MORTGAGE BANKERS ASSOCIATION

August 20, 2018

Joel C. Baxley
Administrator, Rural Housing Service
U.S. Department of Agriculture
1400 Independence Avenue, SW
Washington, DC 20250-0742

RE: Proposed Rule to Amend the Current Regulation for the Single Family Housing Guaranteed Loan Program / Single Close Combination Construction to Permanent Loans [No. 2018-13154]

Dear Mr. Baxley:

The Mortgage Bankers Association (MBA)[1] would like to thank the U.S. Department of Agriculture (USDA) Rural Housing Service for the opportunity to comment on the Proposed Rule to amend the current regulation for the Single Family Housing Guaranteed Loan Program (SFHGLP) on the subject of Single Close Combination Construction to Permanent Loans.[2] MBA supports USDA's efforts to streamline the process by:

- Allowing and defining a maximum interest rate that will be charged during the construction period to cover unexpected costs;
- Allowing for the escrow of 12 months of mortgage payments (Principal, Interest, Taxes, and Insurance), making these loans eligible to be sold on the secondary market during construction; and
- Removing the mandatory requirement to modify and re-amortize the loan at the end of the construction period.

MBA believes these features will improve the efficiency and the effectiveness of the Construction to Permanent offering. However, we are concerned that financing 12 months of mortgage payments into the loan may potentially pose a problem if the property's

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[1] The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 280,000 people in virtually every community in the country. Headquartered in Washington, DC, the association works to ensure the continued strength of the nation's residential and commercial real estate markets; to expand homeownership; and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,200 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies, and others in the mortgage lending field. For additional information, visit MBA's Web site: www.mba.org.

[2] 83 FR 28547, "Single Family Housing Guaranteed Loan Program," June 20, 2018. Available at: https://www.federalregister.gov/documents/2018/06/20/2018-13154/single-family-housing-guaranteed-loan-program.

appraised value cannot support the contract sales price and the proposed year of escrowed funds. In particular, USDA borrowers seeking the 100 percent loan guaranty may not have access to the funds needed to offset the shortfall should the property's appraisal not support the full financing of the one-year reserve. While the current USDA guidelines allow for the loan amount to exceed 100 percent of the property value in order to fund the program's guaranty fee, increasing the loan amount above the current limit of 101 percent of the property value to include the one-year reserve of mortgage payments may serve to reduce demand on the secondary market. MBA recommends that USDA provide clear guidance addressing the collection and financing of the escrowed amount and any adjustments that will be made to the maximum loan-to-value ratio guidelines. In addition, MBA requests additional guidance regarding the refund policy for the escrowed payments should the property be sold within the first year of settlement.

MBA also requests that USDA provide clear guidance regarding the disbursement of loan funds during construction. The Proposed Rule does not specifically identify the lender or the servicer as the entity responsible for funding the construction phase of the loan program. It is imperative that the lenders and servicers participating in the program be fully aware of their roles and responsibilities during the construction phase to ensure that compliance issues and delays in payments to builders are mitigated to the greatest extent possible.

MBA commends USDA for its commitment to protecting consumers and taking innovative steps to help the nation meet its affordable housing needs, particularly for low- to moderate-income families in rural areas, as well as for its ongoing review and consideration of recommendations from a wide variety of stakeholders. Should you have questions or wish to discuss MBA's comments, please contact Julienne Joseph, Assistant Director of Government Housing Programs, at (202) 557-2782 or jjoseph@mba.org.

Sincerely,

Stephen A. O'C

Stephen A. O'Connor
Senior Vice President
Public Policy and Industry Relations
Mortgage Bankers Association