

RD AN No. 4677 (1980-D)
August 7, 2012

TO: State Directors
Rural Development

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

FROM: Tammye Treviño (Signed by Tammye Treviño)
Administrator
Housing and Community Facilities Programs

SUBJECT: Single Family Housing Guaranteed Loan Program
Implementation of New Fee Structure Effective October 1, 2012

PURPOSE/INTENDED OUTCOME:

This Administrative Notice (AN) announces a new upfront and annual guarantee fee structure for purchase and refinance loans obligated by the agency for Fiscal Year (FY) 2013 which begins on October 1, 2012.

COMPARISON WITH PREVIOUS AN:

This AN replaces RD AN No. 4551 (1980-D), dated February 2, 2011.

EXPIRATION DATE:
September 30, 2013

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 intent of the annual fee is to make the SFHGLP subsidy neutral when used in conjunction with the one-time upfront guarantee fee. Both the annual fee and upfront guarantee fee are subject to periodic change in order to maintain a subsidy neutral program. A subsidy neutral program is one which pays for itself and does not require taxpayer funding appropriations from Congress.

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, 2012, 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 0.4 percent of the unpaid principal balance.

State offices and lenders that have questions concerning this AN may contact Kristina Zehr at (309) 452-0830, extension 111, or via email at: kristina.zehr@wdc.usda.gov.