

## GLOSSARY

Administrator. The Administrator of the Rural Housing Service, or his or her designee.

Agency. The Rural Housing Service.

Allowable claim amount. The total losses incurred by the holder of guarantee, as calculated pursuant to Subpart J of Part 3565.

Applicable Federal Rate (AFR). The interest rate set by the federal government for federal financing programs pursuant to Section 42 of the Internal Revenue Code.

Approved lender. An eligible lender who has been authorized by the Agency to originate guaranteed multifamily loans under the program.

Assignment. The delivery by a lender to the Agency of the note and any other security instrument securing the guaranteed loan; and any and all liens, interest, or claims the lender may have against the borrower that is party to the note.

Assistance. Financial assistance in the form of a loan guarantee or interest credit received from the Agency.

Borrower. The entity created for purposes of owning and operating a project.

Claim. The presentation to the Agency of a demand for payment for losses incurred on a loan guaranteed under the program.

Combination construction and permanent loan. A guaranteed loan that becomes effective at the time construction of an eligible multifamily property begins.

Conditional commitment. The written commitment by the Agency to guarantee a loan subject to the stated terms and conditions.

Correspondent relationship. A contractual relationship between an approved lender and a non-approved lender or mortgage broker in which the correspondent performs certain origination, underwriting or servicing functions for the approved lender.

Default. Failure by a borrower to meet any obligation or term of a loan, grant, or regulatory agreement.

Delinquency. Failure to make a timely payment under the terms of the promissory note or regulatory agreement.

Eligible borrower. A borrower who has met the requirements of Subpart D of Part 3565.

Eligible lender. A lender who has met the requirements of Subpart C of Part 3565.

Eligible loan. A loan that meets the requirements of Subpart E of Part 3565.

Fannie Mae. A government sponsored enterprise created by Congress to purchase, sell or otherwise facilitate the purchase or sale of mortgage in the secondary mortgage market. These activities support the availability and affordability of mortgage credit.

Federal Home Loan Bank System. A system of savings and loans, banks and other lenders whose primary business is the making of housing loans.

Final claim payment. The amount due to the lender (or the Agency) after disposition of the security collateral is complete and the proceeds from such sale as well as the initial claim payment, if any, are applied against the allowable claim amount.

Foreclosure. The process by which the ownership interest of a borrower in a mortgaged property is extinguished. This process may involve a sale of the property at public auction, with the proceeds of the sale being applied to the mortgage debt.

Freddie Mac. A government sponsored enterprise created by Congress to purchase, sell or otherwise facilitate the purchase or sale of mortgage in the secondary mortgage market. These activities support the availability and affordability of mortgage credit.

Ginnie Mae. Ginnie Mae is a reference to the Government National Mortgage Association.

Government National Mortgage Association. The Government National Mortgage Association (Ginnie Mae) is a government corporation within the Department of Housing and Urban Development. Ginnie Mae guarantees privately issued securities backed by mortgages or loans which are insured or guaranteed by the Federal Housing Administration (FHA), the Department of Veteran Affairs (VA), or the Rural Housing Service (RHS) and certain other loans or mortgages guaranteed or insured by the government.

Guarantee agreement. The written agreement between the Agency and the lender setting forth the terms and conditions of the guarantee with respect to an individual loan.

Guarantee fees. The fees paid by the lender to the Agency for the loan guarantee. An initial guarantee fee is due at the time the guarantee is issued. An annual guarantee fee is due at the beginning of each year that the guarantee remains in effect.

Guaranteed loan. Any loan for which the Agency provides a loan guarantee.

Holder. A person or entity, other than the lender, who owns all or part of the guaranteed portion of the loan with no servicing responsibilities. When the single note option is used and the lender assigns a part or all of the guaranteed note to an assignee, the assignee becomes a holder only when the Agency receives notice and the transaction is completed through use of an assignment guarantee agreement form approved by the Agency.

Housing finance agency. A state or local government instrumentality duly authorized to issue housing bonds or otherwise provide financing for housing.

Identity of interest. With respect to a project, a financial interest of any type, or appearance of same, that exists or will exist between the borrower, management agent, suppliers of materials or services, or vendors, in any combination of relationships.

Income eligibility. A determination that the income of a tenant at initial occupancy does not exceed 115 percent of the area median income as such area median income is defined by the Department of Housing and Urban Development (HUD) or its successor.

Indian tribe. Any Indian tribe, band, nation, or other organized group or community of Indians, including any Alaska Native village or regional or village corporation, as defined by or established pursuant to the Alaska Native Claims Settlement Act (43 U.S.C. 1601 et seq.), that is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians pursuant to the Indian Self-Determination and Education Assistance Act of 1975 (25 U.S.C. 450 et seq.); or any entity established by the governing body of an Indian tribe, as described in this definition, for the purpose of financing economic development.

Interest credit. A subsidy available to eligible borrowers that reduces the effective interest rate of the loan to the Long Term Monthly AFR.

Land lease. A written agreement between a landowner and a borrower stipulating the terms for possession and use of land for a specified period of time.

Lease. A contract setting forth the rights and obligations of a tenant or cooperative member and a borrower, including the amount of the monthly occupancy charge and other terms under which the tenant will occupy the housing.

Lender. A bank or other financial institution that originates and/or services the guaranteed loan.

Lender Agreement. The written agreement between the Agency and the lender setting forth the requirements the lender must meet on a continuing basis to participate in the program.

Loan. A mechanism by which a lender funds the acquisition and development of a multifamily project. A loan in this context is secured by a mortgage executed by the lender and borrower.

Loan guarantee. An Agency pledge to pay part of the loss incurred by a lender or holder in the event of default by the borrower.

Loan participation. A loan made by more than one lender wherein each lender funds a portion of the loan.

Loan-to-value ratio. The amount of the loan divided by the appraised value of the development.

Maximum guarantee payment. The maximum payment by the Agency under the guarantee agreement computed by applying the guarantee percentage times the allowable claim amount. (See Chapter 10 for further detail.)

Mortgage. A written instrument evidencing or creating a lien against real property for the purpose of providing collateral to secure the repayment of a loan. For program purposes, this may include a deed of trust or any similar document.

Multifamily project. A project designed with five or more living units.

Negligent Servicing or Origination. Negligent servicing or origination is a failure to perform those services, which a reasonably prudent lender would perform in servicing or originating its own portfolio, and includes not only the failure to act, but also the failure to act in a timely manner.

Non-monetary default. A default that does not involve the payment of money.

Note. Any note, bond, assumption agreement, or other evidence of indebtedness pertaining to a guaranteed loan.

Office of the General Counsel (OGC). The Office of the General Counsel of the USDA.

Office of the Inspector General (OIG). The Office of Inspector General of the USDA.

Payment effective date. For the month payment is due, the day of the month on which payment will be effectively applied to the account by the lender, regardless of the date payment is received.

Permanent loan. A permanent loan is defined as a mortgage loan usually covering development costs, interim loans, construction loans, financing expenses, marketing, administrative, legal, and other Agency approved costs. This loan differs from the construction loan in that financing goes into place after the project is completely constructed and open for occupancy. It is a long-term obligation, generally for a period of no less than 25 years and no more than 40 years.

Prepayment. The payment of the outstanding balance on a loan prior to the note's original maturity date.

Program requirements. Any requirements set forth in any pertinent loan document, guarantee agreement, statute, regulation, handbook, or administrative notice.

Project. The total number of rental housing units and related facilities subject to a guaranteed loan that are operated under one management plan with Regulatory agreement.

Recourse. The lender's right to seek satisfaction from the borrower's personal financial resources for any monetary default.

Regulatory agreement. The agreement that establishes the relationship between the Agency, the lender, and the borrower; and sets forth the borrower's responsibilities with respect to all aspects of the management and operation of the project.

Rural area. A geographic area as defined in title 5 of section 538 of the Housing Act of 1949.

Rural Development. A mission area within USDA which includes RHS, Rural Utilities Service (RUS), and Rural Business-Cooperative Service (RBS).

Rural Housing Service. The Rural Housing Service within the Rural Development mission area of the U.S. Department of Agriculture or its successor agency, which administers Section 538 loans.

Servicing. The broad scope of activities undertaken to manage the performance of a loan throughout its term and to assure compliance with the program requirements.

Servicing lender. A lender or other entity approved to service a permanent guaranteed loan.

Single asset ownership. A limitation on the real estate assets that may be owned by a borrower.

Surplus cash. The borrower's remaining funds at the property's fiscal year end, after making all required payments.

Tenant. The individual or individuals that hold the right to occupy a unit in accordance with the terms of a lease executed with the project owner.

U.S. citizen. An individual who resides as a citizen in any of the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, the U.S. Virgin islands, Guam, American Samoa, the Commonwealth of the Northern Marianas, the Federated States of Micronesia, the Republic of Palau, or the Republic of the Marshall Islands.