

RD AN No. 4757 (1980-D)
April 21, 2014

TO: State Directors
Rural Development

ATTENTION: Rural Housing Program Directors,
Guaranteed Loan Coordinators,
Area Directors and Area Specialists

FROM: Tony Hernandez *(Signed by Tony Hernandez)*
Administrator
Housing and Community Facilities Programs

SUBJECT: Single Family Housing Guaranteed Loan Program
Implementation of New Fee Structure Effective October 1, 2014

PURPOSE/INTENDED OUTCOME:

This Administrative Notice (AN) announces a new annual guarantee fee structure for purchase and refinance loans obligated by the agency for Fiscal Year (FY) 2015 which begins on October 1, 2014. There is no change to the upfront guarantee fee structure.

COMPARISON WITH PREVIOUS AN:

This AN replaces RD AN No. 4677 (1980-D), dated August 7, 2012, which expired on September 30, 2013..

EXPIRATION DATE:
April 30, 2015

FILING INSTRUCTIONS:
Preceding RD Instruction 1980-D

BACKGROUND:

On July 29, 2010, Public Law (P.L.) 111-212, “Supplemental Appropriations Act, 2010,” amended Section 502(h)(8) of the Housing Act of 1949 (42 U.S.C. 1472 (h)(8)) to read as follows, “(8) Fees.- Notwithstanding paragraph (14)(D), with respect to a guaranteed loan issued or modified under this subsection, the Secretary may collect from the lender – (A) at the time of issuance of the guarantee or modification, a fee not to exceed 3.5 percent of the principal obligation of the loan;” and, “(B) an annual fee not to exceed 0.5 percent of the outstanding principal loan balance of the loan for the life of the loan.”

On July 11, 2012, a final rule was published in the Federal Register to implement an annual fee for all purchase and refinance loan obligations. The purpose of the SFHGLP fee structure, which includes a one-time upfront guarantee fee as well as the annual fee, is to avoid the need for Congressional budget authority to offset program costs. Both the annual fee and upfront guarantee fee are subject to periodic change to ensure the program does not require this kind of taxpayer-funded subsidy.

Future updates to both the upfront and annual fee will be published in RD Instruction 440.1, Exhibit K, available in Rural Development offices or on the Rural Development website as follows: http://www.rurdev.usda.gov/rd_instructions.html.

IMPLEMENTATION RESPONSIBILITIES:

For SFHGLP loans obligated on or after October 1, 2014, both purchase and refinance transactions will be subject to (1) an upfront guarantee fee equal to 2 percent of the loan amount, and (2) an annual fee of 0.5 percent of the unpaid principal balance.

State offices and lenders that have questions concerning this AN may contact Kristina Zehr at (202) 713-8779, or via email at: kristina.zehr@wdc.usda.gov.