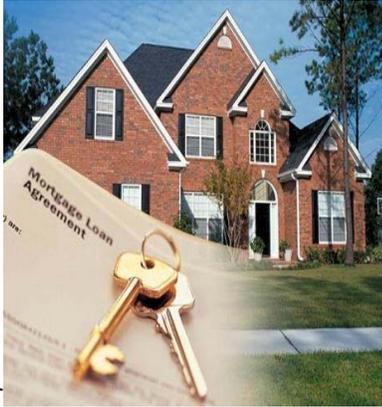


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## USDA Rural Housing Bill Passes Legislation Advances

One government housing program that had run out of funds months ago was revived by Congress yesterday, and another bill targeted at low-income rental housing moved a step closer to approval.

The Senate yesterday passed HR 4899 to reestablish the popular U.S. Department of Agriculture Single-Family Housing Guaranteed Loan Program (Section 502 Housing) as a self-sustaining program. Also, the House Financial Services Committee approved H.R. 4868, the Housing Preservation and Tenant Protection Act of 2010 which aims to stem the loss of affordable rental housing units and prevent the displacement of low-income tenants.

The Rural Housing program had run through its \$13.1 billion funding by early this year and many buyers hoping to finance home purchases using Homebuyer Tax Credits were unable to close their loans. Depleted funding has been a nearly annual occurrence for the program that guarantees loans for single family homes in designated exurban and rural areas. The new legislation will end the annual uncertainty by putting the program on a self-funding basis through enacting a 3.5 percent guarantee fee paid by the borrower. The fee, while substantial, can be included in the total amount financed.

Senator Michael Bennet released the following statement, "The Rural Housing Preservation and Stabilization Act increases the maximum loan guarantee fee that USDA's Rural Housing Service has authority to charge for new housing purchases from 2.0 to 3.5 percent and allows an annual fee of not more than

Despite the low down payment required to participate in the program, it is generally considered to be a good risk by lenders because of the 90 percent government guarantee and because the loan size is limited to 115 percent of the area's median income. This keeps the loans small; the average loan size is \$112,000. Last year the foreclosure rate for these USDA loans was a reported 1.72 percent compared to 3.32 percent for Federal Housing Administration loans.

## Congress looks to Eliminate HVCC, Change Process

When President Barack Obama signed the Dodd-Frank Act this week to reform the financial markets, the Home Valuation Code of Conduct (HVCC) was officially set for elimination in 90 days.

The Federal Housing Finance Agency (FHFA) implemented HVCC in May 2009 in an attempt to improve the independence of appraisers by prohibiting lenders and third parties from influencing appraisals. It's a controversial regulation, leading to an increase in demand for appraisal management companies (AMCs) and complaints from independent appraisers who claim they're being cut out of the market.

Before the Congress passed the bill, a congressional conference took place to reconcile versions from the House and Senate. Lawmakers put a new set of "appraisal independence standards" into the bill to replace of the HVCC.

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### A message from the President

I hope you find this news letter informative and helpful. Please call me with any questions. (401)-737-4400 ext. 202

Steven N Taylor  
President

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*“Good riddance  
to HVCC.”*

The “appraisal independence standards” will be written over the next 60 days. The newly enacted bill, unlike HVCC, allows Fannie Mae or Freddie Mac to accept any appraisal report completed by an appraiser selected or paid by a mortgage loan originator.

The reform also stipulates that the new standards will include a requirement that lenders and their agents pay appraisers at market rates.

The new standards will still subject loan originators to any state or federal laws that prohibit it from making payments, threats or promises to an appraiser to influence the work. But nothing in the standards will prohibit a person with an interest in the transaction from asking the appraiser to consider other information, provide further detail or correct errors in the appraisal.

A spokesperson at OK Appraisals, a company based in California, said he’s still waiting to see the new rules. “Good

riddance to HVCC. We now have to see what the Fed will write ... as to the concrete rules on appraiser independence. Hopefully nobody will be excluded from ordering an appraisal,” represents capital market players, the end of HVCC will not mean the end for AMCs.

“While the HVCC may be fading into the sunset, don’t expect the same fate for AMCs, AVMs, and BPOs,” according to K&L Gates.



## Fannie Will Not Require Second Credit Report Pull for Mortgage Approval

*“Fannie Mae has  
not changed the  
policy as it  
relates to credit  
reports”*

*“Credit  
documents,  
including the  
credit report, are  
valid for 90  
days”*

The new Loan Quality Initiative 1 (LQI1) from Fannie Mae (FNM: 0.00 N/A) is not going into effect for another week and already misinformation is spreading, according to the government-sponsored entity.

A source at Fannie tells *HousingWire* that reports in the press are misstating the actual provisions of the LQI1, coming into force June 1. The source says that a second credit report on the borrower needn’t be pulled near to closing on the mortgage, although “a lender may choose to do so,” he said.

“Fannie Mae has not changed the policy as it relates to credit reports.”

“Credit documents, including the credit report, are valid for 90 days from the date of the report and may not be older than 90 days at time of closing,” it continues.

However, the document suggests keeping a tally on a borrower’s credit-

worthiness, as the length of the underwriting process continues to increase and the credit report may change substantially in that time.

“Credit inquiries listed on the [new] credit report should be investigated to determine whether the borrower did in fact open additional debt resulting in repayment obligations,” the guidance suggests. Fannie also notes that there are several vendors who can help in the department of credit monitoring.



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Continued.....



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For example, **Credit Plus** took the opportunity last week to remind originators that it offers a whole suite of service to aid LQI1 compliance. To be sure though, the government-sponsored entity does call on any vendor by name.

And just today, **Equifax** (EFX: 30.24 +0.13%) launched its Undisclosed Debt Monitoring tool that monitors borrowers during the above "quiet period," calling it "a historical blind spot for lenders" in a press release. The tool follows borrowers and alerts the lender when a change in credit reporting occurs.

According to Equifax analysis, up to \$142m in auto loan payments were potentially overlooked during the mortgage underwriting process last year. Friday, Fannie Mae issued a *Selling Guide Announcement*, which clarifies that lenders are not required to obtain a second credit report just before closing a loan under the Undisclosed Liability Policy in the government sponsored enterprise's [Loan Quality Initiative](#). "This is an important update, because every mortgage loan delivered to Fannie Mae has to be underwritten to establish that the borrower is able to repay the debt," said Deborah Slade-Horsey, vice president for Single-Family Risk Policy at Fannie Mae. "Our primary

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objectives are to support borrowers' ability to sustain homeownership and to strike a reasonable balance between requirements that may reduce loan repurchases and requirements that might over-burden lenders'

## New Borrower Web Site Available -- [KnowYourOptions.com](http://KnowYourOptions.com)

Fannie Mae has launched [KnowYourOptions.com](http://KnowYourOptions.com)<sup>™</sup>, a new consumer education Web site that outlines the choices available to homeowners who are struggling with their mortgage payments, and provides guidance on how they can contact and work with their mortgage company to find solutions.

The online resource, which offers reliable and easy-to-understand information in both English and Spanish, expands on Fannie Mae's ongoing efforts to help struggling borrowers find alternatives to foreclosure. For more information on know your options please visit us at [www.fnfgroup.com](http://www.fnfgroup.com).