Reservation of Funds – FAX to (334) 279-3448 This should be completed and confirmation obtained prior to submission of the underwritten package.

Copy of Confirmation GRH Reservation received back should be included in your submission - 1 page.

Form 1980-21 "Request for SFH Loan Guarantee" (revision date 6-06 or later must be used) 4 pages
(Form must be complete and signed by the lender and the loan applicant(s). Specify in #14 the individual loan purposes including the amount, if any, of the fee being financed.)

Copy of valid income verification of each adult member of the household
(all income must be disclosed, if family member has no income, it must be verified, two years of income tax returns for self-employed applicants with current Profit and Loss / Balance Sheet, W-2s or current pay stubs)

Copy of current acceptable credit reports on all loan applicant(s) and/or adequate alternative credit documentation

Copy of sales contract or bid, if a construction contract

Complete and acceptable appraisal, less than 6 months old (e-mail to ra.alhuntsvil.rd-grh@al.usda.gov)
(G, R, and L Designated Appraisers are acceptable unless individually determined unacceptable by USDA Rural Development. On existing properties, HUD Roster appraisers can also verify dwelling compliance FHA requirements.)

Copy of signed and dated complete application

Copy of typed complete application with updated information from Credit Report and Income Verifications
(Signature not required).

Lender's Underwriting Analysis (Determination of Eligibility) Copy of Uniform Underwriter Transmittal Summary, Form FNMA 1008 or other underwriting analysis signed by underwriter. Lender must document all eligibility requirements have been met. Exhibit 4 is a good checklist for compliance. The basis for all eligibility determinations must be in the lender's file. Credit waiver justification can be on the Underwriting Analysis of on an individual credit waiver form.

If the applicant(s) are not citizens, a copy of acceptable INS Documents

Copy of FEMA 81-93, Flood Certification
(Lender must provide a SFHDF indicating the property is in an acceptable area. If the property is in a designated flood zone, the environmental assessment must be cleared and flood insurance obtained.)

LOAN CLOSING SUBMISSION CHECKLIST

Lender: _____

Applicant(s): _____

Property Located in _____ County

Package Submitted to USDA Rural Development
 Guaranteed Rural Housing Processing Office
 819 Cook Avenue NW, Suite 150
 Huntsville, Alabama 35801

Loan Closing Documents must be received by the USDA Rural Development office prior to the expiration of the Conditional Commitment and should be sent within 15 days of loan closing.

_____ **Form 1980-19, “Guarantee Loan Closing Report”, completed and signed by 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, page 2, certifying to certain requirements)

_____ **The correct Guarantee Fee as specified on the Conditional Commitment**

_____ **A conformed copy of the promissory note**

_____ **A copy of the HUD-1, Settlement Statement** *(This should verify proper use of all loan funds)*

_____ **Evidence that all conditions have been met must be obtained by the lender and maintained in the lender’s loan file prior to the lender requesting the Loan Note Guarantee. USDA Rural Development may request copies of specific items be provided to them. This will be noted on the conditional commitment for guarantee.**

RATIO WAIVER REQUEST
RURAL DEVELOPMENT

Date:
Underwriting Lender Name:
Lender's Address:
Underwriter's Name:
Underwriter's phone: FAX:
E-mail:
Applicant's name (print or type full name):
Planned loan amount: \$ Monthly repayment income \$
Proposed ratios: front (PITI) back (MOTI)
Credit Scores :
Previous monthly housing cost:
Proposed monthly housing cost:
Employment history:

- Compensating factors (list - if you need additional room, use attachment):
1.
2.
3.

Attach any additional comments, documentation or recommendations.

I, the underwriter, hereby approve the proposed ratios. Loan approval will be subject to all other underwriting conditions of both Rural Development and myself. I certify that the decision to approve the ratios is made in accordance with RD Regulations 1980-D. I understand that it is my responsibility to determine that the ratios are reasonable based on the above listed factors. I understand that I, not Rural Development, am the primary decision maker in regards to accepting the proposed ratios. I understand that Rural Development concurrence with this decision is required and is evidenced by the Rural Development signature below.

Underwriter Signature Date

I, a loan approval official of the USDA Rural Development, hereby waive the GRH loan ratio limitations as authorized by RD Instructions 1980-D, Section 1980.345 (c) (5).

Signature Loan Approval Official Date

Calculation of Loan with Guarantee Fee included in the Loan

Beginning in December of 2004, the USDA Guaranteed Program was revised to allow for the financing of all or a part of the 2% Guarantee Fee which would cause the loan amount to exceed the appraised value of the security property being financed.

The change continued the requirement that the 2% fee be calculated on the final loan amount and not the loan amount prior to adding the fee. This requirement has caused confusion and concern with lenders about meeting their disclosure and TIL requirements.

The Loan Amounts and the Fee should be calculated as follows:

		Example 1	Example 2
1. Appraised value of the property financed -----	\$ _____	<u>\$100,000.00</u>	<u>\$125,000.00</u>
2. Base Loan Amount (loan amount prior to any fee being added) ----- (The base loan amount must be limited to authorized purposes and cannot exceed the appraised value.)	\$ _____	<u>\$98,500.00</u>	<u>\$125,000.00</u>
3. Maximum Loan if the entire fee financed (#2. / .98) -----	\$ _____	<u>\$100,510.20</u>	<u>\$127,551.02</u>
4. Fee based on the maximum loan (#3 X 2%) -----	\$ _____	<u>\$2,010.20</u>	<u>\$2,551.02</u>
5. Amount of Guarantee Financed (cannot exceed #4) ----- (This amount is determined by the Lender and is normally rounded.)	\$ _____	<u>\$2,010.00</u>	<u>\$2,550.00</u>
6. Final Loan Amount including the fee financed (# 2 + # 5) -----	\$ _____	<u>\$100,510.00</u>	<u>\$127,550.00</u>
7. Fee to be submitted at closing (# 6 X 2 %) -----	\$ _____	<u>\$2,010.20*</u>	<u>\$2,551.00*</u>

* In Example 1, the borrower would pay \$0.20 of the guarantee fee out of pocket, in Example 2, \$1.00.

Request for Authority to Finance a Dwelling with an In-ground Swimming Pool

Approved Lender Making Request _____

Applicant(s) _____

We have reviewed the referenced case and are requesting this case be submitted to the USDA Rural Development National Office to allow for the financing of a dwelling with an in-ground swimming pool. The following determinations have been made as related to this applicant and the subject property.

- 1. The total appraised value of the security property is \$_____
- The appraiser has indicated the contributory value of the pool to be \$_____
- The value of the property less the contributory value of the pool is \$_____
- The total loan amount is \$_____
- The amount of GRH Fee financed in the loan is \$_____

The loan amount, including the GRH fee financed, does not exceed the value of the property less the contributory value of the pool.

- 2. The property is recognized as modest housing in the market area.
- 3. The costs associated with the maintenance of the pool are minimal and within the financial ability of the applicant(s).
- 4. There are no risk layers associated with the subject loan.

Recommended By:

USDA Rural Development Official

Title

Date