
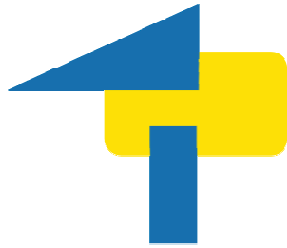


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BULLETIN # 10-0517-WC

May 17, 2010

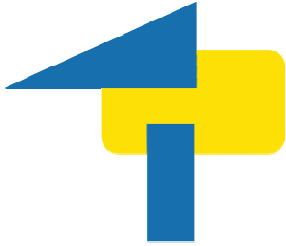
- 405 - Majestic (MA) USDA - Rural Housing Loan Update: **(IMPORTANT)** 
- Following recent legislative actions to address the funding shortfall in the USDA Section 502 Guaranteed Rural Housing Program, USDA Rural Development announced on May 11, 2010, that the Agency would continue to accept and process application packages. As had been done similarly when program funds were not available, USDA Rural Development advised loan approvals (Conditional Commitment: RD Form 1980-18) issued during this time would be *"subject to the availability of funds and Congressional authority to charge a 3.5 percent guarantee fee for purchase loans and a 2.25 percent guarantee fee for refinance loans"*.
- **On May 12, 2010, USDA Rural Development issued an announcement with the purpose of recalling and voiding this earlier guidance that was released on May 11, 2010.** This second announcement dated May 12th also stated that additional guidance would be released by USDA Rural Development within the next 24 to 48 hours.
- As of today, no such guidance or revision has been issued by USDA Rural Development.
- At this time, we are only able to confirm that all general funds have been exhausted in the USDA Section 502 Guaranteed Rural Housing Program. However, funds designated for 2005 hurricane impacted counties and parishes, and some 2008 disaster-declared counties, are still available.
- There has been NO direction given by USDA Rural Development regarding loans in process that were not obligated by USDA Rural Development prior to the exhaustion of funding, or USDA Rural Development's ability to accept new files.



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- 1002 - Choice (CH) VA Guaranteed Fixed:
 - Effective immediately with new locks, the following requirements outline the final comprehensive policy, which includes changes and recent additions to the existing policy.
 - **Conversion of Principal Residence into Investment Property** - If the Veteran is converting a current principal residence to an investment property upon purchase of a new principal residence, the following requirements apply:
 - Both the current and proposed monthly housing expenses must be used to qualify.
 - Rental income may not be used to offset the mortgage payment.
 - Evidence of cash reserves totaling six (6) months PITI for both properties must be provided.The following exceptions allow the Veteran to qualify using 75% of the gross rental income to offset the mortgage payment and the reserve requirement is waived:
 - The Veteran is relocating with a new employer, or is transferred by the current employer to an area not within a reasonable and locally recognized commuting distance, or
 - The Veteran has documented equity of at least 30% in the existing property.
 - **Pending Sale of Real Estate** - In instances where the Veteran intends to sell the property, but it will not close before the purchase of a new principal residence occurs:
 - The principal, interest, taxes and insurance (PITI) on both the pending sale and the subject new property must be included in qualifying the Borrower AND the following documentation must be obtained:
 - Cash reserves totaling at least six (6) months PITI for both properties.
 - or**
 - Cash reserves totaling at least two (2) months PITI for both properties if able to document equity of a least 30% in the existing property.Acceptable documentation for determining the equity position is an automated valuation method (AVM).



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Note - The PITI of the pending sale does not need to be included in qualifying the Borrower as long as the six (6) months of reserves (or two (2) months with documented equity) for both properties are documented and the following additional documentation is provided:

- The executed sales contract for the current residence; *and*
 - Confirmation that any financing contingencies have been cleared.
- **Conversion of Principal Residence to a Second Home** - If the Veteran is converting a current principal residence to a second home upon purchase of a new principal residence:
- Both the current and proposed principal, interest, taxes and insurance (PITI) must be used to qualify the Borrower for the new loan; *and*
 - Minimum reserves of six (6) months PITI for both properties are required. However, only reserves of two (2) months PITI are required for both properties if 30% equity in the existing principal residence is documented with an automated valuation method (AVM).