



United States Department of Agriculture
Rural Development

SEP 24 2009

TO: All Approved Lenders

FROM: Richard A. Davis
Acting Deputy Administrator
Single Family Housing

A handwritten signature in black ink, appearing to read "Richard A. Davis".

SUBJECT: Fiscal Year End Information Regarding Section 502 Program
Delivery of Guaranteed Purchase and Refinance Loans

It appears a budget for Fiscal Year 2010 (FY10), may not be passed by October 1, 2009, and that funding for the Section 502 Single Family Housing Guaranteed loans will not be available at the beginning of the new fiscal year. However, Rural Development will carry-forward funding from Fiscal Year 2009 (FY09) to FY10, and it will be "business as usual" for new loan applications.

There will be a short period of time beginning October 1, 2009, when funding will likely not be available as our FY09 carry-forward funds are transferred into FY10 funding accounts. During this brief period, which is expected to be about two weeks, Rural Development will continue to accept complete loan applications and issue Conditional Commitments "subject to the availability of congressionally appropriated funds." Lenders may continue to process, receive Agency Conditional Commitments, and close loans during this timeframe. Rural Development will also continue accepting, reviewing, and conditionally approving loan packages from lenders during this timeframe.

The following steps will apply:

- 1) Rural Development will not be able to reserve loan funds for applications in process during this timeframe.
- 2) Rural Development will continue to accept completed Section 502 Guaranteed loan program applications from lenders.
- 3) Rural Development will process, approve, and issue Conditional Commitments for those applications that are eligible. During this timeframe Rural Development will process those applications that are eligible and issue Conditional Commitments for those applications that are eligible *subject to the availability of congressionally appropriated funding.*

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Web: <http://www.rurdev.usda.gov>

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1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800) 795-3272 (Voice) or (202) 720-6382 (TDD).

- 4) Lenders may close these loans as scheduled.
- 5) Rural Development will "Obligate" funds for any loans processed *subject to the availability of congressionally appropriated funding* when funds become available.
- 6) 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.
- 7) The lender assumes all loss default risk for the loan until Rural Development is able to fund it and issue the Loan Note Guarantee.

At this time, the guarantee fee will continue to be 2 percent of the loan amount.

Rural Development employees are available to assist you with processing guarantee requests by issuing a Conditional Commitment subject to the availability of congressionally appropriated of funds.

Your support of the Section 502 Guaranteed Loan program is appreciated. For questions regarding this memorandum, please contact Rural Development's Single Family Housing Guaranteed Loan Division at (202) 720-1452.