



"We Make Mortgages Happen!"

Date: March 16, 2011
From: Ashton Ewing/Kim Roddy
To: Clients and Staff
Re: Bulletin 2011-03 - Rural Development (RD) Reminders*

AUS – GMFS requires GUS Accept findings. No manual underwriting.

Conventional Financing - Rural Development was designed to bridge the gap for applicants that are unable to obtain the necessary conventional financing without using the RD program. In other words, an applicant with 20% in liquid (not retirement) assets, a good credit score and low ratios would be able to obtain conventional financing. Therefore, RD would not be an option regardless of whether the borrower wants to use the money for down payment.

Community Property State - Non-purchasing Spouse's (NPS) credit report must be pulled and all joint and individual debt must be counted against the applicant. Credit history will not be considered, however if the NPS is delinquent on federal debt a payment plan must be in place and the payment will be counted in the DTI.

Deferred Student Loans – Deferred student loans must be included in the DTI calculation regardless of the deferment period. If the credit report does not reflect a monthly payment an estimated payment of 1% of the loan balance may be used.

Previous Mortgage Liabilities - In divorce settlements when one person retains ownership of the residence, it does NOT imply that the person relinquishing ownership has been released of the financial responsibility. A release of liability MUST be obtained from the mortgage creditor. If no release of liability is granted, the applicant remains legally obligated for the debt. *Quit claim deeds do NOT remove liability for mortgage debts.*

Properties Located in a Flood Zone – An elevation certificate will be required to be submitted with all purchases located in a flood zone. The first floor elevation of the habitable space must be equal to or above the 100-year flood zone elevation. Documentation from the lender and the borrower must be provided that states that no practical alternative sites are available located outside of a flood zone.



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Subject Property with an In-Ground Swimming Pool - Eligible on a case by case basis. The value of the pool must be deducted from the appraised value and the maximum loan amount cannot exceed the adjusted appraised value (except by the Guarantee Fee).

Private Well/Water Supply – When the subject property has a private water supply, the local health authority or state certified laboratory must perform a water quality analysis. The water quality must meet state and local standards.

Private Septic Systems – The septic system must be free of observable evidence of failure. If the appraisal is performed by an FHA appraiser and there is no negative comments regarding the private septic system a health authority inspection will not be required. If negative comments are noted by the appraiser a health authority approval will be required.

Termite Certificate – Clear termite inspection is required on all purchase transactions and must be signed by the seller and the borrower.

Appraisals – Appraisals should be completed by FHA approved appraisers. The appraisal must state that the subject meets the property standards in HUD Handbooks 4905.1 and 4150.2 or a Home Inspection report will be required.

Child Care Expenses – Documented child care expenses can be used to reduce the applicant's eligibility income without affecting the DTI. Documentation must come on the letterhead of the child care provider, it must be signed and dated by the provider and must state the amount of child care that is paid. The letter must also contain complete contact information. Use of tax returns to document the amount of child care being paid is not allowed. The annual amount of child care is entered into GUS in the eligibility section and is deducted from the eligibility income.

Verification of Rent - GMFS requires a satisfactory VOR if the DTI is greater than or equal to 50%.

Rent Free with Limited Credit – GMFS requires at least two months bank statements to document a savings pattern that would indicate that the borrower can reasonably cover the mortgage payment. More may be required to determine an acceptable pattern.

Guidelines subject to change without notice.

**Source – Rural Development 1980-D*

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