

Amid danger of predatory loans, Bush administration aims to eliminate mortgage program for rural single family

by Bend_Weekly_News_Sources

Under Proposal, Loans and Underwriting Would Be Sold to Private Subprime Lender

ST. LOUIS - The union which represents workers who service single family home loans to persons living in rural America says the Bush administration is out to eliminate USDA's Rural Development's 502 Direct home loan program. AFGE Local 3354 of the American Federation of Government Employees says that the administration wants to eliminate administrative funding for 502 Direct Single Family Housing loans. Section 502 is the only Federal Program targeting housing opportunities to low and very low rural households. The average income of the direct borrower is 55% of the area's median income. The average income of homeowner's served is \$18,500. The average term of loans granted are 33 years. The House Rural Development Appropriations sub-committee is scheduled to hold hearings on the funding this week.

In 2006, the program was funded at \$1,237 billion. The agency returns to the Treasury an average of \$1.50 for every \$1.00 budgeted. Section 502 is administered by the Department of Agriculture. In the proposed 2008 budget, the President has proposed defunding the loans for the Rural Development 502 Direct loans to prospective home buyers residing in rural America. About 20% of these loans are made to minorities.

"Without funding for new loans, our loan portfolio is going to shrink to nothing. Our loans may then be in even greater peril of being sold off to a private lender," said Virginia Knabe, Union Vice President for AFGE Local 3354, which represents workers at the Centralized Servicing Center located in St. Louis, Missouri, which employs 750 Department of Agriculture employees.

The loans target buyers in the \$6,000-\$24,000 yearly income bracket to purchase their own homes. The agency is a lender of last resort for these buyers. It currently has 380,000 loans on its books. Its foreclosure rate is 10% of the foreclosure rate in the commercial subprime lender market.

Right now, demand for these loans in Illinois and Missouri outstrips the agency's ability to write all the loans approved. In fiscal 2005 Illinois was granted 416 loans and 389 in Missouri. An additional 755 in Illinois and 1089 in Missouri were approved but had no funding. On a national basis, 12,000 were approved, but 34,000

approved loans could not be funded. The agency in August 2006 had requests for 27,000 loan requests it could not fulfill because of a shortage of administrative funds.

Amid danger of predatory loans, Bush administration aims to eliminate mortgage program for rural single families by Bend_Weekly_News_Sources