



SFH Origination Updates

From the National Office in Washington DC

Single Family Housing Guaranteed Loan Program

November 3, 2011

Commitment Authority for Refinance Transactions

This message applies only to refinance transactions and not to purchase transactions. Commitment authority for Section 502 Guaranteed loan refinance transactions is temporarily unavailable. Additional commitment authority for refinance transactions will be available in the near future under either a new Continuing Resolution or the passing of a full year budget for USDA Rural Development. This message describes how to process refinance transactions through the rest of the Continuing Resolution period which ends November 18, 2011. During this period, Rural Development will issue Conditional Commitments “subject to the availability of commitment authority” for refinance transactions. The FY 2012 guarantee fee structure for refinance transactions is 1 percent and subject to an annual fee of 0.3 percent of the average scheduled unpaid principal balance. The following steps will apply:

1. Rural Development will continue to accept completed Section 502 Guaranteed loan applications for refinance loan transactions from lenders.
2. Rural Development will process, approve, and issue Conditional Commitments for those applications that are eligible “*subject to the availability of commitment authority.*”
3. Lenders may close these loans as scheduled.
4. When commitment authority becomes available, Rural Development will “Obligate” funds for loans that were issued a Conditional Commitment “subject to the availability commitment authority.”
5. Once the loans are obligated, Rural Development will process lenders’ Loan Note Guarantee requests as soon as the loans are verified as being closed and all conditions of the Conditional Commitments have been satisfied.
6. The lender assumes all loss default risk for the loan until Rural Development is able to issue the Loan Note Guarantee.

Again, this message applies only to refinance transactions and not to purchase transactions. There is ample commitment authority for purchase transactions. Questions regarding this memorandum may be directed to the Cathy Glover at 202-720-1460 or Joaquin Tremols at (202)720-1465.