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To: Clients and Friends

From: David F. Dulock

Subject: RHS Request for Comments Regarding Maximum Interest Rate for the Single Family Housing Guaranteed Loan Program (SFHGLP)

In the August 17, 2018, issue of the *Federal Register* (83 FR 41056, [click here](#)), the Rural Housing Service (RHS) published a request for information (RFI) seeking public comments on updating the provisions of the SFHGLP regarding the maximum interest rate, its impact on loan making to potential SFHGLP borrowers, and possible changes to the interest rate cap in order to help the RHS determine whether the interest rate cap should be modified.

You may submit written comments on or before October 16, 2018, by either of the following methods:

- *Electronic:* Federal eRulemaking Portal at <http://www.regulations.gov>. Follow the instructions for submitting comments.
- *Postal Mail/Commercial Delivery:* Please send your comments addressed to Kate Jensen, Finance and Loan Analyst, Single Family Housing Guaranteed Loan Program, USDA Rural Development, 1400 Independence Avenue, STOP 0784, Room 2250, Washington, DC 20250–1522.

The following is a redaction of the above RFI published by the RHS in the *Federal Register*.

RHS delivers programs authorized by the Housing Act of 1949, as amended (42 U.S.C. 1472 et seq.) (Housing Act). RHS guarantees housing loans in rural areas for home purchases, repair and rehabilitation, and refinance of existing Section 502 loans to lower the interest rate. The SFHGLP provides low- and moderate-income borrowers access to mortgage credit by guaranteeing loans issued by RHS-approved private sector lenders. Loans may finance the full construction and acquisition cost of a property up to 100 percent of the appraised value. Mortgages have 30-year terms and fixed rates negotiated with the lender that cannot exceed an interest rate cap that is determined by the RHS. Financing may also be used to refinance existing USDA guaranteed or direct loans.

Currently, the maximum allowable interest rate is defined in Section 7.3.B of the program handbook (available at <https://www.rd.usda.gov/files/3555-1chapter07.pdf>) as the current Fannie Mae posted yield for 90-day delivery (Actual/Actual), plus one percent for 30-year fixed rate conventional loans, rounded up to the nearest one quarter of one percent. The RHS is considering whether to modify the maximum interest rate and would like feedback on the issue.

The following questions and discussion items are posed to guide stakeholder comments. Where possible, RHS requests that comments include specific suggestions regarding ways to improve existing programs and delivery mechanisms and eliminate or minimize the duplication of RHS's regulation and policies with work performed by other entities, including federal, state, and local agencies. RHS welcomes pertinent comments that are beyond the scope of these questions.

(2 pages)

1. Should the RHS continue with the requirement that the maximum allowable interest rate shall not exceed the current Federal National Mortgage Association posted yield for 90-day delivery (Actual/Actual) plus one percent for 30-year fixed rate conventional loans, rounded up to the nearest one quarter of one percent?

2. Should the RHS consider indexing the maximum allowable interest rate to a source other than the Federal National Mortgage Association?

3. Should a higher maximum allowable interest rate cap be established? If so, what maximum rate is recommended, and why?

4. Does the current maximum interest rate create any barriers to loan making in eligible rural areas? If so, how and under what circumstances?

5. What effect would increasing or eliminating the maximum interest rate have for loan originators and borrowers in underserved populations and rural communities?

6. If the maximum allowable interest rate cap were to be increased or eliminated, what protections exist to prevent consumers from being overcharged?

7. If the maximum allowable interest rate is raised or removed, what steps should the RHS take to monitor lenders to ensure that borrowers are not overcharged?

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