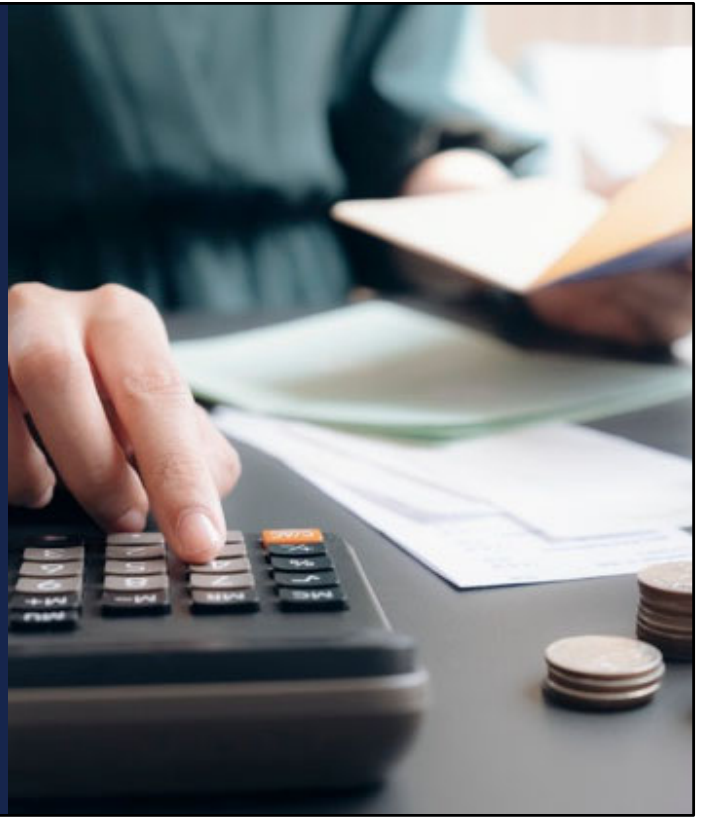


Loan Terms

Single Family Housing Guaranteed Loan Program (SFHGLP)

November 2020



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

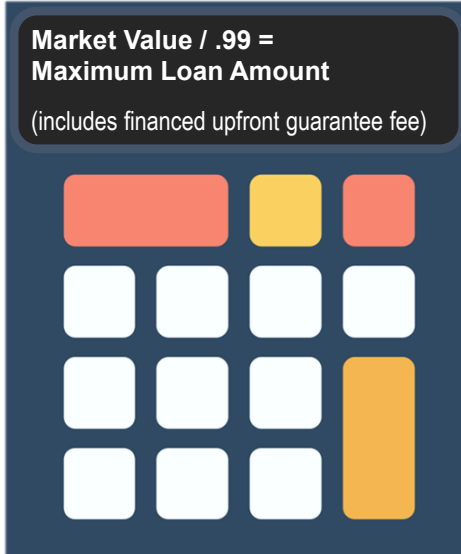


- Single family guaranteed loans must have specific loan terms in order to meet program requirements.
- This module will provide guidance in determining the correct loan amount, interest rate, and loan term parameters for a loan submission.

Maximum Loan Amount

7 CFR 3555.103 & HB-1-3555, Chapter 7.2

- Maximum loan amount is determined by an applicant's income and repayment ability.
- Determined by the fair market value of the property.
- Loan to value can exceed 100 percent of the market value when the upfront guarantee fee is financed.



- An applicant is permitted to finance reasonable and customary expenses associated with purchasing a home if the total amount financed does not exceed the following limits:
 - The applicant's documented repayment ability; and
 - The fair market value of the property.
- It is permissible for the LTV to exceed 100% of the market value if the excess amount represents the financed upfront guarantee fee.
- The maximum loan amount is calculated by dividing the appraised value by .99.
- This results in a loan amount which includes the upfront 1% guarantee fee.

Loan Terms: Interest Rate

7 CFR 3555.104(a) and HB-1-3555, Chapter 7.3B



Maximum interest rate cap was eliminated effective October 1, 2019!

- Lender and the borrower are free to negotiate any mutually acceptable fixed interest rate.
- Rate must be locked by the time of loan settlement.
- Term must be 30 years.



Fixed rates only!

- ⊘ Adjustable Rate Mortgages (ARMs)
- ⊘ Balloon Mortgages
- ⊘ Term ≠ 30 Years
- ⊘ Interest on Interest or Negative Amortization
- ⊘ Prepayment Penalties

- Effective October 1, 2019, the maximum interest rate cap was eliminated.
- The lender and the borrower are free to negotiate a mutually acceptable fixed interest rate.
- The rate must be locked by the time of loan settlement
- Adjustable rate mortgages, Balloon mortgages, loan terms other than 30 years, and negative amortization are ineligible loan terms.

- If the interest rate is not locked at the time the conditional commitment is issued, or if the interest rate increases prior to loan closing, the lender must make note of the increased rate, provide documentation to support the increase, and resubmit the application in GUS.
- Documentation should include an updated loan application and an underwriting analysis to confirm the applicant remains eligible.

- In cases of construction financing, a warehouse lender may charge an interest rate that exceeds the long term note rate.
- Once the construction phase is complete, the rate will revert to a rate no higher than the underlying note rate.

Loan Terms: Repayment Period

7 CFR 3555.104(b) and HB-1-3555, Chapter 7.3A

- Loan term must be 30 years and the loan must fully amortize in that period.
- The promissory note must show regular monthly payments.
- Prepayment penalties are prohibited.



- The loan term must be 30 years and the loan must fully amortize in that period.
- All payments are due and payable monthly.
- Prepayment penalties are not allowed.

LEARNING CHECKS

7 CFR Part 3555 / HB-1-3555



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

QUESTION

Topic

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

TRUE/FALSE or other answer options will be displayed



9

The following question slides will list:

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

ANSWER

Topic

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

X. Correct Response

- Additional guidance for clarification may be provided



10

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 Terms

- A loan application is submitted with an interest rate of 3.25% and the Conditional Commitment was issued reflecting this interest rate.
- The loan closed with an interest rate of 3.75%.
- This loan is ineligible at the higher interest rate.

A. TRUE B. FALSE



12

Read the question on the slide and select a response.

ANSWER

Loan Terms

3555.104 (a)(3) and HB 7.3 B

B. FALSE

- It is the lender's responsibility to ensure the interest rate is eligible at the time of loan closing.
- Interest rates that may result in an adverse effect must be resubmitted.



13

- False.
- It is the lender's responsibility to ensure the interest rate is eligible at the time of loan closing
- Loans closed at a higher interest rate must be documented and resubmitted by the lender in GUS to confirm applicant eligibility before the loan note guarantee may be issued.

QUESTION

Loan Terms

A 15-year term is eligible for a USDA guaranteed loan.

- A. TRUE B. FALSE



14

Read the question on the slide and select a response.

ANSWER

Loan Terms

3555.104(a)(1) and HB 7.3A

B. FALSE

The loan term must be 30 years. Loan terms less than 30 years are unauthorized.



15

- False.
- The loan term must be 30 years.
- The regulation does not authorize shorter terms.

QUESTION

Loan Terms

USDA publishes a daily interest rate for guaranteed loans.

- A. TRUE B. FALSE



16

Read the question on the slide and select a response.

ANSWER

Loan Terms

3555.104(a)(2) and HB 7.3 B

B. FALSE

The interest rate is negotiated between the lender and the applicant.



17

- False.
- The interest rate is negotiated between the lender and the applicant.
- USDA does not establish the interest rate for the guaranteed loan program.

QUESTION

Loan Terms

Which loan term is eligible:

- A. Fixed interest rate
- B. Adjustable interest rate (ARM)
- C. Negative amortization
- D. Balloon mortgage



18

Read the question on the slide and select a response.

ANSWER

Loan Terms

3555.104(b),(c),(d) and HB 7.3 C

A. Fixed interest rate

Adjustable interest rate, negative amortization and balloon mortgages are ineligible loan terms.



19

- Response A.
- Only the fixed interest rate is an eligible term.
- Adjustable rate mortgages, loans that allow for negative amortization, balloon mortgages, and prepayment penalties are ineligible under the guaranteed loan program.

QUESTION

Loan Terms

Purchase price is \$150,000. The loan amount will also include \$2,500 in repairs, \$1,000 in closing costs, and the 1% guarantee fee. The appraised value is \$154,000. The correct loan amount is:

- A. \$155,050
- B. \$153,500
- C. \$154,000
- D. \$155,035



20

Read the question on the slide and select a response.

ANSWER

Loan Terms

3555.103 (a),(b), HB 7.2

A. \$155,050

The loan amount is the total of the purchase price of \$150,000 plus the repairs of \$2,500 and the closing costs of \$1,000 which equals \$153,500.

Including the 1 percent guarantee fee results in a total loan amount of \$155,050.
(\$153,500 divided by .99 = \$155,050)



21

- Response A.
- The loan amount is the total of the purchase price of \$150,000 plus the repairs of \$2,500 and the closing costs of \$1,000 which equals \$153,500.
- Including the 1 percent guarantee fee results in a total loan amount of \$155,050.
(\$153,500 divided by .99 = \$155,050)

QUESTION

Loan Term

The applicant is refinancing their current guaranteed loan and would like to retain the remaining term of the existing loan. The applicant may elect to have the new loan amortized for less than 30 years.

A. TRUE B. FALSE



22

Read the question on the slide and select a response.

ANSWER

Loan Terms

3555.104(b), HB 7.2 A

A. FALSE

The term of the loan must be 30 years at the time of loan closing.



23

- False.
- The repayment period for all guaranteed loans, including refinance transactions, is 30 years with amortized payments that are due and payable monthly.

QUESTION

Loan Term

The upfront guarantee fee may be financed into the loan, paid with a seller contribution, paid with gift funds, or paid by the applicant with their own funds?

- A. TRUE B. FALSE



24

Read the question on the slide and select a response.

ANSWER

Loan Terms

3555.107(g), HB 16.4 A

A. TRUE

The upfront guarantee fee may be financed into the loan amount or paid in full at the time of loan closing.



25

- True.
- An upfront, nonrefundable guarantee fee is charged to the lender and the cost may be passed on to the borrower.
- The fee may be financed into the loan amount or paid for in full at the time of loan closing with funds available to the applicant or by the seller.

QUESTION

Loan Term

The maximum loan amount for a SFHGLP loan is:

- A. 100 percent of the appraised value plus the upfront guarantee fee
- B. 100 percent of the purchase price



26

Read the question on the slide and select a response.

ANSWER

Loan Terms

3555.104(b), HB 7.2 A

A. 100 percent of the appraised value plus the upfront guarantee fee

The maximum loan amount is based on the appraised value and may also include the upfront guarantee fee.



27

- Response A.
- The maximum loan amount is based on the fair market value of the property.
- The loan to value may exceed 100 percent of the appraised value when the upfront guarantee fee is financed.
- Any excess difference between the appraised value and the sales price may be used to finance closing costs and eligible repairs.

Way to Go!

**LEARNING CHECK
COMPLETED!**



28

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 Loan Terms.
- Complete program requirements and guidance on this topic can be found in 7 CFR Part 3555, Subpart C, Sections 3555.103 and 3555.104 and Chapter 7 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
File-Specific Questions Information to include in email: <ul style="list-style-type: none"> Identify the state the application is located; if applicable; Provide applicant's name and USDA borrower ID, if applicable; GUS loan number, if applicable Include contact information; and Indicate if you would like a call back (otherwise you will receive an email reply) 	Production Team One: SFHGLPONE@usda.gov AK, AL, AZ, CA, CO, GU, HI, IA, ID, KS, MT, NM, NV, OR, SD, TX, UT, WA, WI, WY, WY Production Team Two: SFHGLPTWO@usda.gov AR, KY, LA, MN, MO, MS, ND, NE, NJ, NY, OK Production Team Three: SFHGLPTHREE@usda.gov CT, DE, GA, IL, MA, MD, ME, MI, NC, NH, RI, SC, VT, WV Production Team Four: SFHGLPFOUR@usda.gov FL, IN, OH, PA, PR, TN, VA, VI
Lender Approval/Recertification	
Lender Self-Report	sfhgld.compliance@usda.gov
Program Training	
Program Marketing & Outreach	sfhgld.lenderpartner@usda.gov
General Loan Scenario Questions	
Loan Policy/Regulation/Handbook	sfhgld.program@usda.gov
Loan Servicing	sfhgld.servicing@usda.gov
Technical Issues: GUS	RD.HD@USDA.GOV
Technical Issues: e-Authentication	E-Authentication FAQs: (https://www.eauth.usda.gov/eauth/h/usda/faq) E-Authentication Contact Us: (https://www.eauth.usda.gov/eauth/h/usda/contactus)
Loss Claims	guarantee.svc@usda.gov
Monthly & Quarterly Status Reporting	
GUS User Agreements	rd.infaoc.hsb@usda.gov
TOOLS & RESOURCES	
Regulation and Handbook: https://www.rd.usda.gov/resources/girective Lender Webpage—Turn times, contact information, and helpful links: https://www.rd.usda.gov/page/1fh-guaranteed-lender USDA LINC—Training modules, user guides, and more useful resources: https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library GovDelivery—Receive notifications regarding origination, servicing, and GUS updates: https://public.govdelivery.com/accounts/USDARD/subscribe/new	

- 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!



www.rd.usda.gov
1 (800) 800-670-6553

USDA is an equal opportunity provider, employer, and lender.



34

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