



# Single Family Housing Guaranteed Loan Program Fiscal Year 2012's Most Active Lenders

## Most Active Lenders Using RD's Guaranteed Housing Loan Program in FY 2012

Thank you to all lenders who utilized USDA Rural Development's Guaranteed Rural Housing loan program during fiscal year 2012. Lenders accessed more than \$230 million in guaranteed loans to make homeownership dreams a reality for more than 2,000 households in rural Iowa. Thank you for making fiscal year 2012 a success!

Here is a look at the most active lenders who used USDA Rural Development's guaranteed home loan program in Iowa this past year.

### Loan Origination

Residential Mortgage Network	139 loans	\$19,351,926
Premier Home Mortgage	121 loans	\$11,899,026
Northwest Bank	112 loans	\$11,172,741
Wells Fargo	93 loans	\$9,022,233
Lincoln Savings Bank	80 loans	\$9,417,261

Lenders originating more than 60 loans in Iowa in 2012 include Ackley State Bank, Valley Bank, United Bank of Iowa and Compass Mortgage.

### Loan Writing

Premier Home Mortgage	149 loans	\$14,993,832
Residential Mortgage Network	139 loans	\$19,351,926
Wells Fargo	124 loans	\$12,927,419
Northwest Bank	112 loans	\$11,172,741
Mortgage Services III	110 loans	\$12,452,658

Lenders writing more than 60 loans in Iowa in 2012 include Iowa Bankers Mortgage Corp., Lincoln Savings Bank, Valley Bank, United Bank of Iowa and Compass Mortgage.

## Newsworthy Information Student Loans Represent Debt Obligation

Student loans represent a debt obligation. Therefore, loans in repayment and deferred student loans must be included in the debt ratio per 1980.345(c)(1).

All student loans must have documentation to verify the current payment due (e.g. letter from a loan servicer, online account verifications, etc.) Verifications are valid for 120 days, 180 days for new construction.

### Student Loans - Conventional/Fixed Payment/Deferred

Lenders may review the account statements and use the fixed monthly payment due (no adjustable payments).

For deferred student loans that are not in repayment status the lender must use an estimated payment of 1% of the loan balance.

If using less than 1% the lender must obtain documentation from the loan servicer to verify the lower payment used in the ratios. Please indicate in the notes section by each student loan liability that the payment was verified. Doing so will save Rural Development staff from having to call the lender and will avoid having to suspend the application for further documentation.

For example: *Credit report indicates "deferred" with a \$50,000 loan balance. You will use \$500.00 which is 1% of this loan balance. If you want to use a lower amount you must obtain documentation from the loan servicer verifying the lower payment. Please indicate in the notes section by each student loan liability that the payment was verified.*

For example: *The credit report shows a balance of \$50,000 and a payment of \$42.00 is indicated on the credit report as a payment. You will use either 1% or must verify the reduced payment. The payment indicated on the credit report may not be used because the credit report does not indicate if this is a fixed payment or an Income Base Repayment (IBR) payment.*

### Student Loans - Income Based Repayment (IBR)

IBR amounts are not fixed payments and may increase annually. IBR payments must include a payment in the ratios.

If the IBR payment is less than \$100 and 1% of the loan balance is more than \$100, a minimum payment of \$100 must be included in the debt ratios. If the current IBR payment is more than \$100, lenders may use that payment amount in the debt ratios.

For example: *If the IBR payment is \$250 on a \$50,000 loan balance, you may use the current IBR payment of \$250 and not have to use 1% or \$500.*

For example: *If the IBR payment is \$10 on a \$50,000 loan balance you may use \$100 as the minimum payment.*

## Non-Taxable Income for Repayment Purposes

When considering income that is not subject to federal income tax, lenders may "gross-up" the nontaxable income for use with repayment ratios.

In accordance with 1980.345(c)(2)(ii) only the amount of tax savings attributable to the nontaxable income may be added for use with the repayment ratios. More information about the [current tax charts](#) is available online.

## Findings from Guaranteed Underwriting System Report

The following are highlights from a recent USDA Rural Development Guaranteed Underwriting System (GUS) report:

Lenders are responsible for reviewing the "Lender Required Conditions" section which details the steps the lender must complete in order to obtain a Conditional Commitment and Loan Note Guarantee.

Prior to final underwriting submission this will list the GUS "rules" that have fired due to loan data entered on the GUS application pages. Many of the rules are defaults and apply to all GUS loans. There are many rules that fire for every GUS Underwriting Findings Report as they are default rules, and will state "as applicable."

Prior to Conditional Commitment this will list the GUS rules that lenders must ensure are met before requesting a Conditional Commitment.

Prior to Closing this will list the rules and guidance lenders must ensure have been met before closing the loan.

Prior to Loan Note Guarantee this will list the rules and guidance that lenders must meet before submitting the loan closing package to USDA Rural Development in order to secure a Loan Note Guarantee.

## Information about Negotiated Interest Rates

Interest rates are negotiated between the borrower and the lender. However, the rate must not be more than the Fannie Mae required net yield for 90-day commitments on 30-year fixed-rate mortgage, plus 60 basis points rounded up to the nearest one-quarter of a percent (not applicable for refinances). A loan note guarantee will not be issued if the loan is closed at a higher rate.

The daily and historical Fannie Mae rates are available [online](#), or check the lender rate sheet.

Lenders must document the rate and lock date on Form 1980-21 or provide a copy of the lock sheet.

## Administrative Notices and Forms

### Guaranteed Loan Closing Report Must be Completed and Returned

**Form 1980-19**, Guaranteed Loan Closing Report, must be completed and returned to Rural Development with the closing package. This is a working document for the agency to complete the closing in its Guaranteed Loan System. Therefore, a copy will not be returned to you.

Also, please remember to submit Page 3 of the cover letter identifying the borrower's name with the Guaranteed Rural Housing fee check to avoid delays in processing the check.

### Administrative Notice 4687 - Definition of Credit

The purpose of Administrative Notice (AN) 4687 is to clarify the meaning of "conventional credit" as it applies to the Single Family Housing Guaranteed Loan Program (SFHGLP) and Rural Development Instruction 1980-D, 1980.346(b).

*This AN replaces AN 4594 (1980-D), dated July 26, 2011, which expired on July 31, 2012.*

### Administrative Notice 4688 - Outbuildings and Property Eligibility

Administrative Notice 4688 was recently issued to provide additional clarification on outbuildings. The following highlights should be noted:

- Farm-related property, and vacant land or properties used primarily for agricultural and farming operations remain ineligible.
- Income-producing land or buildings, or buildings that are in part specifically designed to accommodate a business or income-producing enterprise, remain ineligible.
- Functional farm service structures (functional meaning that the building could be used for intended purpose without significant repair) do not make a property ineligible if the tract of land is not income producing and is typical for residential properties in the area. The value of any functional farm service structures must be deducted from the appraised value before determining the maximum loan amount.
- For transactions when the site value exceeds 30% of the total value of the property, additional tests must be met to ensure the property is eligible.

**IMPORTANT:** Appraisers must address the contributory value of all farm service structures on a site. For non-farm service structures, appraisers must address if the structure is currently used for income-producing purposes, and whether or not it was designed specifically to accommodate an income-producing enterprise.

*This AN replaces AN 4590 (1980-D), dated July 22, 2011, which expired July 31, 2012.*

## Upcoming Events

### Offices Closed

**Tuesday, December 25 — Christmas Day**  
**Tuesday, January 1 — New Year's Day**

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