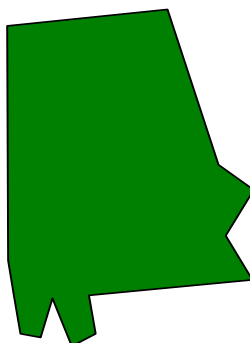


ALABAMA



GUARANTEED RURAL HOUSING LENDER'S MANUAL

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January 2004

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

**30 YEAR
FIXED RATE TERM**

**LENDERS USE THEIR
OWN FORMS**

**LOANS CAN BE 100%
LOAN TO VALUE**

**LOAN AMOUNT ONLY
LIMITED BY APPLICANT'S
REPAYMENT ABILITY**

**NO DOWNPAYMENT
REQUIRED**

**FOR MODERATE
INCOME HOUSEHOLDS
(Up to 115% of the County or
National Median income)**

**REPAYMENT RATIOS -
TOTAL DEBT RATIO < 41%
PRINCIPAL, INTEREST, TAXES &
INSURANCE < 29%
(Can be exceeded with justification)**

**CLOSING COSTS CAN BE
INCLUDED IN THE LOAN**

**NO LIMIT ON SELLER
CONTRIBUTION BY
USDA RURAL
DEVELOPMENT**

**NO REQUIREMENT FOR
PRIVATE MORTGAGE
INSURANCE**

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

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

**GUARANTEE TO
LENDER COVERS UP
TO 90% OF THE
PRINCIPAL ADVANCED**

**CAN BE USED TO FINANCE
NEW (Less than 1 Year old) OR
EXISTING PROPERTIES**

**GUARANTEE FEE
OF 1.75 % OF LOAN
AMOUNT DUE
AFTER CLOSING**

**QUALIFIES FOR
COMMUNITY
REINVESTMENT ACT
CREDIT**

LOAN PURPOSES

PURCHASE A NEW DWELLING

ACCORDING TO USDA RURAL DEVELOPMENT DEFINITION A NEW DWELLING IS ONE THAT IS LESS THAN ONE YEAR OLD (*HAS BEEN COMPLETED OR IN AN OCCUPIABLE STATE FOR LESS THAN ONE YEAR.*).

THE DWELLING PLANS THE DWELLING WAS OR IS PROPOSED TO BE BUILT TO, MUST BE PROPERLY CERTIFIED to meet an acceptable building code, model energy code, and the National Electric Code. See ***Form 1924-25*** for the certification form required to be used. HUD approved builders and 10 Year Warranty builders (providing a 10 year warranty on the property financed) can "self certify" but other builders must have an appropriate party execute the certification. Persons authorized to certify plans and specifications include Licensed Architects, Professional Engineers, Plan Reviewers certified by an acceptable National model code organization, and Registered Professional Building Designers certified by the American Institute of Building Design.

Acceptable Ten Year Warranty issuers include all approved by the USDA Rural Development's Rural Housing Service.

DWELLINGS MUST MEET ALL LOCAL CODES, AND ANY REQUIRED PERMITS, OCCUPANCY CERTIFICATES, ETC. MUST BE OBTAINED.

THREE BUILDING INSPECTIONS (Footing, Dry In, and Final) **ARE REQUIRED**, unless an acceptable Ten 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.

THE BUILDER MUST PROVIDE AT LEAST A ONE-YEAR WARRANTY ON THE DWELLING.

INDIVIDUAL WELL AND/OR SEPTIC DISPOSAL SYSTEMS MUST BE INSTALLED TO MEET THE LOCAL HEALTH DEPARTMENT'S REQUIREMENTS AND WRITTEN APPROVALS MUST BE OBTAINED.

PURCHASE AN EXISTING DWELLING

ONE THAT IS MORE THAN ONE YEAR OLD.

Existing DWELLINGS MUST HAVE ADEQUATE SYSTEMS (Electrical, Plumbing, Heating/Cooling, Sewage Disposal, Water Supply, and Termite Inspection).

It also must be determined to **BE STRUCTURALLY SOUND, FUNCTIONALLY ADEQUATE, IN GOOD REPAIR AND MEET THE CURRENT REQUIREMENTS OF HUD HANDBOOK 4905.1.**

Existing Dwellings must also **MEET USDA RURAL DEVELOPMENT'S THERMAL REQUIREMENTS FOR THE AREA IN WHICH THE PROPERTY IS LOCATED.** Please note that there are two thermal zones in Alabama divided approximately mid-way the state. **SEE PAGE 2 OF EXHIBIT 3.**

IF DOCUMENTATION IS PROVIDED TO ESTABLISH THAT THE ACTUAL COST OF HEATING AND/OR COOLING THE PROPERTY IS NOT SIGNIFICANTLY GREATER THAN THOSE COST FOR A SIMILAR DWELLING MEETING USDA RURAL DEVELOPMENT'S THERMAL STANDARDS, THE REQUIREMENT CAN BE WAIVED BY THE USDA RURAL DEVELOPMENT OFFICE.

THE LENDER IS RESPONSIBLE FOR REQUIRING THAT A STATE REGISTERED INSPECTOR INSPECTS ALL EXISTING DWELLINGS FINANCED AND THAT THE INSPECTOR PROVIDES A CERTIFICATION THAT THE DWELLING MEETS THE REQUIRED STANDARDS. ON CASES WHERE A HUD APPRAISER IS USED, AND AN ACCEPTABLE VC SHEET IS INCLUDED WITH THE APPRAISAL OUTLINING THAT THE PROPERTY MEETS ALL REQUIREMENTS, THE LENDER CAN WAIVE THE INSPECTION. EVIDENCE OF THE ACCEPTABLE INSPECTION OR VC SHEET 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.

ACCEPTANCE OF ANY INDIVIDUAL WATER AND/OR SEPTIC DISPOSAL SYSTEM MUST BE PROVIDED BY THE LOCAL HEALTH DEPARTMENT OR A LICENSED COMPANY OR INDIVIDUAL. THE VC SHEET CAN COVER THIS REQUIREMENT IF PROPERTLY DOCUMENTED.

AN ACCEPTABLE TERMITE INSPECTION MUST BE PROVIDED BY A STATE LICENSED PEST CONTROL COMPANY. Any evidence of termites or wood destroying organisms, or previous damage must be properly addressed. (Treated, and damage sustained must be repaired if it affects the value of the property).

SEE CERTIFICATION OF EXISTING DWELLING FORMS. (EXHIBIT 3).

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) **AND ACCEPTABLE APPRAISAL.** 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**). The loan amount may include funds for closing costs, and the guarantee fee if the market value is sufficiently higher than the purchase price, and the investor allows.

LOCATION AND SITE REQUIREMENTS

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/mainservlet>.

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.

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 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%.** 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/syndicated/documents/mbs/apeprices/public/30fraac.html>

APPLICANT ELIGIBILITY

INCOME:

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 IN MAKING THESE CALCULATIONS. *EXHIBIT 5* CAN BE USED TO ASSIST IN THESE CALCULATIONS.

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. CANNOT BE CONSIDERED A DEDUCTION FROM INCOME.
- * INTEREST AND OTHER UNEARNED INCOME MUST BE INCLUDED
- * NET BUSINESS INCOME MUST BE CONSIDERED (CANNOT BE A NEGATIVE)
- * 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 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 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 includes all **DEPENDABLE** (SEE 1980-D, 1980.345(B) & 1980.345(C)(2)(i)) gross income of **ALL PERSONS THAT WILL BE BORROWERS OR CO-BORROWERS**. 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)
CANNOT 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),
CANNOT EXCEED 41% of the **REPAYMENT INCOME**.

IF EITHER RATIO IS EXCEEDED, the Lender may request USDA Rural Development to concur (**A RATIO WAIVER**) in allowing a higher ratio based on Compensating Factors such as, The Applicant having a history, over the past 12 Month period of devoting a similar percentage of their income to housing costs, or accumulated savings which, when added to the Applicant's housing expense, shows a capacity to make the proposed payments. (See *applicable AN's* for guidance on Ratio Waivers and *Exhibit 10*)

NOTES ON REPAYMENT INCOME:

The Lender must determine that any income used in **REPAYMENT INCOME** is **STABLE** and **DEPENDABLE**.

Typically, **INCOME OF LESS THAN 12 MONTHS DURATION** should not be included.

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. **PAYMENT OF PAST HOUSING EXPENSES MUST BE VERIFIED AND CONSIDERED.**

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.

On cases where the **PRIMARY WAGE EARNER'S MIDDLE CREDIT SCORE** (Lower if only two scores are given) is **660 OR ABOVE**, the applicant will be considered to have an **ACCEPTABLE CREDIT HISTORY**. A score of **620 to 660** is considered somewhat marginal and requires adequate documentation to be determined acceptable. Scores **below 620** can be acceptable but require substantial and solid documentation to indicate all adverse credit was beyond applicant's control, temporary in nature and no longer exist (see credit waivers).

The following are **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.
- * **ANY DEBT WRITTEN OFF 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 MUST BE FEW AND WELL DOCUMENTED. (SEE EXHIBIT 7)

LOAN GUARANTEE PROCEDURES

RECEIPT OF APPLICATION BY LENDER AND RESERVATION OF LOAN FUNDS

The Originating (Submitting) Lender receives and processes loan application. Once the Lender has a complete application indicating the applicant has an **ADJUSTED ANNUAL HOUSEHOLD INCOME WITHIN THE ALLOWABLE LIMITS**, has **SUFFICIENT REPAYMENT INCOME**, with an **ACCEPTABLE CREDIT HISTORY**, but prior to complete loan underwriting, the Lender will request a reservation of funds from the USDA Rural Development Office. The **AMOUNT OF FUNDS** needed and **THE DWELLING BEING PURCHASED** must be known in order to reserve funds. **SUBSTITUTIONS OF APPLICANTS OR CHANGES IN THE PROPERTY FINANCED OR LOAN AMOUNT ARE NOT AUTHORIZED.**

Reservation requests are made by faxing **Form 1980-86** to the Applicable Office (**For Alabama Loans, Fax to Alma Bristow at 334-279-3448**). The form must be complete, including the Submitting Lender and their Tax ID #, the Approved Lender and their Tax ID (if a different lender from the Submitting Lender) and complete information concerning the loan and the applicants. Lenders requesting a reservation must assure that the most recent revision of Form 1980-86 (currently 10-03) is used.

Funds will be reserved and the Lender notified by return fax. Brokers, Loan Originators, or Approved Lenders may make reservation requests. **IF THE REQUEST IS FROM SOMEONE OTHER THAN AN APPROVED LENDER, THE LENDER THAT WILL UNDERWRITE AND SUBMIT THE LOAN PACKAGE MUST BE INCLUDED ON THE REQUEST. FUND RESERVATIONS ARE VALID FOR 60 DAYS.** If the Lender determines that a reserved loan will not close, they should request a cancellation of the reservation.

SUBMISSION OF GUARANTEE REQUEST AND REVIEW OF CONDITIONAL COMMITMENT

To begin the Guarantee Request Process, the **COMPLETE APPLICATION PACKAGE (SEE EXHIBIT 8) INCLUDING Form 1980-21, UNDERWRITING INFORMATION AND APPROVAL, AND ALL INDICATED DOCUMENTS MUST BE SUBMITTED TO THE LOCAL USDA RURAL DEVELOPMENT OFFICE BY THE APPROVED LENDER** prior to the expiration of the reservation. A copy of the reservation form should be in the package. The Local Office 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. The Local Office will issue a response within 48 Hours. **THE LENDER SHOULD REVIEW THE CONDITIONS.** If Lender assures that all conditions can be met, the Lender proceeds to closing. If not acceptable, the Lender must contact the Local USDA Rural Development office for possible alternatives. Once issued the Conditional Commitment is good for 90 days and can be extended for 90 additional days.

LOAN CLOSING, SUBMISSION OF CLOSING PACKAGE, & ISSUANCE OF LOAN NOTE GUARANTEE

THE APPROVED LENDER DETERMINES THAT ALL CONDITIONS ARE OR CAN BE MET AND AUTHORIZES CLOSING OF THE LOAN. 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 LOCAL OFFICE PRIOR TO THE EXPIRATION OF THE CC. THE LOCAL USDA RURAL DEVELOPMENT OFFICE 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.

LOAN SERVICING

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

NORMAL SERVICING The servicing of GRH loans must be at least equal in quality to that 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 guaranteed 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 shall 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. When the loan becomes 3 months delinquent, the Lender must report the delinquency to credit repositories. When an account becomes 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 providing clarification on Loss Mitigation Policy.

LIQUIDATION When the decision to liquidate is made, the Lender will notify the Agency. The Lender must submit a servicing plan to the Agency when 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 applicable 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 under Paragraph E of 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

LOAN SERVICING (Continued)

FORECLOSURE It is recommend 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 permission 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 include other actions taken or planned to stimulate third party bidding. Typically request for 10% to 15% reductions will be authorized.

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. Working with a local Realtor to formulate a disposition plan that includes recommended sales price, recommended repairs, required maintenance, and cost associated with the sale the Lender should pay is recommended. The disposition plan should be presented to the Agency as soon after acquisition as is possible. 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 roll 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.

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 for unauthorized purpose(s), 6 Negligent servicing, 7 Delay 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.

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

Form AD 1047, Certification Regarding Debarment	http://www.rurdev.usda.gov/rbs/coops/ad1047.pdf
Form AD 1048, Certification Regarding Debarment	http://www.rurdev.usda.gov/rbs/coops/ad1048.pdf
Form 1910-5, Request for Verification of Employment	http://rdinit.usda.gov/regs/forms/1910-05.pdf
Form 1924-25, Plan Certification	http://rdinit.usda.gov/regs/forms/1924-25.pdf
Form 1944-4, Certification of Disability or Handicap	http://rdinit.usda.gov/regs/forms/1944-04.pdf
Form 1980-11, GRH Lender Record Change	http://rdinit.usda.gov/regs/forms/1980-11.pdf
Form 1980-16, Agreement for Participation	http://rdinit.usda.gov/regs/forms/1980-16.pdf
Form 1980-17, Loan Note Guarantee	http://rdinit.usda.gov/regs/forms/1980-17.pdf
Form 1980-18, Cond. Commitment for SFH Loan Guarantee	http://rdinit.usda.gov/regs/forms/1980-18.pdf
Form 1980-19, Guarantee Loan Closing Report	http://rdinit.usda.gov/regs/forms/1980-19.pdf
Form 1980-20, RH Guarantee Report of Loss	http://rdinit.usda.gov/regs/forms/1980-20.pdf
Form 1980-21, Request for SFH Loan Guarantee	http://rdinit.usda.gov/regs/forms/1980-21.pdf
Form 1980-80, GRH Quarterly Status Report	http://rdinit.usda.gov/regs/forms/1980-80.pdf
Form 1980-81, GRH Borrower Default Status	http://rdinit.usda.gov/regs/forms/1980-81.pdf
Form 1980-86, Reservation of Funds	http://rdinit.usda.gov/regs/forms/1980-86.pdf
RD Instruction 1980-D, GRH Loans	http://rdinit.usda.gov/regs/regs_toc.html#1980
Instruction 440.1, Exh K, GRH Fees Pg 131 of 135	http://rdinit.usda.gov/regs/regs/pdf/04401.pdf
USDA Rural Development GRH ANs	http://rdinit.usda.gov/regs/regs_toc.html#1980
1924-A Instructions	http://rdinit.usda.gov/regs/regs_toc.html#1924
Regulations Pertaining to Manufactured Housing Pg 13 - 18 (for state regulations pertaining to manufactured housing, including approved Dealer/Contractors, contact the Local Rural Development office)	http://rdinit.usda.gov/regs/handbook/1chap09.pdf
Moderate Income Limits –Alabama	http://www.rurdev.usda.gov/rhs/sfh/GSFH_Income_Limits/AL%20GRH%202003.pdf
Alabama Local Rural Development Offices	http://www.rurdev.usda.gov/AL/lo-list.htm

Alabama GRH EXHIBITS

Exhibit 1	1-04	Guide for access to USDA Rural Development Regulations
Exhibit 2	1-03	New Dwelling Inspections and Certification
Exhibit 3	1-03	Certification of Existing Dwelling & Thermal Requirements
Exhibit 4	1-04	Applicant and Loan Eligibility Requirements
Exhibit 5	1-97	Annual and Adjusted Annual Income Calculation Form
Exhibit 6	1-04	Calculation Sheet for Grossing Up Nontaxable Income
Exhibit 7	1-03	Waiver of Adverse Credit History
Exhibit 8	1-04	Initial Loan Submission Checklist
Exhibit 9	1-03	Loan Closing Submission Checklist
Exhibit 10	1-04	Ratio Waiver Request

Alabama GRH Exhibit 1 1-04 Guide for access to Rural Development Regulations

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

The screenshot shows a Microsoft Internet Explorer browser window with the address bar displaying <http://rdinit.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 3783](#); [AN 3784](#); [AN 3791](#); [AN 3805](#); [AN 3815](#); [AN 3816](#); [AN 3817](#); [AN 3818](#); [AN 3819](#); [AN 3829](#); [AN 3831](#); [AN 3833](#); [AN 3834](#); [AN 3848](#); [AN 3861](#); [AN 3865](#); [AN 3877](#); [AN 3881](#); [AN 3883](#); [AN 3884](#); [AN 3885](#) PDF DOC TXT
 - 1980-E Business and Industrial Loan Program/ [Exhibits \(PDF only\)](#); see also [AN 3871](#) 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

Arrows from the text boxes below point to the 'Guaranteed Loan Income Limits' link in the 1980-D section and the 'PDF' link for the 2000-A memorandum.

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 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 (on Form 1924-5) 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 if they have adopted one of the model building codes and have trained official(s) who review plans as well as inspects construction for compliance as a requisite for issuing a building permit (The building permit may serve as acceptable evidence),

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

10 year warranty builders providing warranties by: Bonded Builders Home Warranty Association,
Home Buyers Warranty, Residential Warranty Corporation, Manufactured Housing
Warranty Corp., or Quality Builders Warranty Corporation.

May self certify their plans and specs.

Builders/Contractors previously approved by HUD, if they can provide evidence of their HUD approval, may also self certify

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

In cases where a 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 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 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)

and have determined that the electrical, plumbing, and heating/cooling systems are adequate and in good repair. I, or a qualified insulation contractor, have inspected the dwelling for thermal performance and completed the Thermal Certification on the reverse of this form. I also certify that the dwelling design and conditions meet the requirements of the current HUD 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

Water/Waste Water Certifications

Certification of individual water and/or sewage disposal systems must be provided by the local Health Department. If the Health Department is unable to provide an approval, a statement from a licensed septic system professional advising of their inspection and determination that the system is adequately functioning is acceptable

Termite/Pest Inspection

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).

Acceptance of VC Sheet in lieu of Inspection

A properly completed VC sheet attached to an appraisal completed by a HUD approved appraiser can be accepted in lieu of an inspection if it indicates the property meets all HUD requirements. If it addresses the insulation standards of the property, it can be accepted in lieu of an insulation certificate. The borrower must be notified of their right to obtain a dwelling inspection if they so choose.

THERMAL CERTIFICATION FOR RURAL DEVELOPMENT'S RURAL HOUSING LOANS ON EXISTING DWELLINGS

(Dwellings over one year old)

I certify that I have inspected the dwelling referenced and have determined that the dwelling complies with the Thermal Performance Standards as follows (if deficiencies exist, the necessary improvements are noted):

Insulation "R" values are:

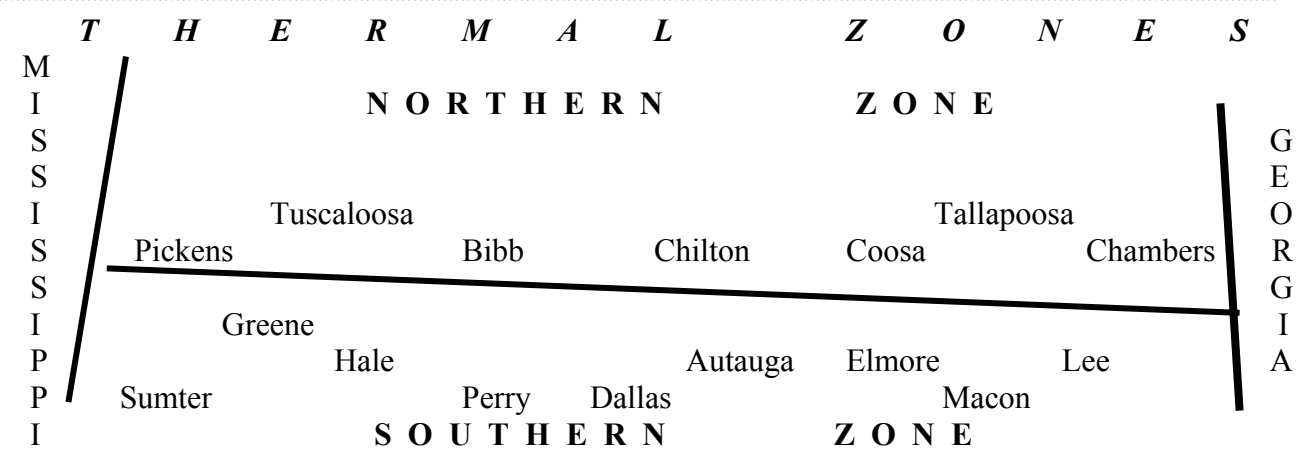
Ceilings: R- ___ found /___/ adequate or /___/ add R - ___ (North AL requires R-30.0) (South AL requires R-22.7)

*Walls: R- ___ found /___/ adequate or /___/ add R - ___ (North AL requires R-18.5) (South AL requires R-13.5)

*Additional wall insulation and vapor barrier only required where wall framing is exposed during repair or rehabilitation.

**Floors: R- ___ found /___/ adequate or /___/ add R - ___ (North AL requires R-18.5) (South AL requires R-13.5)

**Floors of heated spaces over unheated crawl spaces, basements, or garages.



The Windows are /___/ double glazed (thermal pane) or /___/ single pane with properly installed storm windows. If the windows fail to meet either of the acceptable criteria, the following is required:

The Exterior Doors are /___/ insulated metal doors or /___/ solid core wooden doors with a storm door.

All doors must be weather stripped. If the doors fail to meet either of the acceptable criteria, the following is required:

INSPECTOR _____ DATE _____

The Thermal Requirements can be waived by USDA Rural Development, if the lender obtains and provides evidence that the costs of heating and cooling the subject dwelling is not significantly greater than the heating and cooling costs of a similarly sized and designed dwelling that meets the requirements.

The Lender must document their loan file that the Loan Applicant(s) meet the following requirements.

This form provides information on where eligibility documentation could be located in a lenders package. Page 2 of this Exhibit can be used by lenders to provide this documentation on one page.

Items with a Number indicate that the information should be shown on the 1980-21 Form and refers to the applicable number on the form.

1. Applicant(s) will reside in ^{Can be determined} by USDA County and their household consist of **#4** People. The Adjusted Family Income of the household is \$ **#7** and does not exceed the currently published limit of \$ ^{Can be} determined by USDA.
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: This is usually determined by the underwriter and should be contained in the underwriters comments.
3. The applicant's repayment ability has been determined as follows: **#8**
 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**
5. The applicants have not had any previous USDA debts except the following: determined by USDA.
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. **#13**
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. **Covered in applicant certification**
9. The applicant(s) are U. S. Citizens or resident aliens admitted for permanent residence. **#2**
10. The applicant(s) possess the legal capacity to incur the obligation. **This would be determined by the loan closing agent.**
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. **This could be stated in # 14**
12. The Interest Rate is _____ % which is within the allowable rates as determined by the following: **#9**
 The Fannie Mae 90 day actual/actual 30 year rate as of _____ / _____ / _____ is _____ + .60% = _____ %
13. The total loan amount is \$ from 1980-21 which is less than or equal to the appraised value of \$ see appraisal .
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 & permits or An existing property which has been determined to meet HUD, Health Department, & Thermal (can be waived) Requirements as evidence by a HUD appraiser, on an acceptable VC Sheet, or a State Registered inspector.

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

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% = _____ %
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, & Thermal (can be waived) Requirements as evidence by a HUD appraiser, on an acceptable VC Sheet, or a State Registered inspector.
 (Note: Homes with in-ground swimming pools are not eligible for being financed with a Guaranteed Loan.)

Lender Underwriter

Date

Alabama GRH Exhibit 5 1-97 **Annual & Adjusted Annual Income Calculation Forms**
 (1 of 2)

ANNUAL INCOME/ADJUSTED ANNUAL INCOME CALCULATION

Lender _____

Applicant(s) _____

Sources of Income for Next 12 Months Beginning _____

<u>Source</u>	<u>Annual Income</u>
Employment:	
Full Time / Part Time	_____
Overtime (show how calculated)	_____
Spouse not in Household or Other Adults planning to work	_____
Special Pay, Commissions, Fees, Tips, Bonuses or Other	_____
Non Work Income:	
Social Security and/or SSI	_____
Annuities, Pensions, Retirement, or Insurance	_____
Unemployment, Disability, Workman Compensation	_____
ADC, Alimony, Child Support	_____
Recurring Cash Gifts	_____
Grants/Scholarships in excess of expenses	_____
Interest/ Dividend Etc. (Show how calculated)	_____
Net Income from Farming, Business or Profession (Show how calculated)	_____
Other Income	_____
TOTAL	_____

Calculations:

ANNUAL INCOME/ADJUSTED ANNUAL INCOME CALCULATION

Annual Income (from page 1) _____

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 _____
 (must be necessary to allow employment or furthering of education)

Total of Non Medical Deductions - _____

Medical Deduction Calculation (Elderly or Disabled Family only)

If Elderly Family, All Medical Expenses _____

If not an Elderly Family, Medical Expenses necessary to _____
 Enable employment of a disabled Family Member or _____

Above expenses covered by insurance - _____

Total Qualifying Medical Expenses _____

Gross Annual Income _____ X .03 (3%) = _____

Allowable Medical Deduction (medical expenses exceeding 3% of gross income) . - _____
 (if negative enter -0-)

Adjusted Annual income _____

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.

Date _____

Lender _____

Applicant _____

Applicant _____

CALCULATION SHEET FOR GROSSING UP NONTAXABLE INCOME
(Based on 2003 tax rates)

Name _____, Filing Status _____, # of Dependents _____

I - A Gross Income (taxable and nontaxable) _____

I - B Nontaxable portion _____

Deductions:

II - A Standard Deduction _____
(Single 4,750, Head of Household 7,000, Married 9,500)

II - B Exemptions including self _____ x 3,000 _____

II - C Total Deductions _____

Tax Rate:	Single	10% up to \$7,000	+ 15%	\$7,000 to \$28,400	+ 25%	\$28,400 to \$68,800
(2003) Head of Household		10% up to \$10,000	+ 15%	\$10,000 to \$38,050	+ 25%	\$38,050 to \$98,250
	Married	10% up to \$14,000	+ 15%	\$14,000 to \$56,800	+ 25%	\$56,800 to \$114,650

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	_____	/ III K. Taxable Income less deductions	_____
(if less than \$0 enter \$0)		(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)

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 primary wage earner(s) is/are 660 or above. Credit scores between 620 and 660 require minimal documentation. Scores below 620 require detailed documentation.

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 reason for the adverse indicator no longer exist. Based on these explanations, along with other investigation of the applicants 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 was it temporary, no longer exist & beyond applicant's control)

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

Underwriter's Signature

Date

INITIAL SUBMISSION CHECKLIST

Lender: _____

Applicant(s): _____

Property Located in _____ County

Package Submitted to **USDA Rural Development Local Office**

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

_____ **Form 1980-86, Reservation of Funds – FAX to (334) 279-3448**

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

_____ **Form 1980-21 “Request for SFH Loan Guarantee”** (revision date 1-03 must be used) **4 pages**

(Original Form must be complete and signed by the lender and the loan applicant(s) and sent to USDA Rural Development)

_____ **AD 1048 “Certification Regarding Debarment” 1 page** (Must be signed by applicant(s))

_____ **Copy of signed and dated complete application**

_____ **Copy of typed complete application with updated information from Credit Report and Income Verifications**

(Signature not required).

_____ **Copy of current acceptable credit reports on all loan applicant(s)**

_____ **Complete and acceptable appraisal, less than 6 months old**

(G, R, and L Designated Appraisers are acceptable unless individually determined unacceptable by RHS)

_____ **Copy of sales contract or bid, if a construction contract**

_____ **Lender’s Underwriting Analysis** (Determination of Eligibility) Copy of Uniform Underwriter Transmittal Summary, Form FNMA 1008 or other underwriting analysis signed by underwriter.

_____ **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)

_____ **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.)

The Lender must document that each eligibility requirement is met. Most of the eligibility requirements can be documented on the Applicant and Loan Requirements Exhibit 4. The basis for these determinations must be in the Lender’s file.

Note: This checklist is not required by any Rural Development Instructions. It is merely a guide to help you in ensuring all required documents are provided to Rural Development for the issuance of a Conditional Commitment. Additional documentation may be requested by Rural Development in order to issue a Loan Note Guarantee.

LOAN CLOSING SUBMISSION CHECKLIST

Lender: _____

Applicant(s): _____

Property Located in _____ County

Package Submitted to USDA Rural Development Local Office

Loan Closing Documents must be received by the USDA Rural Development office that issued the Conditional Commitment for Guarantee (Form 1980-18) 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**

*(The closing package can be submitted without evidence that all conditions have been met. In these cases the lender must certify they have been met and the Loan Note Guarantee can be issued, but **the lender must provide evidence the conditions have been met within 10 days.** Typically this is provided with the closing package.)*

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