


# Loan Note Guarantee

Form RD 3555-17

Single Family Housing Guaranteed Loan Program (SFHGLP)

December 2020



Form RD 3555-17 (Rev. 04-20) UNITED STATES DEPARTMENT OF AGRICULTURE RURAL DEVELOPMENT RURAL HOUSING SERVICE Form Approved OMB No. 0770-0170  
Page 1 of 2

<b>LOAN NOTE GUARANTEE</b>	
State	
County	
Date of Note (Settlement Date)	
Borrower Name	RHS Case No. (State, County, 555)
	RHS Borrower ID
Leader	Leader RD No.
Leader's Address	Principal Amount of Loan
	\$

This Loan Note Guarantee is issued under Leader Agreement for Guaranteed Single Family Housing Loans dated in connection with the above identified loan.

In consideration of the making of the subject loan by the Leader, the United States of America, acting through the Rural Housing Service of the Rural Development mission area (hereinafter "RHS"), pursuant to Title V of the Housing Act of 1949 (42 U.S.C. 1471 et seq.), agrees that, subject to the terms and conditions hereon, it will pay to the Leader the lesser of:

- Any loss of an amount equal to 90 percent of the principal amount actually advanced to the Borrower, or
- Any loss sustained by the leader of an amount up to 35 percent of the principal amount actually advanced to the Borrower, plus 25 percent of any additional loss sustained by the Leader of an amount up to the remaining 65 percent of the principal amount actually advanced to the Borrower.

Loss includes only (a) principal and interest evidenced by the Note; (b) any loss voluntarily due and owing; and (c) any principal and interest arrearages on RHS approved protective advances for protection and preservation of collateral. Additional interest (including any penalty) shall be covered by the Loan Note Guarantee up to a limit prescribed by RHS and in effect at the time any loss under this Loan Note Guarantee is paid. Net proceeds received from liquidation of the collateral will be used in calculating the amount of loss sustained by the Leader. If the Leader acquires the collateral, the net proceeds from collateral for calculating loss shall be determined by RHS on Behalf. (i) the collateral will be appraised as of the date of acquisition by the Leader then (ii) deduct from such appraised value an estimate of liquidation cost which will include an allowance for 60 days, the estimated time the property will be held by the Leader.

If RHS conducts the liquidation of the loan, loss occasioned to a Leader by accruing interest after the date RHS accepts responsibility for the liquidation will not be covered by the Loan Note Guarantee.

Leader may sell the guaranteed loan only to a Leader which meets the qualifications and in the manner as provided in 7 CFR part 3555. Leader may obtain participation in its loan under its procedures. Participation means a sale of an interest in the loan whereas the Leader retains the note, collateral securing the same, and all responsibility for all loss servicing and liquidation. A participant has no right under this instrument.

**CONDITIONS OF THE GUARANTEE**

- Loan Servicing**  
Leader will be responsible for servicing the entire loan and Leader will remain mortgagee and/or secured party of record. The Leader may sell loan servicing rights to an RHS eligible Leader when the purchasing Leader agrees to be bound by all of the same terms as the selling Leader and this agreement and the RHS Leader Agreement for Guaranteed Single Family Housing Loans.
- Full Faith and Credit**  
This Loan Note Guarantee constitutes an obligation supported by full faith and credit of the United States and is incontestable except for fraud or misrepresentation of which the leader has actual knowledge at the time it becomes such leader or which the leader participates in.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The OMB control number for all information collection is 0770-0170. The time required to complete this information collection is estimated to average 1 minute per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

Welcome to the Loan Note Guarantee training module presented by USDA's Single Family Housing Guaranteed Loan Program.

# GROW RURAL HOMEOWNERSHIP AND YOUR BUSINESS *with a* **90% GUARANTEE!**



The Loan Note Guarantee is the evidence of the Agency backing should the loan ever default, so understanding the proper procedures and rules of issuance are paramount to ensuring secondary market salability and the note holder's protection.

# Full Faith and Credit

7 CFR 3555.108



## General

- Loan Note Guarantee (aka “LNG”)
  - Represents an obligation which is supported by full faith and credit of the United States.
  - Incontestable except for fraud or misrepresentation of which the lender has actual knowledge of.
- Misrepresentation includes negligent misrepresentation on behalf of the lender.

- The Loan Note Guarantee represents an obligation from the United States supported by full faith and credit on which it was issued. It is incontestable unless the Agency verifies fraud or misrepresentation by the lender in which they had knowledge of at the time the loan was made.
- Misrepresentation includes negligent misrepresentation on behalf of the lender.

# Full Faith and Credit

7 CFR 3555.108



## Interest

- Interest on interest payments are prohibited.
- The Loan Note Guarantee will be void if the Note provides for payment of interest on interest.
- Interest may be capitalized in connection with re-amortization.

- Guarantees are not permitted for loans that are structured for payment of interest on interest.
- In situations where the Note that the Loan Note Guarantee is attached provides for payment of interest on interest, then the guarantee is void.
- However, guarantees are permitted where interest is capitalized in connection with loans that are re-amortized.

# Full Faith and Credit

7 CFR 3555.108



## Violations

- Loan Note Guarantee will be unenforceable if loss is due to:
  - Violation of the regulations
  - Negligent servicing
    - Inconsistent with the regulations and failure to perform services which a reasonably prudent lender would perform.
    - Failure to act in a timely manner.
  - Failure to obtain required security
  - Use of loan funds for unauthorized purposes

- The Loan Note Guarantee will be unenforceable if the lender has a loss due to violation of the regulations, negligent servicing, failure to obtain required security or use of loan funds for unauthorized purposes.
- Negligent servicing is defined as servicing that is inconsistent with the regulations and includes failure to perform those services which a reasonably prudent lender would perform, regardless of the guarantee.
- This also includes the failure to act in a timely manner or acting in a manner that is contrary to how a reasonably prudent lender would act.

# Full Faith and Credit

7 CFR 3555.108



## Indemnification

- Loan was not originated in accordance with regulation.
- Agency pays loss on loan that defaulted within 5 years of loan closing and the originating lender:
  - Utilized unsupported data or omitted material information;
  - Failed to properly verify and analyze the applicant's income and employment history;
  - Failed to address property deficiencies identified in the appraisal or inspection report; OR
  - Used an appraiser that was not properly licensed or certified.

- If the Agency determines that a lender did not originate a loan in accordance with the requirements of the regulation, and the Agency pays a claim under the Loan Note Guarantee, the Agency may revoke the originating lender's eligibility status and may also require the originating lender to indemnify the Agency for the loss if the default leading to the payment of loss claim occurred within 5 years of loan closing and one of the following is present:

- **The originating lender:**

- Utilized unsupported data or omitted material information;
- Failed to properly verify and analyze the applicant's income and employment history;
- Failed to address property deficiencies identified in the appraisal or inspection report; OR
- Used an appraiser that was not properly licensed or certified.

# Full Faith and Credit

7 CFR 3555.108



## Indemnification

- Loan origination includes fraud or misrepresentation.
  - Indemnification may be required regardless of time elapsed.
  - The Agency may use any other legal remedies it has against the originating lender.
- Loan Note Guarantee will remain in effect for any holder of the loan who acquired it from an originating lender.

- In cases involving fraud or misrepresentation by the originating lender, the originating lender may be required to indemnify the Agency for the loss regardless of how long ago the loan closed or the default occurred.
- In addition, the Agency may use any other legal remedies it has against the originating lender.
- It's important to note that the Loan Note Guarantee will remain in effect for any holder of the loan who acquired it from an originating lender.

## The Closing Process



Provide loan closing documentation and fees within 30 days of loan closing.



May utilize Attachment 16-A as a documentation checklist.



HB-1-3555  
Attachment 16-A  
Page 1 of 4

**Guaranteed Rural Housing**  
**Loan Closing Checklist**

**\*Only required for manual loan closing submissions\***

**Lender Instructions.** *Submit only the identified documents. Include complete documentation to ensure an effective file flow. Documents must not exceed the maximum allowable age set forth in 7 CFR 3555 and accompanying Handbook. Rural Development will consider all documents submitted as the certified and true copies of the original documents retained in the lender's permanent file. All copies must be legible. The lender will submit the closing documents and fee so it is received by Rural Development within 30 days of loan closing. The preferred method of delivery is through use of the Agency's automated Lender Loan Closing. Lenders, who have yet to activate LLC, should use the electronic delivery to Rural Development. See <https://usdalinc.sc.eopv.usda.gov/USDA/InTraining/ResourceLib.do> for electronic delivery information by state.*

*In the subject line identify the case by: Loan Closing, Borrower Last Name, First Name*

General Information		
Applicant(s):	Date:	
RD Borrower ID:		
Lender Name:	Lender Point of Contact: <i>[Identify who to contact with questions on the closing package, documentation, and/or corrections required]</i>	
Phone #:	Fax #:	Email:

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- Once a loan has closed, the lender must provide evidence the loan was properly closed and remit the upfront loan guarantee fee and the technology fee within 30 days.
- A guarantee will not be issued if the account is in default at the time the Lender executes the Lender Certification.
- Lenders may utilize Attachment 16-A as a documentation checklist.



## The Closing Process

Enter closing information & upload documents via the Lender Loan Closing (LLC) System.

Fee payments remitted via Pay.Gov interface with the LLC.

**Post Loan Closing – Issuance of Loan Note Guarantee**

Form RD 1980-19, "Loan Closing Report"
Guarantee Fee – Payable to USDA or Rural Development – <i>*Include a copy of Page 1 - Form RD 3555-18/18E</i>
USDA Technology Fee – Payable to USDA or Rural Development
<b>Form RD 3555-18/18E, Lender Certification:</b> <i>*Lender is certifying all conditions listed or appearing on the commitment and/or GUS Underwriting and Findings Report for this applicant have been fulfilled, the security instrument has been recorded and is a good and valid first lien on the property described.</i>
Promissory Note, copy with appropriate riders, if any
Final Closing Disclosure, copy of final <i>*The submitted form does not require signature.</i>
Additional Conditions, as noted on Form RD 3555-18/18E, or supplemented by Attachment
Submit documentation of required conditions, as applicable. Those conditions indicating the lender should "Retain in Lender's Permanent File" should not be included in post-closing documents.

- The required documentation will be uploaded via the automated Lender Loan Closing (LLC) System and the upfront guarantee fee and technology fee will be remitted via Pay.Gov which interfaces with the LLC system.
- It's important to note that lenders are required to execute and submit a Lender Loan Closing User Agreement to the Agency prior to gaining access to the LLC. User guides for gaining access to and using the LLC system can be found in the LINC Library.
- Lenders must upload the following documentation in the LLC system to receive a Loan Note Guarantee:
  - Final signed Closing Disclosure;
  - Promissory Note, and;
  - Any other necessary documentation as specified on the Conditional Commitment
- Utilizing the automated LLC eliminates the need for lenders to manually complete and submit the "Guaranteed Loan Closing Report," the Lender Certification portion of the Conditional Commitment, and a paper check.

### Interest Credit Settlement

Maturity date will be slightly less than 30 years.



Fewer funds required at closing.



Interest paid to the previous first day of the month.



*This form is a statement of final loan terms and closing costs. Compare this document with your Loan Estimate.*

Closing Disclosure		Closing Information		Transaction Information		Loan Information	
Date Issued	04/09/2020	Borrower			Loan Term	30 years	
Closing Date	04/10/2020	Seller			Purpose	Purchase	
Disbursement Date	04/10/2020	Lender			Product	FIXED RATE	
					Loan Type	<input type="checkbox"/> Conventional <input type="checkbox"/> FHA <input type="checkbox"/> VA <input checked="" type="checkbox"/> RHS	
					Loan ID #		
					MIC #		
Loan Terms		Can this amount increase after closing?					
Loan Amount	\$161,515	NO					
Interest Rate	3.5%	NO					
Monthly Principal & Interest	\$725.27	NO					
<i>See Projected Payments below for your Estimated Total Monthly Payment</i>							
Prepayment Penalty		Does the loan have these features?					
Prepayment Penalty		NO					
Balloon Payment		NO					
Projected Payments		Years 1-30					
Payment Calculation							
Principal & Interest		\$725.27					
Mortgage Insurance	+	46.70					
Estimated Escrow Amount can increase over time	+	271.27					
Estimated Total Monthly Payment		\$1,043.24					
Estimated Taxes, Insurance & Assessments Amount can increase over time See page 4 for details	\$271.27 a month	This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other: See Escrow Account on page 4 for details. You must pay for other property costs separately.				In escrow? YES YES	
Costs at Closing							
Closing Costs	\$6,584.77	Includes \$4,627.49 in Loan Costs + \$1,957.28 in Other Costs - \$0 in Lender Credits. See page 2 for details.					
Cash to Close	\$4,136.90	Includes Closing Costs. See Calculating Cash to Close on page 3 for details.					

- When entering the loan's information into the LLC, the date of closing will be defined as the closing date listed on the Closing Disclosure.
- Borrowers may elect an interest credit where interest will be paid at closing to the previous first day of the month.
- The maturity date for this type of settlement will be slightly less than 30 years.
- Should the borrowers elect an interest credit settlement, fewer funds are required at closing.
- Interest would be paid to the previous first day of the month.

# Guaranteed Loan Fees

HB-1-3555, Chapter 16.4, 16.5, and 16.6

# 1

## Upfront Guarantee Fee

- ✓ Current fee is 1.00%.
- ✓ Applies to purchase and refinance loans.
- ✓ Can be included in the loan amount.
- ✓ Collected via the Lender Loan Closing (LLC) system at loan closing.
- ✓ Subject to change to maintain a subsidy neutral program.
- ✓ Non-refundable once the Loan Note Guarantee is issued.

# 2

## Annual Fee

- ✓ Current fee is 0.35%.
- ✓ Applies to purchase and refinance loans.
- ✓ Based on scheduled unpaid principal balance.
- ✓ Servicer remits payment to the on the anniversary closing month via the Guaranteed Annual Fee (GAF) system.
- ✓ Subject to change to maintain a subsidy neutral program.

# 3

## Technology Fee





- ✓ Current fee is \$25.
- ✓ Applies to all loans processed through the Guaranteed Underwriting System (GUS).
- ✓ Can be included in the loan amount.
- ✓ Collected via the Lender Loan Closing (LLC) system at loan closing.
- ✓ Non-refundable once the Loan Note Guarantee is issued.

<https://www.rd.usda.gov/page/usda-linc-training-resource-library>

- The upfront guarantee fee and technology fee due at closing are non-refundable once the Loan Note Guarantee is issued.
- The annual fee will not be due until the first anniversary of the loan closing.
- To learn more about the key requirements of these 3 fees, visit the LINC library for the training module on this specific topic.

# Agency Review of Closing Documents and Issuance of the Guarantee





HB-1-3555, Chapter 16.7

		Incomplete Closing Documents	Acceptable Closing Documents	Unacceptable Closing Documents
Status		Incomplete or correctable errors allow lenders to have 30 days to correct.	Acceptable closing documents are sent to the Agency.	Closing Documents do not meet all program requirements.
Lender		Burden of submitting a complete loan closing package is on the lender.	Lender will submit the Lender Certification and all necessary documents noted on the Conditional Commitment.	Lender did not follow Agency requirements and/or close the loan as based on the requirements of the Conditional Commitment.
Agency		Lender will be notified of incomplete package by phone, email or regular mail.	Will review and approve closing documents and process upfront guarantee and technology fees.	Agency will not issue the LNG and insure the loan.
Result		Agency will return the loan closing package if necessary corrections cannot be made within 30 days.	Lender will receive the LNG, Loan Amortization Schedule as an attachment to the Note	Loan funds and/or seller paid concessions may not be disbursed to the applicants

- When the lender submits incomplete closing documents:
  - The lender will be notified by the Agency that they have up to 30 days to make corrections.
  - If the loan package is not complete within 30 days, the Agency will not issue the Loan Note Guarantee and the Agency will return the closing package.

# Agency Review of Closing Documents and Issuance of the Guarantee





HB-1-3555, Chapter 16.7

		Incomplete Closing Documents	Acceptable Closing Documents	Unacceptable Closing Documents
Status		Incomplete or correctable errors allow lenders to have 30 days to correct.	Acceptable closing documents are sent to the Agency.	Closing Documents do not meet all program requirements.
Lender		Burden of submitting a complete loan closing package is on the lender.	Lender will submit the Lender Certification and all necessary documents noted on the Conditional Commitment.	Lender did not follow Agency requirements and/or close the loan as based on the requirements of the Conditional Commitment.
Agency		Lender will be notified of incomplete package by phone, email or regular mail.	Will review and approve closing documents and process upfront guarantee and technology fees.	Agency will not issue the LNG and insure the loan.
Result		Agency will return the loan closing package if necessary corrections cannot be made within 30 days.	Lender will receive the LNG, Loan Amortization Schedule as an attachment to the Note	Loan funds and/or seller paid concessions may not be disbursed to the applicants

- When the lender submits acceptable closing documents:
  - The Agency will issue a Loan Note Guarantee within 10 business days of receipt of complete closing documents and payment of the upfront guarantee fee and technology fee.

# Agency Review of Closing Documents and Issuance of the Guarantee

HB-1-3555, Chapter 16.7

		Incomplete Closing Documents	Acceptable Closing Documents	Unacceptable Closing Documents
Status		Incomplete or correctable errors allow lenders to have 30 days to correct.	Acceptable closing documents are sent to the Agency.	Closing Documents do not meet all program requirements.
Lender		Burden of submitting a complete loan closing package is on the lender.	Lender will submit the Lender Certification and all necessary documents noted on the Conditional Commitment.	Lender did not follow Agency requirements and/or close the loan as based on the requirements of the Conditional Commitment.
Agency		Lender will be notified of incomplete package by phone, email or regular mail.	Will review and approve closing documents and process upfront guarantee and technology fees.	Agency will not issue the LNG and insure the loan.
Result		Agency will return the loan closing package if necessary corrections cannot be made within 30 days.	Lender will receive the LNG, Loan Amortization Schedule as an attachment to the Note	Loan funds and/or seller paid concessions may not be disbursed to the applicants.

- When the lender submits unacceptable closing documents:
  - The Agency will not issue the Loan Note Guarantee if there are errors in the closing documents, the loan does not meet all program requirements, does not meet conditions set forth in the Conditional Commitment, or if the applicant received unauthorized cash back at closing.
  - Loan funds and/or seller paid concessions may not be disbursed to the applicant(s).
  - If the lender can correct oversights or make necessary corrections, the Agency will ensure the loan meets regulatory requirements prior to issuing the Loan Note Guarantee.

Form RD 3555-17,  
Page 1



Terms of guarantee  
coverage.



Lenders may sell  
guaranteed loans only to  
other USDA approved  
lenders.



Form RD 3555-17  
(Rev. 04-20)  
Page 1 of 2

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL DEVELOPMENT  
RURAL HOUSING SERVICE

Form Approved  
OMB No. 0375-0179

State \_\_\_\_\_  
Country \_\_\_\_\_  
Date of Note (Settlement Date) \_\_\_\_\_

**LOAN NOTE GUARANTEE**

Borrower Name	RHS Case No. (State, County, SSSN) _____ RHS Borrower ID _____
Lender	Lender IRS ID No. _____
Lender's Address	Principal Amount of Loan \$ _____

This Loan Note Guarantee is issued under Lender Agreement for Guaranteed Single Family Housing Loans dated \_\_\_\_\_ in connection with the above identified loan.

In consideration of the making of the subject loan by the Lender, the United States of America, acting through the Rural Housing Service of the Rural Development mission area (herein called "RHS"), pursuant to Title V of the Housing Act of 1949 (42 U.S.C. 1471 et. seq.), agrees that, subject to the terms and conditions herein, it will pay to the Lender the lesser of

1. Any loss of an amount equal to 50 percent of the principal amount actually advanced to the Borrower, or
2. Any loss sustained by the lender of an amount up to 35 percent of the principal amount actually advanced to the Borrower, plus 85 percent of any additional loss sustained by the Lender of an amount up to the remaining 65 percent the principal amount actually advanced to the Borrower.

Loss includes only (a) principal and interest evidenced by the Note, (b) any loan subsidy due and owing, and (c) any principal and interest indebtedness on RHS approved protective advances for protection and preservation of collateral. Additional interest (including any subsidy) shall be covered by the Loan Note Guarantee up to a limit prescribed by RHS and in effect at the time any loss under this Loan Note Guarantee is paid. Net proceeds received from liquidation of the collateral will be used in calculating the amount of loss sustained by the Lender. If the Lender acquires the collateral, the net proceeds from collateral for calculating loss shall be determined by RHS as follows: (i) the collateral will be appraised as of the date of acquisition by the Lender then (ii) deduct from such appraised value an estimate of liquidation cost which will include an allowance for 60 days, the estimated time the property will be held by the Lender.

If RHS conducts the liquidation of the loan, loss occasioned to a Lender by accruing interest after the date RHS accepts responsibility for the liquidation will not be covered by the Loan Note Guarantee.

Lender may sell the guaranteed loan only to a Lender which meets the qualifications and in the manner as provided in 7 CFR part 3555. Lender may obtain participation in its loan under its procedures. Participation means a sale of an interest in the loan wherein the Lender retains the note, collateral securing the note, and all responsibility for all loan servicing and liquidation. A participant has no rights under this instrument.

**CONDITIONS OF THE GUARANTEE**

1. **Loan Servicing**  
Lender will be responsible for servicing the entire loan and Lender will remain mortgagee and/or secured party of record. The Lender may sell loan servicing rights to an RHS eligible Lender when the purchasing Lender agrees to be bound by all of the same terms as the selling Lender and this agreement and the RHS Lender Agreement for Guaranteed Single Family Housing Loans.
2. **Full Faith and Credit**  
The Loan Note Guarantee constitutes an obligation supported by full faith and credit of the United States and is incontestable except for fraud or misrepresentation of which the lender has actual knowledge at the time it becomes such lender or which the lender participates in.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0375-0075. The time required to complete this information collection is estimated to average 3 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

- The Loan Note Guarantee is two pages.
- The top of page 1 displays information such as borrower name, approved lender, USDA case number, randomly generated Borrower ID, and principal amount of the loan that is guaranteed.
- Page 1 also includes the terms of the Loan Note Guarantee coverage in the event of a loss claim along with the eligible loan purposes that may be reimbursed under the guarantee.

Form RD 3555-17,  
Page 2



“Full Faith and Credit”  
Information



National Financial and  
Accounting Operations  
Center (NFAOC) Contact  
Information



Form RD 3555-17  
(Rev. 04-20)

Page 2 of 2 - Borrower Name:

RHS Borrower ID:

or condones. A note which provides for the payment of interest on interest shall not be guaranteed. If the note to which this instrument is attached or relates provides for the payment of interest on interest, then this Loan Note Guarantee is void. In addition, the Loan Note Guarantee will be unenforceable by the lender to the extent any loss is occasioned by violation of any laws, negligent servicing, or failure to obtain the required security regardless of the time at which RHS acquires knowledge of the foregoing. Any losses occasioned will be unenforceable by the lender to the extent that loan funds are used for purposes other than those approved by RHS in its Form RD 3555-18, "Conditional Commitment for Single Family Housing Loan Guarantee." Negligent servicing is defined as the failure to perform those services which a reasonably prudent lender would perform in servicing its own loan portfolio of loans that are not guaranteed. The term includes not only the concept of a failure to act but also not acting in a timely manner or acting contrary to the manner in which a reasonably prudent lender would act up to the time of loan maturity or until a final loss is paid. If RHS determines that a Lender did not originate a loan in accordance with the requirements in 7 CFR part 3555, and RHS pays a claim under the loan guarantee, RHS may revoke the Lender's eligibility status in accordance with Section 3555.52 and may also require the Lender: (1) To indemnify RHS for the loss, if the payment under the guarantee was made within 60 months of loan closing; or (2) To indemnify RHS for the loss regardless of how long ago the loan closed, if RHS determines that fraud or misrepresentation was involved in connection with the origination of the loan in accordance with Section 3555.108.

3. Lender will receive all payments of principal and interest, annual fee, and any loan subsidy on the account of the entire loan.

4. The Loan Note Guarantee is subject to an annual fee billed to the Lender and collected by the Agency on an annual basis for the life of the loan, based upon an annual fee percentage of \_\_\_\_\_%. The annual fee will be based on the average annual scheduled unpaid principal balance of the loan and may be passed on to the guaranteed loan borrower. A late charge will be charged if the fee is not paid by the date set by RHS.

5. Protective Advances made by the Lender pursuant to RHS regulations will be guaranteed against a percentage of the loss to the same extent as provided in the Loan Note Guarantee.

6. The Loan Note Guarantee will terminate automatically (a) upon full payment of the guaranteed loan; or (b) upon full payment of any loss obligation hereunder; or (c) upon written notice from the Lender to RHS that the guarantee will terminate provided this Loan Note Guarantee is returned to be canceled by RHS.

7. Any amount due under this instrument will be determined and paid, as provided in 7 CFR part 3555 in effect on the date of this instrument.

8. All notices and actions may be initiated through Rural Development National Financial and Accounting Operations Center at the following email address: [RD.DCFO.GL.Budget.usda.gov](mailto:RD.DCFO.GL.Budget.usda.gov).

UNITED STATES OF AMERICA  
RURAL DEVELOPMENT  
RURAL HOUSING SERVICE

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Assumption Agreement by: \_\_\_\_\_ Dated: \_\_\_\_\_  
(Transferor)

Assumption Approved by RHS: \_\_\_\_\_ Dated: \_\_\_\_\_  
(new note, if taken, is attached)

Assumption Agreement by: \_\_\_\_\_ Dated: \_\_\_\_\_  
(Transferor)

Assumption Approved by RHS: \_\_\_\_\_ Dated: \_\_\_\_\_  
(new note, if taken, is attached)

- Page 2 will include the Borrower's Name and Borrower ID at the top.
- This page also includes indemnification language and annual fee percentage.
- Other items listed include information on protective advances, termination of the guarantee, and the email address for the National Financial and Accounting Operations Center where certain actions may be required to be reported.



# Duplicate Loan Note Guarantee

HB-1-3555, Chapter 16.9

Once the agency has prepared, issued and uploaded the *Loan Note Guarantee* to the agency's imaging repository, the lender may view and display the *Loan Note Guarantee*.

- Click on the **Loan Note Guarantee** hyperlink to display, print and/or save the document.
- Select **Cancel** to return to the **RH Lender Administration List** page.

**USDA** Lender Display Documents  
LINC Home | ESA LINC Home | RBS LINC Home | RHS LINC Home | EUS LINC Home | Lender Profile | Help

**Borrower Information**

Borrower ID/Name  
Address

It may take several minutes for individually indexed documents to process and be available for display. It may take one to two hours for batch file documents to process and be available for display. Please be patient!

Click Document Description hyperlink to display the document you wish to view. ←

Document Type	Document Description
10016	<a href="#">HUD-1 Settlement Statement</a>
10016	<a href="#">HUD-1 Settlement Statement</a>
10008	<a href="#">Loan Note Guarantee</a> ←
10001	<a href="#">Promissory Note</a>
10001	<a href="#">Promissory Note</a>
10011	<a href="#">Request for Guarantee</a>

Cancel ←

- In cases where a lender may need to request a duplicate Loan Note Guarantee, lenders may retrieve a reissued Loan Note Guarantee from the automated Lender Loan Closing system.
- A lender's request for a certified copy, scanned copy or duplicate original Form RD 3555-17/E will be honored.
- Many investors accept a certified copy or a duplicate original Form RD 3555-17.

## Loss Claim Coverage: The Basics

HB-1-3555, Chapter 20.2

### Method 1

- 90% of the original principal amount actually advanced to the borrower.

Lesser Of

### Method 2

- 100% of any loss equal to or less than 35% of the original principal advanced, plus 85% of any remaining loss up to 65% of the principal advanced.

- What if a lender incurs a loss on a SFHG loan and needs to collect on the guarantee, how is the loss claim payment calculated?
- HB-1-3555, Chapter 20.2 details the maximum loss claim payment due from the Agency.
- The maximum payment is the lesser of:
  - 90% of the original principal amount or
  - 100% of the loss equal to 35% of the original principal amount plus 85% of the remaining loss up to 65% of the original principal amount
- What does this coverage really look like?

# Loss Claim Coverage: The Basics

HB-1-3555, Chapter 20.2

## Method 1

- OPA is \$50,000
- **90% of OPA = \$45,000**

Original Principal  
Amount (OPA)=\$50,000

## Method 2

- OPA is \$50,000
- **35% of OPA = \$17,500**
- **65% of OPA = \$32,500**
- **85% of 65% of OPA (32,500) = \$27,625**
- **Payment Amount = \$17,500 + \$27,625 = \$45,125**



1-3555.

# LEARNING CHECKS

7 CFR Part 3555 / HB-1-3555



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The best way to learn information is to test your knowledge!

# QUESTION

Training Topic

- Question will be bulleted with scenario, or
- Include a statement/question

TRUE/FALSE or other answer options will be displayed



21

The following question slides will list:

- The topic,
- A question or scenario, and
- potential responses

# ANSWER

Training Topic

*7 CFR Part 3555 and HB-1-3555 references provided*

## **X. Correct Response**

- Additional guidance for clarification provided



The answer slides will list:

- The topic,
- the reference to the answer from the regulation and handbook,
- the correct response, and
- any additional clarification that may be helpful.

*Ready?*

LET'S GET  
STARTED!



Let's get started!



## QUESTION

### Loan Note Guarantee

- Loan Note Guarantees may not be issued beyond 60 days of the loan closing.

A. TRUE      B. FALSE



Read the question on the slide and select a response.

# ANSWER

Loan Note Guarantee

*3555.107(i)(1), HB 16.3*

## **B. FALSE**

The lender must provide evidence the loan was properly closed and remit the upfront loan guarantee fee and the USDA technology fee within 30 days of closing the loan.

## B. False

- The lender will need to provide the following within 30 days of closing the loan to request the LNG:
  - Upfront loan guarantee fee
  - USDA technology Fee
  - All necessary forms and documentation required as noted in HB-1-3555, Chapter 16

## QUESTION

### Loan Note Guarantee

- USDA may pursue indemnification from an originating lender up to \_\_\_\_ months post loan closing due to misrepresentation of material loan data.

A. 30 B. 60



Read the question on the slide and select a response.

# ANSWER

Loan Note Guarantee

*3555.108(d)(1), HB 4.9*

## **B. 60 MONTHS**

- 60 months from loan closing applies for errors regarding:
  - Misrepresentation/omissions
  - Improper analysis of income/employment
  - Failure to correct property deficiencies
  - Ineligible appraiser

## B. 60 Months

- USDA may pursue indemnification from an originating lender up to 60 months, or 5 years, post closing due to misrepresentation of material loan data.

## QUESTION

### Loan Note Guarantee

- A Note that provides for the payment of interest on interest may be guaranteed.

A. TRUE      B. FALSE



Read the question on the slide and select a response.

## ANSWER

Loan Note Guarantee

*3555.108(b), HB 4.9*

### **B. FALSE**

- A note that provides for the payment of interest on interest shall not be guaranteed. If the note to which the Loan Note Guarantee is attached or relates provides for the payment of interest on interest, then the Loan Note Guarantee is void.

### B. False

- A note that provides for the payment of interest on interest shall not be guaranteed. If the note that the LNG is attached, relates to or provides for the payment of interest on interest, then the LNG is void.

## QUESTION

Loan Note Guarantee

- The \_\_\_\_\_ will pay the annual fee to the Agency.
- A. Borrower
  - B. Servicer
  - C. Loan Originator



Read the question on the slide and select a response.

# ANSWER

Loan Note Guarantee

*3555.107(h), HB 16.5*

## **B. Servicer**

- The servicer will electronically pay the Agency the annual fee on all purchase and refinance transactions which may be passed to the borrower.

## B. Servicer

- The servicer will electronically pay the Agency the annual fee, however, this fee may be passed to the borrower.



## QUESTION

Loan Note Guarantee

- The technology fee may be passed to the borrower and included in the loan amount as an authorized loan purpose.

A. TRUE      B. FALSE



Read the question on the slide and select a response.

# ANSWER

Loan Note Guarantee

*HB 16.6*

## **A. TRUE**

- Lenders will pay the Agency a technology fee, which may be passed to the borrower as an authorized loan purpose, when the request for loan guarantee is submitted via GUS.
- The fee can be included in the loan amount subject to the maximum loan-to-value thresholds.

A. True

- Although lenders pay the Agency the technology fee, this fee may be passed to the borrower as an authorized loan purpose.
- The fee can be included in the loan amount, subject to the maximum loan-to-value thresholds.

## QUESTION

### Loan Note Guarantee

- The maximum that a servicer may collect from the Agency on a loss is the greater of:
  - 90% of the original principal amount actually advanced to the borrower; or
  - 100% of any loss equal to or less than 35% of the original principal advanced, plus 85% of any remaining loss up to 65% of the principal advanced.

A. TRUE      B. FALSE

Read the question on the slide and select a response.

# ANSWER

Loan Note Guarantee

*HB 20.2 A*

## **B. FALSE**

- The maximum that a servicer may collect from the Agency on a loss is the lesser of:
  - 90% of the original principal amount actually advanced to the borrower; or
  - 100% of any loss equal to or less than 35% of the original principal advanced, plus 85% of any remaining loss up to 65% of the principal advanced.

## **B. FALSE**

- The maximum that a servicer may collect from the Agency on a loss is the lesser of the two options, not the greater of the two.

## QUESTION

Loan Note Guarantee

### **Method 2 Loss Calculation**

- OPA = \$150,000
- 35% of OPA = \$52,500
- 65% of OPA = \$97,500
- 85% of 65% of OPA = \$82,875
- What is the correct payment amount under Method 2?

- A. \$82,875
- B. \$135,375
- C. \$135,000

Read the question on the slide and select a response.

## ANSWER

Loan Note Guarantee

*HB 20.2 A*

### **B. \$135,375**

- OPA = \$150,000
- 35% of OPA (150,000) = \$52,500
- 65% of OPA (150,000) = \$97,500
- 85% of 65% of OPA (97,500) = \$82,875
- **Payment = 52,500 + 82,875 = \$135,375**

## **B. \$135,375**

- The correct calculation for the second loss calculation method is 52,500 (which is 35% of the OPA) plus 82,875 (which is 85% of 65% of the OPA). The total is \$135,375.
- As a note, in this scenario, the maximum that the servicer would actually collect would be \$135,000 which is 90% of the OPA because it is the lesser of the 2 calculations.

*Way to Go!*

LEARNING CHECK  
COMPLETED!



Way to go! You have completed the learning checks!

# Lender Toolkit



Rural Development has developed numerous tools and resources to assist lenders with originating, processing, and servicing guaranteed loans.



- This training module has provided you with an overview of the key requirements of the Loan Note Guarantee.
- Complete program requirements and guidance on this topic can be found in 7 CFR Part 3555, Subpart C, Section 3555.108 and Chapters 16 and 20 of HB-1-3555.
- Be sure to bookmark these references, save yourself valuable time by using Cntrl-F to quickly search and find answers, and always ensure you are referencing the most current publications.
- The “Program Overview Training” module will assist you in learning how to navigate through all the resources and tools Rural Development has created to assist you.

Have a question on  
POLICY?

Contact the PAC team!



Need TRAINING?

Contact the LPA team!



Have a question on a  
SPECIFIC FILE?

Contact the OPD!



USDA Rural Development U.S. DEPARTMENT OF AGRICULTURE	
Single Family Housing Guaranteed Loan Program (SFHGLP)	
Contacts & Resources	
TOPIC	CONTACT
<b>File-Specific Questions</b> <b>Information to include in email:</b> <ul style="list-style-type: none"> <li>Identify the state the application is located; if applicable;</li> <li>Provide applicant's name and USDA borrower ID, if applicable;</li> <li>GUS loan number, if applicable</li> <li>Include contact information; and</li> <li>Indicate if you would like a call back (otherwise you will receive an email reply)</li> </ul>	<b>Production Team One:</b> <a href="mailto:SFHGLPONE@usda.gov">SFHGLPONE@usda.gov</a> AK, AL, AZ, CA, CO, GU, HI, IA, ID, KS, MT, NM, NV, OR, SD, TX, UT, WA, WI, WY, WY <b>Production Team Two:</b> <a href="mailto:SFHGLPTWO@usda.gov">SFHGLPTWO@usda.gov</a> AR, KY, LA, MN, MO, MS, ND, NE, NJ, NY, OK <b>Production Team Three:</b> <a href="mailto:SFHGLPTHREE@usda.gov">SFHGLPTHREE@usda.gov</a> CT, DE, GA, IL, MA, MD, ME, MI, NC, NH, RI, SC, VT, WV <b>Production Team Four:</b> <a href="mailto:SFHGLPFOUR@usda.gov">SFHGLPFOUR@usda.gov</a> FL, IN, OH, PA, PR, TN, VA, VI
Lender Approval/Recertification	<a href="mailto:sfhgld.compliance@usda.gov">sfhgld.compliance@usda.gov</a>
Lender Self-Report	<a href="mailto:sfhgld.compliance@usda.gov">sfhgld.compliance@usda.gov</a>
Program Training	<a href="mailto:sfhgld.lenderpartner@usda.gov">sfhgld.lenderpartner@usda.gov</a>
Program Marketing & Outreach	<a href="mailto:sfhgld.lenderpartner@usda.gov">sfhgld.lenderpartner@usda.gov</a>
General Loan Scenario Questions	<a href="mailto:sfhgld.program@usda.gov">sfhgld.program@usda.gov</a>
Loan Policy/Regulation/Handbook	<a href="mailto:sfhgld.program@usda.gov">sfhgld.program@usda.gov</a>
Loan Servicing	<a href="mailto:sfhgld.servicing@usda.gov">sfhgld.servicing@usda.gov</a>
Technical Issues: GUS	<a href="mailto:RD.HD@USDA.GOV">RD.HD@USDA.GOV</a>
Technical Issues: e-Authentication	E-Authentication <a href="https://www.eauth.usda.gov/eauth/h/usda/faq">FAQs: (https://www.eauth.usda.gov/eauth/h/usda/faq)</a> E-Authentication <a href="https://www.eauth.usda.gov/eauth/h/usda/contactus">Contact Us: (https://www.eauth.usda.gov/eauth/h/usda/contactus)</a>
Loss Claims	<a href="mailto:guarantee.svc@usda.gov">guarantee.svc@usda.gov</a>
Monthly & Quarterly Status Reporting	<a href="mailto:rd.infaoc.hsb@usda.gov">rd.infaoc.hsb@usda.gov</a>
GUS User Agreements	<a href="mailto:rd.infaoc.hsb@usda.gov">rd.infaoc.hsb@usda.gov</a>
TOOLS & RESOURCES	
Regulation and Handbook: <a href="https://www.rd.usda.gov/resources/sectors">https://www.rd.usda.gov/resources/sectors</a> Lender Webpage—Turn times, contact information, and helpful links: <a href="https://www.rd.usda.gov/page/sfh-guaranteed-lender">https://www.rd.usda.gov/page/sfh-guaranteed-lender</a> USDA LINC—Training modules, user guides, and more useful resources: <a href="https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library">https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library</a> GovDelivery—Receive notifications regarding origination, servicing, and GUS updates: <a href="https://public.govdelivery.com/accounts/USDARD/subscribe/new">https://public.govdelivery.com/accounts/USDARD/subscribe/new</a>	

- Users should first look for answers to their questions in the regulation and handbook, but if you still have a question after reviewing your resources, we're here to help.
- All policy and regulation questions regarding the topic we just covered should be sent to our Policy, Analysis, and Communications Branch and
- If you would like to request additional program training, contact our Lender and Partner Activities Branch.

The Single Family Housing Guaranteed Lender webpage was specifically designed for our lending partners and includes information such as:

- Current turn times on new loan applications
- Contact information, and
- Links to program resources such as our 3555 Handbook and the [USDA LINC](#) website.
- Also, don't forget to sign up for our GovDelivery email notifications. Rural Development sends out origination, GUS, and servicing messages to alert lenders of new publications, clarifications, and additional program updates.

Thank you for supporting the USDA Single Family Housing Guaranteed Loan Program and America's rural homebuyers!



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1 (800) 800-670-6553

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This will conclude the training module. Thank you and have a great day!