



To: All Customers **From:** Flagstar Lending
Date: 09/17/20 **Memo #:** 20093
Subject: **Rural Housing Fiscal Year 2021 Funding**

USDA-Rural Development issued a notice on September 14, 2020, which included the following:

FISCAL YEAR 2021 CONDITIONAL COMMITMENT NOTICE

Single-Family Housing Guaranteed Loan Program (SFHGLP) Conditional Commitment process. We hope you find this information helpful.

FY 2021 will begin October 1, 2020 and ends at the close of business September 30, 2021.

FEE STRUCTURES

An upfront guarantee fee of 1.00 percent and an annual fee of .35 percent will apply to both purchase and refinance transactions for FY 2021.

ISSUANCE OF CONDITIONAL COMMITMENTS

At the beginning of each fiscal year, funding for the guaranteed loan program is not available for a short period of time –approximately two weeks. USDA anticipates this brief lapse in funding to continue for FY 2021. During the temporary lapse in funding, Rural Development-Rural Housing Service (RHS) will issue Conditional Commitments (Form RD 3555-18/18E) “subject to the availability of commitment authority” for purchase and refinance transactions. The issued Conditional Commitment will include the following:

"Funds are not presently available for this Conditional Commitment. The Rural Development-Rural Housing Service (RHS) obligation under this Conditional Commitment is contingent upon the availability of an appropriation from which payment for contract purposes can be made. No legal liability on the part of RHS for any payment on this Conditional Commitment may arise until funds are made available to RHS for this Conditional Commitment and until the Lender receives notice of such availability, to be confirmed in writing by RHS. More specifically, this Conditional Commitment is subject to RHS receiving sufficient funds (in the Program Funds Control System for the Single Family Housing Guaranteed Loan Program for the Type of Assistance and State of application submission) to fund this and all prior eligible outstanding applications in their entirety in the time and date order received. When such funds become available, RHS will notify the lender, and the guarantee process will continue subject to all applicable Agency regulations and conditions set forth in this Conditional Commitment. RHS will not reserve loan funds for applications in process during this timeframe. Lenders may close the loan as scheduled. The lender will assume all risk of loss for the loan until RHS obligates funds and the Loan Note Guarantee is subsequently issued. When the lender requests the Loan Note Guarantee, the lender must certify to the Agency, using the process provided in this commitment, that there have been no adverse changes to the borrower's financial condition since the date the Conditional Commitment was issued by the Agency. The lender will submit the appropriate guarantee fee at the time they request the Loan Note Guarantee. The loan will be subject to an annual fee of 0.35 percent over the average scheduled unpaid principal balance of the loan. The Agency



will not be able to issue the Loan Note Guarantee until these conditions are met and funding is obligated."

The application processing workflow is as follows:

- Rural Development will continue to accept complete guaranteed loan applications for purchase and refinance loan transactions from approved lenders;
- Rural Development will process, approve, and issue Conditional Commitments for those applications that are eligible "subject to the availability of commitment authority";
- Lenders may close loans as scheduled;
- When funds become available, Rural Development will utilize the Electronic Customer File (ECF) system to advance the file to "Obligate Application" for Conditional Commitments that were issued for loans subject to the availability of commitment authority;
- Once loans are obligated, Rural Development may process lender's Loan Note Guarantee requests when the loan closing is verified, and all conditions of the Conditional Commitment are satisfied;
- Lenders assume all loss default risk for the loan until Rural Development is able to obligate the loan and issue the Loan Note Guarantee.

During the lapse in funding, Flagstar Bank will continue to process, underwrite and fund loans submitted under the *Guaranteed Rural Housing* program, [Doc. #5830](#) and *GRH Streamlined-Assist* program, [Doc. #5831](#).