



United States Department of Agriculture
Rural Development

TO: All Approved Lenders

FROM: Tammie Treviño 
Administrator
Housing and Community Facilities Program

MAY 11 2010

SUBJECT: Section 502 Single Family Housing Guaranteed Loan Program
Delivery of Guaranteed Purchase and Refinance Loans

This is to authorize the issuance of Conditional Commitments for the Single Family Housing Guaranteed Loan Program (SFHGLP) after currently appropriated funds are exhausted. Conditional Commitments will be issued "subject to the availability of funds and Congressional authority to charge a 3.5 percent guarantee fee for purchase loans and a 2.25 percent guarantee fee for refinance loans" as discussed in greater detail below.

Rural Development predicts that currently appropriated funds will be exhausted on May 12, 2010, or soon thereafter. After that occurs, Rural Development will continue to accept complete loan applications and issue Conditional Commitments "subject to the availability of funds and Congressional authority to charge a 3.5 percent guarantee fee for purchase loans and a 2.25 percent guarantee fee for refinance loans." Lenders may continue to process guaranteed loan requests, receive Agency Conditional Commitments, and close loans during this timeframe. Rural Development will continue to accept, review, and conditionally approve loan packages from approved lenders during this timeframe.

The following steps will apply:

- 1) Rural Development will not reserve loan funds for applications in process during this timeframe.
- 2) Rural Development will continue to accept complete Section 502 Guaranteed loan program applications from approved lenders.

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- 3) Rural Development will process, approve, and issue Conditional Commitments for those applications that are eligible. During this timeframe Rural Development will issue Conditional Commitments *“subject to the availability of funds and Congressional authority to charge a 3.5 percent guarantee fee for purchase loans and a 2.25 percent guarantee fee for refinance loans.”*
- 4) Lenders may close these loans as scheduled.
- 5) Rural Development will "obligate" funds for loans processed *“subject to the availability of funds and Congressional authority to charge a 3.5 percent guarantee fee for purchase loans and a 2.25 percent guarantee fee for refinance loans”* when funds become available and Congress authorizes the Agency to charge a 3.5 percent guarantee fee for purchase loans and a 2.25 percent guarantee fee for refinance loans.
- 6) Once the funds are obligated, Rural Development will process lenders' Loan Note Guarantee requests when the loans are verified as being closed and all conditions of the Conditional Commitments have been satisfied.
- 7) The lender will assume all loss default risk for the loan until funds are available for Rural Development to obligate, and the Loan Note Guarantee is subsequently issued.
- 8) Once funding is available and Congress authorizes the Agency to charge a 3.5 percent guarantee fee for purchase loans and a 2.25 percent guarantee fee for refinance loans, and at the time the lender requests the Loan Note Guarantee, the lender must certify to the Agency, using the process provided in RD Form 1980-18, "Conditional Commitment for Single Family Housing Loan Guarantee," that there have been no adverse changes in the borrower's financial condition since the date the Conditional Commitment was issued by the Agency.

For these Conditional Commitments, the guarantee fee will be 3.5 percent for purchases, and 2.25 percent for refinance transactions.

Your support of the Section 502 Guaranteed Loan program is appreciated. For questions regarding this memorandum, please contact Rural Development's Single Family Housing Guaranteed Loan Division at (202) 720-1452.