

USDA



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December / January 2010

# Illinois Guaranteed News

## Ring in the New Year!



The temperatures are cold, but the Guaranteed Rural Housing program is hot! Loan volume continues to exceed expectations. We have just finished our first quarter of fiscal year 2010 and in Illinois loan volume has increased by 93% in comparison to the same period last year. Thanks to the efforts of our staff and lenders, we are proud to say that first year loan delinquency has decreased 170 basis points down to 2.2%.

The guaranteed program has received its national allocation of funds of \$13.5 Billion. During our first quarter in FY10, we have utilized \$6 Billion of those funds, leaving an additional \$7 Billion available for the remainder of the fiscal year. Additional funding options are being explored; however, nothing has been decided at this time. We are not accepting reservation of funds. Please submit complete loan packages to receive a conditional commitment. Kudos to our real estate partners and lenders for a great start in FY10!

## Don't forget about Direct loans!

Rural Development also offers a Direct housing program to low and very-low income applicants who do not qualify for other credit including guaranteed loans. This program offers federally funded loans and has ample funds provided through the American Reinvestment and Recovery Act. Low income applicants would apply directly through Area Rural Development offices. A list of our offices and the counties they cover can be found at: [www.rurdev.usda.gov/il/maps/sfh-map.pdf](http://www.rurdev.usda.gov/il/maps/sfh-map.pdf).

The Direct Rural Housing program offers qualified applicants a 33 year loan term with a fixed interest rate. The interest rate for loans closed in January through the direct program is 4.875%. Applicants may qualify for payment subsidy to help them make their monthly mortgage payment. As their income increases, their payment subsidy will decrease or stop. This subsidy may be subject to recapture when the borrower sells or refinances their home.

In order for applicants to qualify for a direct loan, they must demonstrate stable and dependable income along with a satisfactory credit history. Interested applicants should contact Rural Development for an application. If approved, the applicant can search for a home if they don't already have one in mind. Applicants can finance up to 100% of the appraised value of the property. Repairs may be required to maintain the property in a functional and safe condition. If you can't help the customer...maybe a Direct Rural Housing loan can!

## January - February Webinars

Back by popular demand. Several requests have been made for additional training classes. We will be offering three different webinar topics throughout January and February.

To register for any of these classes go to: <https://rurdev.webex.com>.



### Webinar Schedule

- Thursday, 1/21/10: "Get to Know Guaranteed" 10:00 a.m. — Overview of the Guaranteed program including qualifications and underwriting guidelines.
- Wednesday, 2/17/10: "Closing a Guaranteed Loan" 10:00 a.m. — Steps to successfully closing a Guaranteed Loan
- Thursday, 2/18/10: "Get to Know Guaranteed" 1:00 p.m. — Overview of the Guaranteed program including qualifications and underwriting guidelines.
- Thursday, 2/25/10: "Guaranteed Servicing Solutions" 1:00 p.m. — Servicing options, lender documentation and requesting guarantee





# Stable and Dependable Income

It is the approved lenders responsibility to ensure the applicants have stable and dependable income. RD instruction 1980-D, section 1980.345(c)(2)(i) states: "In considering qualifying income, the Lender must determine whether there is a historical basis to conclude that the income is likely to continue.

Typically, income of less than 24 months duration should not be included in qualifying income."



Three distinct income calculations should be reviewed for program eligibility and repayment ability.

1. **Annual Income:** ALL income received by adult household members residing in the home as their primary residence.
2. **Adjusted Annual Income:** Annual income minus eligible household deductions listed in RD instruction 1980.348.
3. **Repayment Income:** Stable and Dependable income verified for applicants that will be party to the note.

The Guaranteed Underwriting System (GUS) does NOT determine stable and dependable income. It is the lender's responsibility to determine income stability and its likelihood of continuance. Income of less than 24 months may be considered if the underwriter can justify and document reasoning for including the income. Additional information on stable and dependable income can be found in AN 4474 at: [www.rurdev.usda.gov/regs/an/an4474.pdf](http://www.rurdev.usda.gov/regs/an/an4474.pdf).

## Appraisals...Repairs



The purpose of the guaranteed program is to provide moderate income households with adequate housing. Existing dwellings must be inspected to determine they meet the requirements of HUD handbooks:

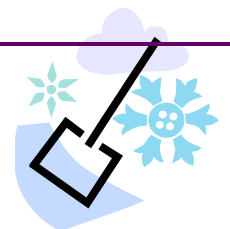
- HUD Handbook 4150.2: *Valuation Analysis for Home Mortgage Insurance for Single Family One- to Four-Unit Dwellings* AND
- HUD Handbook 4905.1: *Requirements for Existing Housing-One to Four Family Living Units*

Either a qualified appraiser or a home inspector must certify the property meets both handbooks. Appraisers may certify the home meets HUD handbooks 4150.2 & 4905.1 on page 3 of the appraisal in the comments section. In all cases, the lender must obtain documentation if:

- Property served by an individual water supply = the local health authority or state certified laboratory must perform a water quality analysis. Water quality must meet both state and local standards. Please contact EPS's Safe Drinking Water Hotline with any questions at: (800)426-4791.
- Individual Septic System = Separate inspection not required unless the appraiser or inspector notes anything derogatory with the system. The separation distances between the well and septic tank, the drain field and the property line should comply with HUD guidelines or state well codes.
- Necessary Repairs = Any repairs necessary for the dwelling to be structurally sound, functionally adequate, and in good repair MUST be completed prior to requesting a loan note guarantee or an escrow account must be established for weather related repairs in accordance with RD instruction 1980.315 (d).

Hope everyone had a safe and Happy Holiday Season.

Happy 2010!



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