

CHAPTER 3: APPLICATION PROCESSING

3.1 INTRODUCTION

This chapter describes the process of accepting and managing applications, up to the point that an applicant is selected for processing. This includes pre-qualifying potential applicants, taking and reviewing applications, and selecting applications for processing.

SECTION 1: PRE-QUALIFICATION

3.2 OVERVIEW

Pre-qualification involves using unverified information to evaluate the likelihood that a potential applicant, someone who is interested in the program but has yet to submit an application for assistance, would be program eligible. The results of pre-qualification are not binding and will not hinder the submission of an application. A potential applicant with possible obstacles to program eligibility may submit an application and a potential applicant who appears program eligible is not guaranteed that a loan will be made.

Pre-qualification, which is supported but not required, serves as an opportunity to:

- Explain the program and the application process;
- Determine the likelihood of eligibility based on income and other factors;
- Calculate the likely maximum loan amount; and
- Encourage the early completion of homeownership education for maximum benefit.

The Loan Originator should make clear to the potential applicant the purposes of prequalification, that the pre-qualification results are not binding, and pre-qualification is different than the submission of a formal application.

3.3 PROCEDURES FOR PRE-QUALIFICATION



The Loan Originator should provide consistent pre-qualification counseling for all potential applicants. Refer to Attachment 3-F for guidance on how to address negative pre-qualification results. **Again, the pre-qualification process does not apply to someone who has already submitted an application. Submission of an application triggers disclosure and official Agency action requirements.**

A. Describe the Program

During the course of the pre-qualification review, the Loan Originator should provide as much information as possible about how the program works. Although this information will be repeated during the course of the application and loan approval process, it is important for the potential applicant to begin to understand how the program works and the steps that will be required to obtain a loan.

B. Gathering Basic Eligibility and Financial Information

Pre-qualification provides an opportunity to consider whether the potential applicant appears to meet the basic eligibility requirements described in detail in Chapter 4. The Loan Originator should enter the information provided by the potential applicant in UniFi as well as their observations on the potential applicant's diversity (race, ethnic group, etc.) if reliable, register the pre-qualification following the instructions in the DLOS Training Manual, and counsel the potential applicant about the following requirements and restrictions.

- **Creditworthiness.** The Loan Originator should advise potential applicants about the Agency's credit history standards including the ramifications of delinquency on a federal debt. To aid in this discussion, the Loan Originator may order an in-file credit report provided the potential applicant has signed Form RD 3550-1, Authorization to Release Information. The Loan Originator can also check the Department of the Treasury's Do Not Pay (DNP) portal and check the applicant's social security number against Agency records by using MortgageServ's "SSN CROSS REFERENCE" softlink key. If the softlink key is not available in the softlink key box, contact your ISSS-POC.
- **Citizen or qualified alien.** The Loan Originator can ask potential applicants about their citizenship status and, for qualified aliens, inform them of the documentation that will be required when an application is submitted.
- **Identity Information.** The Loan Originator should explain to potential applicants the documentation required to verify identity when an application is submitted.
- **Requirement to occupy the dwelling.** The Loan Originator should explain that the dwelling must serve as a borrower's primary residence, and confirm that the potential applicant intends to use the loan for this purpose.
- **Financial information.** The Loan Originator should obtain information from the potential applicant about household members, income, expenses, and debt in order to make a pre-qualification determination of income eligibility and repayment ability.

C. Using UniFi to Calculate the Maximum Loan Amount


Once pre-qualification data is entered, UniFi computes the maximum loan amount for which the potential applicant would qualify using standard loan terms, and using any adjustments to the standard terms for which the potential applicant appears to qualify. (See Paragraph 6.16 B. for a full discussion of adjustments to the standard terms.)

When completing the pertinent screens in UniFi, the Loan Originator may want to consider a leveraged loan arrangement if the potential applicant is working with or has already completed an application to another funding source prior to making a pre-qualification inquiry with the Agency.

The Loan Originator should refer potential applicant to entities offering affordable housing products, such as grants, forgivable loans, deferred payment loans and below-market interest rate loans when such funding sources are available in the local area. In order to receive the benefits of a leveraged loan, the loan must meet the provisions set forth in Chapter 10 which provides detailed information about leveraged loans.

D. Discussing Pre-Qualification Results

The Loan Originator should generate the Eligibility Summary from UniFi to assist in the discussion with the potential applicant. The Loan Originator should always emphasize that the results of the pre-qualification review are unofficial and that the outcome may change when information is verified. For potential applicants in the following 4 categories, additional counseling is appropriate.

	<p>Pre-Qualification Review</p> <p>Regardless of the outcome of the pre-qualification review, all potential applicants must be offered an opportunity to complete an application.</p>
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1. Over-income Applicants

Potential applicants with household incomes above the low-income limit should be informed about options available for those with moderate-income (assumed loan, purchase of a REO property, a Guaranteed Rural Housing loan, and other credit).

2. Low Estimated Maximum Loan Amounts

If the loan amount for which the potential applicant appears to qualify is not sufficient to purchase a modest, decent, safe, and sanitary house in the area, the Loan Originator should counsel the potential applicant about the need for additional resources, such as other sources of subsidized funds, increased household income, reduced household debt, and the possibility of adding additional parties or a co-signer to the note. See Paragraph 4.24 for a detailed discussion of other considerations related to maximum loan amounts.

3. Candidates for Financing with Private Credit

If a potential applicant's credit history, income (i.e. they appear to be above the very low-income limit), assets, and lack of apparent need for payment assistance indicate that they should be able to qualify for a GRH loan or private financing, the Loan Originator should ask whether an attempt to obtain such financing has been made. If not, potential applicants should be informed that they should attempt to obtain other credit.

4. Unacceptable Credit and/or Lack Repayment Ability

If a potential applicant's credit appears unacceptable based on an in-file credit report or from information supplied by the potential applicant; or it appears the potential applicant lacks repayment ability for a loan, the Loan Originator should counsel the potential applicant. If the pre-qualification was not conducted face-to-face or over the telephone, the Loan Originator should use Handbook Letter 19 (3550), Pre-qualification Review, as a way to prompt the opportunity to counsel the potential applicant in ways to correct these problems. The Loan Originator may encourage the potential applicant to seek credit counseling or a homeownership education course but should **NEVER** discourage the potential applicant from submitting an application.

SECTION 2: HOMEOWNER EDUCATION

3.4 HOMEOWNER EDUCATION REQUIREMENT [7 CFR 3550.53(i)]

The Agency requires applicants who are first-time homebuyers complete homeowner education training as early in the application process as possible since the training will prepare them for shopping, buying, financing, and owning a home. While the training should be completed by the applicant prior to them entering into a contract to purchase or construct a home, the applicant should be encouraged to take the training as soon as they express an interest in homeownership (e.g. when they call inquiring about the program or apply for a loan) for maximum benefit.

A. State Director Assessment of Homeowner Education [7CFR 3550.11]

The State Director will make an assessment by area of the availability of certified homeownership education providers in their respective states. A list of providers will be maintained by the State Office, including the reasonable costs, if any, to the participant.

The order of preference for homeownership education formats is as follows:

- Classroom, one-on-one counseling, or interactive video conference.
- Interactive home-study or interactive telephone counseling of at least four hours duration.
- Online counseling.

A lower preference homeownership education format may be used when a higher preference format is not reasonably available in the local area, which is determined by factors such as distance, travel time, geographic obstacles, and cost.

In order to be included on the list, the provider must have a certificate of completion process and homeownership education counselors that are certified by any of the following:

- The Department of Housing and Urban Development (HUD);
- NeighborWorks America (NWA);
- The National Federation of Housing Counselors (NFHC);
- National American Indian Housing Council (NAIHC); or
- The State Housing Finance Agency or other qualified organization approved by the State Director.

In addition, the State Director may include homeowner education provided by USDA Cooperative Extension System staff.

Online homeownership education courses offered and accessible on a national, non-state specific basis, will be reviewed and approved by the National Office. This is not intended to endorse a particular online course but to have a process by which these types of online courses will be evaluated in a uniform manner for usage by all states. A State Director may assess a state specific online course for inclusion in their list of providers. However, a state specific online course will be limited to third preference unless prior approval from the National Office authorizes a higher preference.

Where there is a fee charged to the applicant for homeownership education, the State will also assess commonly used resources of funding for the applicant to pay for their homeownership education. In addition, organizations that provide free homeownership education will be identified, and applicants will be referred to the free training first in all States.

The provider will issue a letter or certificate of completion to document that the applicant has satisfactory knowledge of these minimum topics:

- Preparing for homeownership (evaluate readiness to go from rental to homeownership)
- Budgeting (pre- and post-purchase)
- Credit counseling
- Shopping for a home
- Lender differences (predatory lending)
- Obtaining a mortgage (mortgage process, different types of mortgages)
- Loan closing (closing process, documentation, closing costs)
- Post-occupancy counseling (delinquency and foreclosure prevention)
- Life as a homeowner (homeowner warranties, maintenance and repairs)

Generally speaking, a valid letter or certificate of completion of homeownership education that is less than two years old at date of loan closing will be considered acceptable. When appropriate, the provider may tailor the homeownership education training to the needs of the applicants, while ensuring satisfactory knowledge of the minimum required homeowner education topics. For example, if an applicant has already executed a purchase and sale

Paragraph 3.4 Homeowner Education Requirement


agreement on a house, the provider may decide after conference with the applicant, to condense or omit the homeownership education section on “shopping for a home”.

B. Providing Homeownership Education Information to the Applicant

The Loan Originator must ensure that applicants who are first-time homebuyers complete homeowner education training as early in the application process as possible. Applicants should be instructed to complete the training prior to entering into a contract to purchase or construct a home for maximum benefit. In addition, the Loan Originator must assist the applicant by providing the list of approved local homeowner education providers to the applicant along with Attachment 3-J.

The list of approved local providers will also include eHome America, Framework, and Utah State University Extension. eHome America is a nationally approved online homeownership education provider with first preference format. Registration for this course is through <http://ehomeamerica.org/usda> and costs \$75. Framework and Utah State University Extension are nationally approved online homeownership education providers with third preference format. Registration for Framework is through <http://www.frameworkhomeownership.org/> and costs \$75. Registration for Utah State University is through <https://extension.usu.edu/hbe/homebuyer-coursecertificate/index> and costs \$60 for the applicant and \$5 for a co-applicant.

The applicant must be informed that should there be a fee for the homeowner education course selected and there are no other sources for payment, the fee may be added to the loan amount at loan closing. (See Paragraph 6.4 Fees and Related Costs.) The applicant should be advised that if they do not close on their loan, they will still be responsible for the homeownership education fee.

	<p>Consistency Is Key</p> <p>Be sure to use consistent procedures when providing information to ALL applicants.</p>
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C. Exception Provision

The State Director may grant an exception to the homeownership education requirement for individuals in geographic areas where certified homeownership education is not reasonably available in the local area. However, a conservative approach to the exception provision is recommended, as generally, all efforts are encouraged to have applicants undertake homeownership education early in the homeownership process to gain maximum benefit. Whether such homeownership education is “reasonably available” will be determined based on an assessment of factors including, but not limited to: distance, travel time, geographic obstacles, and cost. On a case-by-case basis, the State Director may grant an exception to the homeownership education requirement, provided the applicant documents a special need such as a disability that would impede completing a homeownership course in the above mentioned formats listed in Paragraph 3.4 A.

SECTION 3: APPLICATIONS [7 CFR 3550.55]

3.5 BEGINNING THE APPLICATION PROCESS

An interested party can begin the application process by:

- Requesting that the Agency mail or email them an application or they can obtain one in person at any Field Office. When mailing or handing off an application, the Field Office will also provide Attachment 3-D and Attachment 3-J, which is a checklist of items that should accompany the application when submitted by the interested party.
- Applying online. To apply online, an interested party must first register to obtain a USDA eAuthentication identification and password.
<http://forms.sc.egov.usda.gov/eForms/welcomeAction.do?Home>
- Engaging the service of a loan application packager. Loan application packagers, who are separate and independent from the Agency, provide an optional service to parties seeking a housing loan by helping them navigate the loan application process.

The Agency supports partnerships with loan application packagers since packagers can provide outreach and presence in counties where a Field Office is not located; assist the Agency in reaching very low-income applicants; promote the program in underserved areas; prescreen potential applicants; counsel potential applicants on how to improve their ability to qualify for a home; ensure that applications are complete and accompanied by the supporting documentation needed for the Agency's decision; and give applicants insight into the Agency's application process and regulations. Attachment 3-A provides processing guidance for Field Offices and packagers.

3.6 APPLICATION RECEIPT AND CASE FILE SETUP

Applications must be date stamped immediately upon receipt. This date must be entered on the "Application received on" line on page 8 of Form RD 410-4, Uniform Residential Loan Application, and in the "Date Application Received" field in UniFi. Applications must also be reviewed within 3 business days after receipt to determine if the Loan Estimate disclosure requirement was triggered (see Paragraph 3.8) and to determine if items are missing.


A. Missing Items

The Loan Originator should contact the applicant after reviewing the application to obtain any missing items. Handbook Letter 11 (3550), Request Information, should be sent to the applicant requesting the missing items and stating that their application will be withdrawn if the missing information is not received within 15 days.

Paragraph 3.6 Application Receipt and Case File Setup

B. Case File Setup

The Loan Originator should promptly setup the case file by:

- **Entering data.** Information from the application should be entered in UniFi. If an applicant went through pre-qualification, much of the information should already be in the system. If the information provided on the application is different from the information provided at pre-qualification, the appropriate UniFi fields should be updated.
- **Establishing the electronic and/or hardcopy case file.** The applicant's case file should be established according to RD Instruction 2033-A. For subsequent loans, the new documentation should be added to the existing case file. 
- **Beginning the required Single Family Housing Checklist.** Use Attachment 3-G, 502 Single Family Housing Checklist, for Section 502 loan applications and Attachment 12-C, 504 Single Family Housing Loan & Grant Checklist, for Section 504 loan/grant applications. States may add additional page(s), subject to prior approval from the National Office, to reflect required processes related to state laws. The checklists are required and intended as a processing aid for field staff.

The application is a working document. Whenever revised or verified information is received, the appropriate UniFi field should be updated. At loan closing, a final application will be generated to reflect the updated information gathered during the course of the loan approval process.

3.7 COMPLETE APPLICATION

An application is considered complete when an applicant, loan application packager, or Agency-approved intermediary submits a fully completed and signed uniform residential loan application and all the applicable items listed in Attachment 3-J. Upon receipt of these items, the Loan Originator should perform the necessary verifications and make an eligibility determination recommendation. If the application package does not contain a written explanation of derogatory credit, assume its absence is acceptable (at least initially). In the event that derogatory credit appears on the tri-merge credit report and an explanation was not provided with the application, then an explanation may be requested.

In place of Form RD 410-4, a current industry standard application form may be accepted when accompanied by the Agency's supplemental pages (6-10) of Form RD 410-4. Once complete, the date must be entered on the "Application completed on" line on page 8 of Form RD 410-4 and in the "Application Complete Date" field in UniFi. It is important that this date be correct because it is used to track priority for processing.

Once a complete application is received, the application will be reviewed for eligibility within 30 days. If the applicant is not eligible, the Loan Approval Official will deny the application. If the applicant is determined eligible, the Loan Originator will determine if funding is available, using guidance outlined in Section 4 of this chapter, prior to issuing a Certificate of Eligibility (COE). Only eligible applicants will be placed on the waiting list in the event funding is not available.

3.8 COMPLIANCE WITH OTHER FEDERAL REQUIREMENTS

A. Truth in Lending Act (TILA) and Real Estate Settlement Procedures Act (RESPA) Integrated Mortgage Disclosures

The Truth in Lending Act and Real Estate Settlement Procedures Act Integrated Mortgage Disclosures (TRID) rule, issued by the Consumer Financial Protection Bureau (CFPB), integrates the disclosure requirements associated with the individual TILA and RESPA regulations. This regulation is intended to simplify the disclosures associated with a mortgage loan transaction and assist consumers understand the cost of credit and the difference of such cost among creditors. TRID requires lenders to provide applicants with pertinent and timely disclosures of the nature and costs of the real estate settlement process, these disclosures are the Loan Estimate and the Closing Disclosure. Any loan, including a Section 504 loan, is subject to TRID if a security interest will be taken on the property.

1. Initial Disclosures: Loan Estimate, Written List of Service Providers and Special Information Booklet

A loan application for TRID purposes is the submission of the following information: (1) applicant's name, (2) applicant's monthly income, (3) applicant's social security number to obtain a credit report, (4) property address, (5) an estimate of the value of the property, and (6) mortgage loan amount sought.

When an application as defined by TRID is received, the following initial disclosures must be provided to the applicant within 3 business days of receiving the application but no later than 7 business days before loan closing:

- Handbook Letter 5 (3550), Cover Letter to Truth in Lending Disclosure;
- CFPB's standard Loan Estimate;
- Attachment 3-I, Settlement Service Providers List and Mortgage Loan Application Related Disclosures; and
- CFPB's "Your home loan toolkit: A step-by-step guide".

Paragraph 3.8 Compliance With Other Federal Requirements

Business days for Loan Estimate purposes are Monday-Friday. If the initial disclosures are not provided to the applicant in person, the applicant is considered to have received the disclosures 3 business days after they are delivered or placed in the mail. The terms of the Loan Estimate are binding for at least ten (10) business days from when it is issued, subject to tolerances and changed circumstances, unless a revised Loan Estimate is issued before settlement or the Loan Estimate expires.

TRID establishes variation limitations between the charges disclosed in the Loan Estimate and the final charges listed in the Closing Disclosure. **All lender charges, including fees paid to a packager or qualified intermediary, which are imposed on a consumer must be disclosed whether financed, paid by the buyer, paid by the seller, or paid by a third party.** Closing costs are divided into charges that cannot increase (Zero Tolerance), charges that in total cannot increase more than ten percent (10% Tolerance), and charges that can change (Not Subject to Tolerance). When the charges in the Closing Disclosure exceed the tolerance thresholds, the Loan Estimate is not considered to have been provided in good faith and the Agency is required to reimburse to the borrower the amount by which the tolerance was exceeded. The Loan Originator is responsible for issuing accurate and timely TRID disclosures.

The Loan Estimate cannot be revised and reissued unless changed circumstances occur. “Changed Circumstances” is defined by regulation as: (1) An extraordinary event beyond the control of any interested party or other unexpected event specific to the consumer or transaction; (2) Information specific to the consumer or transaction that the creditor relied upon when providing the required disclosures and that was inaccurate or changed after the disclosures were provided; or (3) New information specific to the consumer or transaction that the creditor did not rely on when providing the original disclosures.. In the event changed circumstances occur, the Loan Originator must send the revised Loan Estimate within 3 business days of receiving the information that established the change but no later than 7 business days before closing. Only those fees impacted by the changed circumstance may change and supporting documentation must be retained in the case file for no less than three years after settlement. A revised Loan Estimate cannot be provided on or after the date of the Closing Disclosure.

The Loan Estimate, which gives a preliminary indication of the amount of escrow required, does not explain the concept of escrow. During the applicant orientation, escrow will be explained and the Agency’s requirements will be outlined.

2. Final Disclosure: Closing Disclosure

Under the TRID regulation, creditors must ensure the consumer receives the Closing Disclosure at least 3 business days before loan consummation. The mailbox rule states that if a disclosure is not provided to the consumer in person, the consumer is considered to have received the disclosure 3 business days after it was delivered or placed in the mail. Business days for Closing Disclosure delivery are all calendar days except Sundays and legal public holidays.

“Consummation” occurs when the consumer becomes contractually obligated to the creditor. Although consummation may commonly occur at the same time as closing or settlement, it is a legally distinct event that is not the same thing as closing or settlement.

While the closing agent/attorney will complete the Closing Disclosure, the Agency is ultimately responsible for meeting the accuracy and delivery requirements of this form. The appropriate Agency staff will review the Closing Disclosure prepared by the closing agent and, if correct, will proceed (or authorize the closing agent/attorney) to provide the disclosure to the applicant within the timeframe provided by the law.

If there is more than one applicant involved in a transaction, the Closing Disclosure may be provided to any applicant with primary liability on the obligation for purchase transactions. However, for transactions with a rescission period, the Closing Disclosure must be given separately to each applicant who has the right to rescind under the regulation.

The Agency must redisclose the terms and costs on the Closing Disclosure if certain changes occur to the transaction after the Closing Disclosure was first provided to the applicant and that cause the disclosures to become inaccurate. Revising the Closing Disclosure after it has been provided to the applicant may require an additional 3 business day waiting period prior to consummation.

B. Truth in Lending Act

The Truth in Lending Act (TILA) is intended to assist consumers understand the cost of credit and the difference of such cost among creditors. The Agency is required to issue a Truth in Lending Statement disclosing specific information about the terms and costs of the loan for all unsecured Section 502 or 504 loan transactions. The Annual Percentage Rate (APR) is one of the key components of the truth in lending statement and it represents the cost of the credit expressed as a percentage. For loans where a security interest will not be taken on the property, Form RD 1940-41, Truth in Lending Statement, must be issued within 3 business days of receiving a complete application as defined above. If the APR varies by more than one-eighth of a one percent at the loan closing, the Truth in Lending Statement must be re-issued using the actual terms of the transaction.

C. Fair and Accurate Credit Transaction Act

In accordance with the Fair and Accurate Credit Transactions Act of 2003, the Agency is required to disclose to the applicant, upon request, the score that a credit bureau distributed and was used in connection with their loan. In addition, the Agency is required to disclose the key factors affecting the applicant’s credit scores. Therefore, Attachment 3-H, Credit Score Disclosure, must be provided to the applicant when the credit report fee is collected. It must be explained to the applicant that the credit score will not be used to determine loan approval but only to presume acceptable credit in lieu of other credit underwriting practices.

D. Equal Credit Opportunity Act (Regulation B)

The Equal Credit Opportunity Act (ECOA) of 1974 prohibits creditors from discriminating against credit applicants who are members of a protected class (as discussed in Chapter 1).

Regulation B, which implements the provisions of the ECOA, outlines the rules lenders must adhere to before, during, and after an application for credit is received and evaluated. Agency activities covered under Regulation B include, but are not limited to: information and documentation requirements, verification procedures, how standards to determine creditworthiness are used, actions taken on the application, modification of credit terms, and collection procedures. The application processing procedures prescribed in this handbook take into consideration the various provisions and requirements outlined in Regulation B, including the notification requirements. Following these procedures and using consistency when processing Section 502 and 504 loan applications ensures compliance with this regulation.

Under Regulation B, lenders are required to provide loan applicants a written notification of their right to receive a copy of the appraisal report and deliver such appraisal in a prompt manner but no later than 3 business days before closing.

To comply with this requirement, the Loan Originator must provide the following:

- **Notification of Right to Receive a Copy of the Appraisal:** The Agency is required to provide to the applicant a written notification of the applicant's right to receive a copy of all written appraisals, or any other acceptable valuation, developed in connection with a mortgage application to be secured by a first lien on a dwelling. The appraisal notification, which is included in Attachment 3-I, must be issued within 3 business days of receiving a loan application with a specific property to be financed. Providing Attachment 3-I along with pertinent TRID disclosures meets the appraisal notification requirement.
- **A Copy of the Appraisal:** In accordance with Regulation B, and as stated in the appraisal notification, the Agency must provide to the applicant a copy of the appraisal, or any other written valuation, promptly upon completion but not later than 3 business days prior to closing, whichever is earlier. For the Agency's purposes, upon completion occurs when the Loan Approval Official has reviewed the appraisal and made the lending decision. If the loan application is approved without using the subject to appraisal allowance, the Loan Originator should provide a copy of the appraisal along with Form RD 3550-7, Funding Commitment and Notification of Loan Closing; if the application is rejected, it should be sent along with Handbook Letter 15 (3550), Standardized Adverse Decision Letter, or Handbook Letter 17 (3550), Adverse Decision Involving an Appraisal, whichever is applicable. If the loan application is approved using the subject to appraisal allowance (which is

permitted throughout the fiscal year provided the appraisal is completed within 30 days from the obligation date), the applicable box on Form RD 3550-7 must be checked and a copy of the appraisal must be promptly provided to the applicant once it is received, reviewed, and accepted by the Agency. Applicants do not have to request a copy of the appraisal to receive one. If there is more than one applicant, the Loan Originator may send a copy of the appraisal to only one applicant.

3.9 WITHDRAWING AND REJECTING APPLICATIONS



An applicant can withdraw an application at any time by writing or calling the Field Office. The Agency may withdraw the application if the applicant fails to respond to the Agency's written request for information in a timely fashion. In most cases, as specified in this handbook, the response time is 15 days. However, in some situations such as obtaining bids for repair work, a longer timeframe may be warranted. In these limited situations, the response time will be up to 30 days. All letters to applicants requesting information must clearly indicate that the application will be withdrawn if the appropriate information is not provided within the specified time frame.

When an applicant is rejected, they must be informed, in writing, of the adverse decision and their review and appeal rights. All reasons for the rejection must be clearly documented. Applicants who are over the low-income but within the moderate-income limit should be issued Handbook Letter 1 (3550), Moderate Income Options.

Once an application has been withdrawn or rejected, an applicant who wishes to reapply must complete a new application form. The Loan Originator should record in UniFi that the application has been withdrawn or rejected. The case file should be placed in the inactive file. Only in the following situations can an application be reopened:

- If the National Appeals Division has overturned the rejection of an application;
or
- The Loan Approval Official has reviewed and reconsidered the rejection of an application.

In these situations, Attachment 3-E must be completed and forwarded to the Customer Service Center, Field Assistance Desk, for processing.

SECTION 4: SELECTION FOR PROCESSING

3.10 OVERVIEW

In general, applications are processed on a first-come, first-served basis. However, if available funding is not sufficient for all eligible applications, the Loan Originator selects applications for processing using the priorities described in Paragraph 3.13. This section discusses the appropriate actions to take to notify applicants of their status and select applications for processing in the proper order.

3.11 DETERMINING WHETHER FUNDS ARE AVAILABLE

The Loan Originator must determine whether funds are available before proceeding with further processing. Loan Originators will review the number of applications on hand in UniFi at least quarterly. A sufficient number of applications will be reviewed and Certificates of Eligibility will be issued, as appropriate, based on expected state and national funding availability by income category over the next 90 days. The Loan Approval Official may use historical data, but generally the number of outstanding Certificates of Eligibility will not exceed 150 percent of the expected funding. State Directors will issue State Supplements to provide guidance about how many applications should be processed based on available funding levels.



A. Regular Funding

Nationwide, at least 40 percent of Section 502 loan funds must be allocated to very low-income households. Since each State meets this goal in different ways, Loan Originators also may have to consider the guidance provided through State Supplements in determining whether funds are available for the applicant's income category.

In rare situations, the funds available may be less than the amount for which the applicant is eligible. If this occurs, it is important to follow consistent procedures. An example of a possible procedure is provided in Exhibit 3-1.

Exhibit 3-1



**Procedures if Funds are Inadequate
for the Next Applicant on the Waiting List**

Applicant A is next on the waiting list and qualifies for a \$175,000 loan. Applicant B is eligible for a \$140,000 loan. The funds available are \$145,000.

- Call State Office to ask for more funds.
- Document the results of this conversation. If no more money is available, offer Applicant A \$145,000.
- If Applicant A accepts, proceed.
- If Applicant A does not accept, go to Applicant B and keep Applicant A at the top of the waiting list for the next available funds.

B. Special Funding

Each year the National Office may designate funds to address special high-priority needs identified by the Agency. If an applicant falls into one of those high-priority needs areas and funds are available, the application can be processed immediately. For example, in a year in which funds have been set aside to target a particular geographic area, an application from a household willing to seek a property in that area could be processed ahead of other applications.

Information about funds available for high-priority needs are distributed to Field Offices through State Supplements, based on guidance from the National Office through RD Instruction 1940-L.



3.12 IF FUNDING IS NOT AVAILABLE

If funds are insufficient to proceed processing an application from an applicant who has been determined eligible, the applicant should be notified using Handbook Letter 2 (3550), Funds Not Available that they have been determined eligible, but funding is not currently available. The letter should indicate the expected waiting time before funding will become available to the applicant, given the applicant's priority status.


When funds are not readily available to obligate a loan request from an eligible applicant who has already been issued a Certificate of Eligibility and/or who has identified a property, Field Offices should issue Handbook Letter 4 (3550), Funds Not Available – Certificate of Eligibility/Identified Property.

3.13 SELECTING APPLICATIONS FOR PROCESSING

If funding is available, applicants must be selected for processing in the proper order, and notified of the actions they must take. Consideration should be given to funding available from both the state allocation and national reserves.

A. Selection Procedures

If a Field Office has a backlog of unprocessed applications, when funding becomes available, a list of unprocessed applications should be generated from UniFi. The Loan Originator must select applications for processing based on each applicant’s priority and the date the

	<p>Documenting Proper Selection Procedures</p> <p>Always retain a hard copy of the waiting list when applicants are selected for processing.</p>
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application was determined complete as outlined in Paragraph 3.7. The number of applications selected will be determined based on guidance from the State Director.

Whenever applicants are selected for processing, a hard copy of the waiting list should be printed and placed in an operational file to document that the applications were processed in the correct order. This is important because the electronic files will be overwritten, leaving no documentation to verify that proper procedures were followed.

B. Processing Priorities

When funding is not sufficient to fund all applications, a priority system is used to ensure that applicants who meet the priorities established for the program are selected for processing first. The priority system is used only to determine the order in which applications will be processed. Once applicants are selected for processing, the order in which they actually receive funding will depend on how long it takes to conduct all required verifications and how long it takes the household to locate a property. Attachment 3-C provides a case study that illustrates the use of priorities in selecting applicants for processing.

The Agency gives processing priority to applicants who have an especially serious need for immediate assistance and for loans that are to the Agency’s benefit. Applicants with higher priorities must be processed before those with lower priorities. Applicants who do not qualify for any priority should be processed only when no applications with a priority remain unprocessed. Within each priority category, applications should be processed in the order they are considered complete. The types of priorities are described below.

1. First Priority: Subsequent Loans to Correct Health and Safety Hazards

Current Agency borrowers who request subsequent loans to correct health and safety hazards will be selected for processing first.

2. **Second Priority: REO Property or Transfer of Agency-Financed Property**

Applicants interested in obtaining loans for purposes that are in the Agency's interest, but that do not directly involve removing hazards in a security property, will receive second priority for processing. These are loans related to the sale of Real Estate Owned (REO) property and loans related to the transfer and assumption of property owned by a program borrower.

3. **Third Priority: Hardships**

Applicants facing housing-related hardships will receive third priority for processing. Hardship circumstances include living in deficient housing for more than 6 months. Deficient housing is defined as a dwelling that lacks complete plumbing, lacks adequate heating, is dilapidated or structurally unsound, has an overcrowding situation that will be corrected with loan funds, or is otherwise uninhabitable, unsafe, or poses a health or environmental threat to the occupant or others. To retain the hardship designation, the resulting loan must eliminate the deficient housing issue which existed at the time of the application. Other hardship circumstances include current homeowners in danger of losing a property through foreclosure due to circumstances beyond their control, and other circumstances determined appropriate by the State Director on a case-by-case basis.



Example - Deficient Housing Scenario

The Smiths are an 8 person household currently living in a 2 bedroom apartment. They qualify for hardship processing because they are overcrowded with more than 2 people per bedroom. In order to retain the hardship priority, they would need to purchase a property (4 or more bedrooms) which corrects the overcrowding condition.

If the Smiths selected a 3 bedroom property, they would no longer qualify for the hardship processing/funding priority. However, assuming the dwelling meets the property requirements, a loan could be made on the dwelling when funds become available under the fifth/general priority, as the Agency has no minimum square footage requirement (other than requiring that a manufactured home have a floor area of 400 square feet or more) and no minimum number of bedroom requirement based on household size.

Paragraph 3.13 Selecting Applications for Processing

4. Fourth Priority: Loans that Bring in Additional Resources

In order to use the Agency’s limited resources most effectively, applicants who will obtain part of their funding elsewhere through a leveraging arrangement, who will contribute sweat equity through an Agency-approved Mutual Self-Help project, or who submitted their application through the certified loan application packaging process via an Agency-approved intermediary will receive fourth priority. To qualify for the priority as a leveraged loan, the leveraging arrangement must bring in supplemental funding that reduces the amount otherwise needed from the Agency by at least 20 percent when the supplementary funding is an affordable housing loan or by at least 15 percent when the supplementary funding consists entirely of grants, forgivable loans or deferred payment loans. Applications received via the Mutual Self-Help or the certified loan application packaging process via an Agency-approved intermediary need not have supplemental funding in order to qualify for this priority.

C. Veteran’s Preference

If applicants with equivalent priority status apply for assistance on the same day, applicants qualifying for a veteran’s preference will receive priority processing. Applicants are eligible for a veteran’s preference if they were discharged or released (except for a dishonorable discharge) from the active forces of the United States Army, Navy, Air Force, Marine Corps, or Coast Guard **and** served in active duty during one of the periods listed in Exhibit 3-2, or are the family of a service person who died in service during any of those periods.

<p>Exhibit 3-2</p> <p>Service Dates for Veteran’s Preference</p> <ul style="list-style-type: none"> • April 6, 1917 through March 31, 1921 • December 7, 1941 through December 31, 1946 • June 27, 1950 through January 31, 1955 • A period of more than 180 days, any part of which occurred after January 31, 1955, but on or before May 7, 1975 • August 2, 1990 through January 2, 1992 • Any other prescribed by Presidential proclamation or law
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D. Notifying Applicants Who Are Selected for Processing

When funds are available, applicants selected for processing will be sent Handbook Letter 11 (3550), Request Information, if updated and/or additional information is needed which may have expired since the eligibility determination.



Paragraph 4.3 E. describes the required verifications in detail. If an applicant fails to provide the needed information within 15 days, the application will be withdrawn.

Applicants who provide the required information, but cannot be funded that quarter, should be notified that they will be selected again when the next quarterly allotment becomes available. When funds become available in the subsequent quarter, the Loan Originator should contact the applicant to determine whether the household has experienced any changes in circumstances that might require new verifications before processing.

3.14 PURGING THE WAITING LIST

The waiting list should be purged periodically to ensure that the Agency's records are not burdened with applications from households that are no longer interested in the program. Once every 6 months, the Loan Originator must determine how soon funding will be available to process applications, and generate Handbook Letter 3 (3550), Waiting Period, for each unprocessed application on file. This letter notifies applicants that in order to keep their application active, they must return the response form attached to the letter or the application will be withdrawn. If an applicant does not respond within 15 days of the date of the letter, the application should be withdrawn.

3.15 VERIFICATIONS

Once an applicant is selected for processing, the Loan Originator should update any items which may have expired since the eligibility determination was made. Generally, the Loan Originator should consider copies of pay stubs and other available documentation with oral verification before using 3rd party verification forms that must be initiated by the Agency. When verification forms are sent to a respondent to verify an applicant's information, they should be accompanied by Form RD 3550-1, Authorization to Release Information, and a pre-addressed, pre-stamped envelope. If the respondent does not return the verification form within 14 days, the Loan Originator must place a reminder telephone call. If a respondent returns an incomplete verification form or if additional information is needed, the Loan Originator should contact the respondent.

Paragraph 3.15 Verifications

An applicant should not be penalized if a respondent refuses to provide the requested information. If the respondent does not respond to the verification form after 14 days and does not respond to a follow up call, the Loan Originator should move to the use of alternative methods of verifying the information. All conversations and follow up actions for obtaining verifications should be documented carefully. Detailed procedures for assessing the results of these verifications are provided in Paragraph 4.3 E.



A. Types of Verifications

1. Third-Party Generated Documents

The preferred form of verification are those documents which are readily accessible to the applicant and generated by a third-party to officially record their financial dealings or involvement with the applicant. Examples of third-party generated documents include paycheck stubs, bank statements, and benefit award letters.

2. Written Third-Party Verifications

Written third-party verifications tend to be used as an alternative form of verification. Correspondence should take place directly between the third party and the Agency (or loan application packager) using Agency forms. Transmission of the completed verification via fax or secured email is acceptable.

3. Oral Third-Party Verifications

In general, oral verifications should only be used to complement the other types of verifications and should be carefully documented in the running record. Only in rare incidences where a preferred or alternative form of verification is not available, can an oral verification be cautiously considered as the sole method of verification.



B. Evaluating Verified Information

All verifications should be checked for completeness and for discrepancies from information provided by the applicant. Any discrepancies should be discussed with the applicant and clarifications should be documented carefully. Verification sources may be contacted directly, if necessary, to clarify information.

ATTACHMENT 3-A

LOAN APPLICATION PACKAGERS

A loan application packager may submit a complete loan application package on behalf of an applicant.

Section 502 Direct Packaging Type, Permissible Packaging Fee, and Eligible Loan Purpose:

The Section 502 direct packaging type and who is involved impacts the permissible packaging fee amount and whether or not the fee is an eligible loan purpose. Duplicate fees for packaging services are not permitted.

502 Direct Packaging Type	Permissible Packaging Fee	Regulated by 7 CFR Part 3550	Eligible Loan Purpose?
Certified packaging body with an intermediary	Up to \$1,500 split between certified packaging body and intermediary	Yes 3550.52 (d)(6) and 3550.75	Yes
Certified packaging body without an intermediary*	Up to \$1,250	Yes 3550.52 (d)(6) and 3550.75	Yes
Intermediary acting as a certified packaging body	Up to \$1,250	Yes 3550.52 (d)(6) and 3550.75	Yes
Approved non-certified	Up to \$350	Yes 3550.52 (d)(6)	Yes
Other non-certified packaging arrangements**	Not regulated and discouraged when a fee is charged	No	No. In addition, the Agency will review the impact of the fee to the applicant and will make the determination if it adversely affects their qualification.
<p>* This can occur when the State Director approves an opt-out request or when a state is not served by an intermediary. ** This focuses on packaging activities outside of the Agency’s regulatory controls (e.g. packaging by for-profit entities).</p>			

Section 523 Grantees Who Package Section 502 Direct Non-Self-Help Loan Applications:

Applications submitted under the Section 523 Mutual Self-Help program are excluded from the certified loan application packaging process; and may not include a packaging fee as an eligible loan purpose since grantees receive grant funds to package (among other things) and are provided technical and management assistance. However, a grantee and its staff may package Section 502 non-self-help loan applications.

When grantees also serve as packaging bodies for Section 502 non-self-help loan applications there exists the possibility that an applicant originally interested in pursuing a self-help loan through Rural Development may ultimately decide to pursue a non-self-help loan through Rural Development. This change could occur early in the packaging process or after the loan application package is submitted to the Agency. The table below outlines what fee is permissible depending on when such a switch occurs.

Grantee's packaging type:	Switch occurs before the package is submitted to the Agency.	Switch occurs after the package is submitted to the Agency but before the Agency determines the applicant's eligibility (which is generally a small window of time).	Switch occurs after the Agency determines the applicant's eligibility.
Certified packaging body with an intermediary	Grantee must funnel the package through an intermediary in order to share a packaging fee of up to \$1,500 with the intermediary.	Grantee cannot attempt to collect a packaging fee. The services provided would be considered part of their grant.	Grantee cannot attempt to collect a packaging fee. The services provided would be considered part of their grant.
Certified packaging body without an intermediary	Grantee can charge a packaging fee of up to \$1,250.		
Approved non-certified packager	Grantee can charge a packaging fee of up to \$350.		

To reduce the possibility of such a switch occurring and to account for disclosure requirements, grantees must make it clear to potential applicants upfront that they have the option of going the self-help or non-self-help route and explain what will occur should they switch from self-help to non-self-help (e.g. a packaging fee may be charged).

Section 504 Loan Packaging Type, Permissible Packaging Fee, and Eligible Loan Purpose:

The Section 504 loan packaging type and who is involved impacts the permissible packaging fee amount and whether or not the fee is an eligible loan purpose. The Section 504 program is not a part of the certified packaging process (e.g. intermediaries are not involved in reviewing Section 504 loan applications). Duplicate fees for packaging services are not permitted.

504 Loan Packaging Type	Permissible Packaging Fee	Regulated by 7 CFR Part 3550	Eligible Loan Purpose?
Public and private nonprofit organizations that are tax exempt under the Internal Revenue Code	Up to \$500	Yes 3550.102 (d)(5)	Yes (Section 504 loan only)
Other packaging arrangements	Not regulated and discouraged when a fee is charged	No	No. In addition, the Agency will review the impact of the fee to the applicant and will make the determination if it adversely affects their qualification.

General Packaging Guidance:

To begin, the packager will conduct a pre-qualification review on the potential applicant using unverified information to evaluate the likelihood that they will be eligible for the program. For the Section 502 loan program, this review will be completed using the borrower eligibility requirements found in Chapter 4 and the [Worksheet for Computing Income and Maximum Loan Amount Calculator](#). For the Section 504 loan program, this review will be completed using the borrower eligibility requirements in Chapter 12 and the income segment of the [Worksheet for Computing Income and Maximum Loan Amount Calculator](#). The Agency should not be asked to review the results of the pre-qualification.

If the potential applicant appears to be ineligible for the program (now or later on in the packaging process), the packager should counsel them on ways to improve their situation. Packagers should not submit loan application packages to the Agency (or to an intermediary if present) that are unlikely to be determined eligible by the Agency staff.

If the potential applicant appears to be eligible for the program, the packager should:

- Provide the potential applicant with the required disclosure letter. The letter must follow the format provided in this attachment and must be signed by the potential applicant.
 - Strongly discourage the potential applicant for the Section 502 direct program from locating a property until such time as the Agency receives their application package and issues Form RD 1944-59, Certificate of Eligibility (COE).
 - Collect all the items that the Agency will need in order to consider the package complete. The Application Submittal Cover Letter, which must follow the format provided in this attachment, should be used as a guide, completed, and included in the submitted loan application package. If an intermediary is present, the packager will send the items to the intermediary for a quality assurance review. Once the package is accepted by the intermediary, the package will be sent to the Agency via eForms.
 - The packager will need to obtain the potential applicant's credit report to conduct a preliminary credit analysis. Any cost for the credit report is considered part of the packaging fee and should not be charged to the applicant. The Agency will not furnish a credit report for packaging purposes.
 - When gathering verifications, the packager should use the preferred sources outlined in Chapter 4. Preferred sources generally do not involve asking third-parties to complete an Agency form and can be obtained with information readily available to the applicant (such as pay stubs, award letters, etc.). If a third-party verification must be obtained because the preferred source involves a fee, the packager may request and receive the form directly. If the preferred source or third-party verification is to be complemented with an oral verification, the Agency will complete the oral verification segment at a later point in time.
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[This required disclosure letter must be on the packager's letterhead.]

Page 1 of 2

Dear Potential Applicant:

After talking with you, we think that a direct Section [insert 502 or 504, whichever is applicable] single family housing loan through the Rural Housing Service (known as the "Agency") is a good loan for you. The Rural Housing Service is an Agency of the United States Department of Agriculture.

We **do not** work for the Agency; we are an outside loan application packager. [Insert name of organization] will assist you in applying for a loan through the Agency. We do not guarantee that your loan application will be approved or funded by the Agency.

For our services, you will pay a loan application packaging fee of [insert applicable fee amount based on the packaging fee tables in Attachment 3-A]. The fee is due only if the Agency approves you for a loan and the loan closes. We will assist you in finding means to cover the fee from various sources. To the extent other sources are unavailable, we may waive the fee. [If the organization meets the regulatory requirements of 7 CFR 3550 insert, "Under certain circumstances, part or all of this fee may be included in your loan."]

You are not required to work with a loan application packager to receive assistance from the Agency. You may work directly with the Agency and avoid the loan application packaging fee. Working with our organization provides you with the following benefits:

- We will act as a go-between for you and the Agency.
- We will make sure that your paperwork is in order, which should shorten the time it takes for the Agency to make an eligibility decision. All information collected will be maintained with the highest degree of confidentiality.
- [Insert the following statement if and only if the loan application package will be funneled through an Agency-approved intermediary: "Your application will be considered a fourth funding priority when funds are insufficient to serve all program eligible applicants."]

[Insert the following if a Section 502, "You are strongly discouraged from identifying a property or entering into a purchase agreement until such time the Agency issues a Certificate of Eligibility (COE)]. If and when a COE is issued by the Agency, we will help you gather the information the Agency will need on a property.

We look forward to working with you in preparing an application for an Agency direct loan.

Respectfully,
[Insert name of organization]

Please complete, sign/date, and return this letter to us so that we can serve as your loan application packager.

WAIVER OF PROVISIONS TO THE PRIVACY ACT OF 1974

To serve as your advocate with the Agency, we need to be kept informed of the Agency's processing of your application and we may need access to items directly obtained by the Agency. By signing below, you authorize the Agency to release to and discuss with [insert name of organization and the name of the intermediary if present] any information we may seek or request from the Agency's records concerning your application for Agency assistance.

I/we acknowledge these facts and confirm my/our desire to work with [insert name of organization]. I/we received this letter on the _____ of _____ 20____.

Potential Applicant's Name/Signature/Date (spell out full name and then sign)

Potential Co-Applicant's Name/Signature/Date (spell out full name and then sign)

[This required Application Submittal Cover Letter must be on the packager's letterhead.]

[Insert date of submission]

Dear [insert "Rural Development" if working without an intermediary or insert the name of intermediary if working with one]:

The following documents are submitted via [insert the method of submission] to your office for review of the loan application package for [insert applicant(s) name]:

- A copy of [insert "Attachment 3-J" if Section 502 or "Attachment 12-E" if Section 504] with all the items applicable for the applicant(s) marked and included in the package.
- Worksheet for computing income.
- Maximum loan amount calculator (if Section 502).
- Copy of the credit report and preliminary credit analysis.
_____Applicant(s) has a valid credit score(s) of (640 or higher if Section 502 or 620 or higher if Section 504) and no significant delinquency.
_____Applicant(s) credit score(s) is not valid or less than the threshold.
_____Form RD 1944-60, Landlord reference.
_____Applicant(s) explanation of derogatory credit.
- A loan application narrative which includes an eligibility analysis (income, creditworthiness, repayment ability, and payment shock (if applicable)), support of any exceptions being requested, and an overall recommendation on the loan application request.
- A signed copy of the required disclosure letter found in Attachment 3-A.

Sincerely,

(Packager's name and employer)

Upon receipt of a packaged loan application, the Agency will:

- Process the application in accordance with program guidance. As a nationwide program with guidance set at the national level, Agency staff should not modify the definition of a complete package or ask packagers to perform functions or provide materials over and above what is detailed in program guidance.
- Order a tri-merge credit report through UniFi (regardless of the type of credit report obtained by the packager).
- Share information with the loan application packager or intermediary (if present) as information is shared with the applicant and when critical processing activities have occurred. Critical processing activities include, but are not limited to: receipt of the loan application package, information requests, changes to income calculations or a requested loan amount, the eligibility determination, receipt of an appraisal, the underwriting decision, and preparation for closing. When formal correspondence is sent to the applicant, the packager or intermediary (if present) will be copied.

If and when the Agency has issued a COE, the packager will assist the applicant with assembling the property information. At a minimum, the submission of property information should include:

- A fully executed purchase agreement with applicable addendums
- A copy of the property eligibility website determination that confirms the property is in an eligible rural area
- For existing properties:
 - Copy of a whole house inspection
 - Identification of proposed repairs
 - Proposal for completing repairs (e.g. seller will repair prior to closing, buyer is providing funds, applicant is requesting loan funds, etc.)
- Copy of deed or legal description
- Copy of existing survey or plot plan drawn to scale (if available)
- Property tax history and/or assessment information sheet (online sources acceptable)
- For new construction or significant repairs:
 - Certified plans
 - Specifications
 - Cost estimates
- Other applicable items:
 - Packaging fee invoice

Upon receipt of the property information, the Agency will:

- Issue the Loan Estimate; the packaging fee must be shown on the Loan Estimate under “Origination Charges” for regulated packaging activity
 - Order the flood hazard determination and complete an environmental analysis on the property
 - Accept plans/specs or repair proposals
-

- Order an appraisal, review/accept the appraisal upon receipt
- Determine property eligibility
- As it relates to the packaging fee
 - Confirm the fee amount listed on the invoice matches the disclosure letter issued by the packager/intermediary and signed by the applicant
 - Confirm the fee amount is within the permissible limit
 - Determine if all or part of the fee can be covered by the Agency loan
 - Do not alter the fee amount even if it cannot be fully covered by the Agency
 - The fee may be paid with any combination of loan proceeds, affordable housing products, gift funds, seller contributions, and/or buyer funds
 - Any reduction or waiver to the fee can only be authorized by the packager/intermediary and should be reflected in an updated invoice
- Complete loan underwriting and
 - Approve the loan and obligate loan funds using the applicable packaging program type code; issue Form RD 3550-7, Funding Commitment and Notification of Loan Closing, to the applicant; and prepare for loan closing; or
 - Deny the loan request and provide the applicant with the applicable rights

Packagers should be well acclimated with 7 CFR Part 3550 and Handbook-1-3550, both of which can be found at <http://www.rd.usda.gov/publications/regulations-guidelines/handbooks>. Packagers are required to:

- Comply with the Equal Credit Opportunity Act and the civil rights requirements contained in RD Instruction 1901-E.
- Prepare an Affirmative Fair Housing Marketing plan (AFHMP), if they intend on submitting five or more loan application packages to purchase and/or construct dwellings in the same subdivision. The completed AFHMP must be submitted to the local Rural Development office for review and approval.
- Understand and (if applicable) comply with the SAFE Act. The SAFE Act, which is a Federal regulation with state-level enforcement and possible requirements over and above the federal minimum standards, addresses those engaged in loan originator activities. Rural Development does not enforce or monitor SAFE Act compliance.
- Provide the Agency with complete, accurate, and timely information needed to comply with the disclosure requirements under the Truth in Lending and Real Estate Settlement Procedures Act Integrated Mortgage Disclosures. Packagers are not authorized to issue the Loan Estimate or Closing Disclosure on behalf of the Agency.
- Be in good standing with the Government (e.g. not suspended or debarred from participating in Federal programs).

Please note that the packager's performance will be monitored by the Agency. If the packager submits a significant number of packages that are incomplete and/or ineligible, the State Director may determine their services to be unacceptable.

Items specific to the Certified Loan Application Packaging Process:

The certified loan application packaging process involves three distinct parties:

- **Agency-certified loan application packager.**
 - An individual certified by the Rural Housing Service (RHS) to package section 502 loan applications. Certification is verified by the intermediary through whom application packages are routed.
 - Must be employed (employee or independent contractor) by a qualified employer.
- **Qualified employer.**
 - An affordable housing nonprofit organization, public agency, tribal housing authority, or State Housing Finance Agency that meets the requirements of § 3550.75 (b)(2).
 - Involved in the 502 direct program certified loan application packaging process.
- **Agency-approved intermediary.**
 - An affordable housing nonprofit, public agency, or State Housing Finance Agency approved by RHS to perform quality assurance reviews on packages prepared by Agency-certified loan application packagers through their qualified employers.
 - National Office reviews/approves applications and will update the Agency's website as new intermediaries are approved.

Becoming a Certified Packager:

An individual interested in becoming a certified packager should take the following steps:

1. Ensure that you are employed by a qualified employer who meets the requirements stated above. Employment can be in various forms such as: a contract basis, part-time or full-time employee.
 2. Contact the intermediary(ies) in the state(s) in which you wish to package loans. Each intermediary will have an agreement for you to review/sign in order to package loan applications through them. You may work with multiple intermediaries depending on the service area you wish to cover. The intermediary list can be found on the SFH Forms and Resources page at: <https://www.rd.usda.gov/programs-services/single-family-housing-direct-home-loans>.
 3. Once you have identified with an intermediary as being part of the certified packaging process, you have 12 months to take the loan application packaging course and pass the corresponding test. It is your responsibility to provide evidence to the intermediary that you have completed this requirement. During the 12 month period, you may package loans and funnel them via the intermediary who will conduct the quality assurance review and provide technical assistance.
-

Loan Application Packaging Course:

Under the certified packaging process, the course requirements outlined in 7 CFR 3550.75(b) (1)(iii),(b)(3)(vii) and (c) can be fulfilled by the three-day classroom sessions offered by NeighborWorks, the Housing Assistance Council, and Rural Community Assistance Corporation. Please note that:

- Upcoming trainings are listed under the “Forms and Resources” for [Single Family Housing Direct Home Loans](#).
- Due to limited training availability, the Agency may approve parties to participate in the certified packaging process even if the training has not been completed and provided all other requirements are met upfront; however the participation in the certified packaging process is contingent upon the party’s successful completion of the course requirements within a reasonable timeframe. Parties will have one year from the date of being added to the certified packaging process to complete the course requirements and provide evidence to the appropriate party (intermediary or Agency depending on the situation) that the requirements have been fulfilled. Failure to provide the necessary evidence within the allotted time will result in immediate removal from the certified packaging process. For certified packagers funneling through an intermediary, the intermediary is responsible for monitoring compliance with the course requirements and notifying the certified packager of their removal from the process if not met. For certified packagers with an approved opt-out, the State Office is responsible. Once removed, the party won’t be able to participate in the process until the course requirements have been met (and all other requirements continue to be met).
- Course participants should take the corresponding test within 30 days of completing the course. A score of 70 percent or higher is needed to pass. If the participant does not pass the initial test, they can retry up to two more times within 90 days from taking the course. Failure to pass the test after three attempts will result in the need to retake the three-day classroom training.
- A recent, now former, Rural Development employee with five or more years of residential loan experience acquired while working in the Agency’s single family housing programs is exempt from the course requirements.
- After having taken the course and passing the test, the Agency may require a certified packager to retake the course/test in order to continue participating in the certified packaging process. This requirement may be triggered by an extended period of packaging inactivity, unacceptable packaging performance, a recommendation from the intermediary, or other justifiable reason.

Intermediary Approval:

To apply to be an Agency-approved intermediary under the certified packaging process, an interested party must furnish sufficient documentation to demonstrate to the Agency's satisfaction that they meet each of the conditions specified in 7 CFR 3550.75(b)(3) and as further detailed below. This documentation constitutes the application. Applications to be an Agency-approved intermediary are welcomed at any time and should be emailed to SFHDIRECTPROGRAM@wdc.usda.gov. The application will be reviewed by National Office with input from the applicable State Office(s). Decisions by the Agency on intermediary applications are not appealable to the National Appeals Division.

Once approved, the Agency will execute a Memorandum of Understanding (MOU) with the intermediary. A copy of the MOU and a list of approved intermediaries can be found under the "Forms and Resources" for [Single Family Housing Direct Home Loans](#).

COVER SHEET FOR SUBMITTAL OF INTERMEDIARY APPLICATION

Based on our submittal of the information below, [insert name of the entity submitting an application] seeks to become an approved intermediary for the certified loan application packaging process:

Eligibility Requirement	Identify the documentation being submitted as evidence this requirement has been met	Document Date
<p>*Be a public agency or a Section 501 (c)(3) nonprofit organization as evidenced by the organization’s Internal Revenue Service (IRS) nonprofit determination letter for 501 (c) (3) status. A public agency may include:</p> <p>(a) Any state board, commission, committee, department, educational institution, or other state agency which is created by or pursuant to state statute, other than courts and the legislature;</p> <p>(b) Any county, city, school district, special purpose district, or other municipal corporation or political subdivision of the state;</p> <p>(c) Any subagency of a public agency which is created by or pursuant to statute, ordinance, or other legislative act, including but not limited to planning commissions, library or park boards, commissions, and agencies; and</p> <p>(d) Any policy group whose membership includes representatives of publicly owned utilities formed by or pursuant to the laws of this state when meeting together as or on behalf of participants who have contracted for the output of generating plants being planned or built by an operating agency.</p>	<p>_____ IRS nonprofit determination letter for 501 (c) (3) status</p> <p>_____ State statute</p> <p>_____ Ordinance</p> <p>_____ Other legislative act (identify act below):</p> <p>_____ Formation of publicly owned utilities</p>	
<p>*Be in good standing in the state(s) of its operation as evidenced by a Certificate of Good Standing or equivalent documentation from the applicable Secretary of State(s) or recent State filings.</p>	<p>_____ Certificate of Good Standing from the Secretary of State</p> <p>_____ Recent State filings</p>	

Eligibility Requirement	Identify the documentation being submitted as evidence this requirement has been met	Document Date
*Have the capacity to serve multiple qualified employers and their Agency-certified loan application packagers throughout an entire state or entire states and have the capacity to perform quality assurance reviews on a large volume of packaged loan applications within three to five business days of receipt.	____ Narrative describing current processing volumes/staffing and projected processing volumes/staffing; and indicate how volumes will be addressed within timeframes	
*Identify what state or states the interested party proposes to serve and provide details on their capacity to serve the identified state(s).	____ Narrative identifying states to be served and capacity	
*Be engaged in affordable housing in accordance with their regulations, articles of incorporation, or bylaws.	____ Copy of articles of incorporation ____ Copy of bylaws ____ Copy of regulations	
Be financially viable and demonstrate positive operating performance as evidenced by an independent audit paid for by the applicant seeking to be an intermediary.	____ Copy of most recent independent audit for [insert year]	
Have at least five years of verifiable experience with the Agency’s direct single family housing programs (specifically the Section 502 direct program, the Section 504 repair programs, and/or the Section 523 mutual self-help housing technical assistance program). Verifiable experiences would include, but are not exclusive to, routinely leveraging resources for individual transactions (e.g. providing affordable housing products to Agency borrowers), packaging loan applications, and/or being a self-help grantee or technical and management assistance contractor. To the greatest extent possible, the submission should detail collaborations and dollars leveraged.	____ Narrative detailing how/what experience requirements have been met	

Eligibility Requirement	Identify which documentation submitted as evidence this requirement has been met	Document Date
<p>Demonstrate that its quality assurance staff has experience with packaging, originating, or underwriting affordable housing loans. Provide a resume for each quality assurance staff member. The breadth and depth of their combined skills and qualifications will be considered during the Agency’s application review process.</p>	<p>_____ Resume provided for [insert name(s) of quality assurance staff]</p>	
<p>Provide a quality control plan that is customized to the applicant’s organization. The quality control plan must show there are controls in place to process application packages that will likely result in an eligibility determination by the Agency. The plan should include at a minimum, but not limited to: (1) procedures for obtaining and evaluating loan application documents (e.g. credit checks and income verification); (2) measures the applicant will take to prevent the submission of incomplete or ineligible application packages to the Agency; (3) the standard operating procedures for employees who will be involved with or affected by the quality control process; and, (4) procedures for ensuring accurate information is submitted to the Agency.</p>	<p>_____ Copy of quality assurance plan which addresses:</p> <p>_____ Item 1</p> <p>_____ Item 2</p> <p>_____ Item 3</p> <p>_____ Item 4</p>	
<p>Ensure that their quality assurance staff completes an Agency-approved loan application packaging course and successfully pass any corresponding test within a reasonable amount of time if selected.</p>	<p>_____ Evidence of course attendance by staff</p> <p>_____ Evidence of passing test successfully</p> <p>OR</p> <p>Certification that this requirement will be completed within a reasonable timeframe as specified by the Agency should the application be approved</p>	

Eligibility Requirement	Identify which documentation submitted as evidence this requirement has been met	Document Date
<p>Provide a letter jointly signed by the organization’s Executive Director and Board President affirming the organization will not be the developer, builder, seller of, or have any other such financial interest in the properties for which the application packages are submitted by the organization as an intermediary pursuant to this notice. NOTE: An intermediary that is also a Community Development Financial Institution (CDFI) will not be considered noncompliant when CDFI funds are tied to the transaction.</p>	<p>_____ Copy of signed letter</p>	
<p>Provide a training and support plan that focuses on the measures the applicant will take to provide supplemental training, technical assistance, and support to certified loan application packagers and qualified employers to promote quality standards and accountability. (Note that the Agency may require implementation of Agency developed and/or approved training and support plan once accepted as an intermediary pursuant to this notice.)</p>	<p>_____ Copy of training and support plan</p>	
<p>Letter of recommendation from the Rural Development Housing Program Director for each state you are proposing to serve.</p>	<p>_____ Copy of letter/email from [insert the applicable state(s)]</p>	

<p>Identify main point of contact for intermediary. This is the person who may be contacted by the Agency, potential packagers, and potential applicants for information.</p>	<p>Name: Title: Address: Phone: Email: Fax: Intermediary website:</p>
<p>Identify the person who is authorized to sign a MOU on behalf of the entity.</p>	<p>Name: Title: Address: Phone: Email: Fax:</p>

*A State Housing Finance Agency (HFA) need not demonstrate meeting these items, given the State's HFA purpose, vision and structure.

Signature of authorized representative

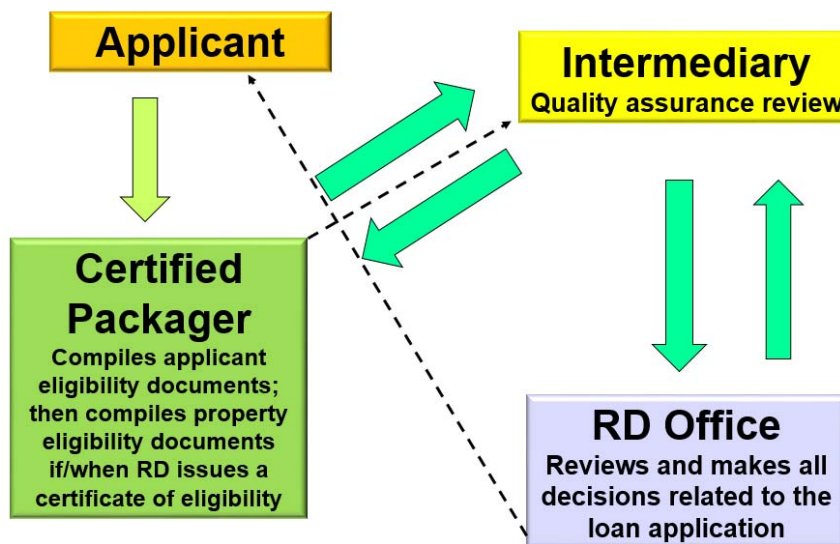
Date

Intermediary Involvement:

If a state is served by multiple intermediaries, a certified packaging body may choose which intermediary through which to funnel their packaged loan applications.

State Directors will require all certified packaging bodies to funnel packaged loan applications through an intermediary (if present in the state) unless the certified packaging body requests and meets the requirements for an opt-out as outlined below. If a certified packaging body serves multiple states, the request must be made on a per state basis. These opt-out requirements will help ensure that these requests are handled in a consistent manner nationwide.

The picture below broadly defines the lines of communication between the various parties when an intermediary is involved.



Requests To Work Without An Intermediary:

State Directors may approve an opt-out request from a certified packaging body when the request is supported by the intermediary based on the quality and quantity of loan application packages submitted by the certified packaging body through the intermediary. At a minimum, the certified packaging body must have funneled at least 20 loan application packages through the same intermediary and have funneled packages through the same intermediary for a period of at least 12 months before an opt-out can be considered. With these minimums in mind, the intermediary will support the request if the certified packaging body has a 90% or higher overall success rate.

The overall success rate is based on 1) the number of applications submitted which are complete and 2) the number of loans closed vs. applications submitted.

To calculate the overall success rate for an opt-out request, the rate for complete applications received and applications closed will be averaged.

Cases where an applicant chose to withdraw their application despite being eligible based on a well-documented loan application package will not be counted against the packager (i.e. the application will be counted as a complete application).

The intermediary will apply the following conditions when the request cannot be initially supported; these conditions specify when a subsequent opt-out request will be supported.

- Overall success rate of 85% - 89.99% at the time of the original opt-out request: Requires an additional three months of oversight and support by the intermediary and five or more complete application packages with a 90% or higher success rate.
- Overall success rate of 80% - 84.99% at the time of the original opt-out request: Requires an additional six months of oversight and support by the intermediary and ten or more complete application packages with a 90% or higher success rate.
- Overall success rate of less than 80% at the time of the original opt-out request: Requires an additional 12 months of oversight and support by the intermediary and 20 or more complete application packages with a 90% of higher success rate.

A statement of support from an intermediary is not required when a State Housing Finance Agency requests an opt-out through the State Director.

When an intermediary is not involved because an opt-out request was approved by the State Director or because an intermediary doesn't cover a particular state, it will fall upon the State Office to:

- Ensure that a certified packaging body meets and continues to meet the conditions outlined in 7 CFR 3550.75(b)(1), (b)(2), (d), and (e).
- Enter into a MOU with the certified packaging body using the standardized format (which can be found in SharePoint).
- Update the Agency's state-level website using a standardized template to identify certified packaging bodies with an approved opt-out.

Sample calculations

Complete application rate calculation:

Applications submitted: 10
Applications complete: 7
7 divided by 10 = 70% success rate

Overall success rate calculation:

Applications complete: 70%
Applications closed: 95%
Total: 165%

165% divided by 2 = 82.5% overall success rate

An Intermediary’s Performance Elements

Intermediaries enter into a MOU which details performance elements. While the MOU contains other requirements, which are also considered when assessing performance, the minimum performance elements and their rating structure are defined below:

1. The intermediary will outreach to parties that could potentially serve as a certified packaging body.
2. It is expected that packaged loan applications funneled through the intermediary will receive a high rate of Agency approval (with minimal need for the Agency to request additional information). The following measures (applied to both applications received and closed) will be used, on a per state basis, for timeframes to be determined by the Agency. These rates will be calculated using the same method as identified earlier in this attachment:
 - a. Success rate of 90% or higher: Excellent.
 - b. Success rate of 85% - 89.99%: Meets.
 - c. Success rate of 80% - 84.99%: Needs to improve in the following quarter or face possible revocation.
 - d. Success rate of under 80%: Subject to immediate revocation of intermediary status.
3. On a per state basis and for timeframes to be determined by the Agency, at least 30 percent of the applications submitted under this MOU must be from eligible very low-income applicants, with the balance from eligible low-income applicants.

Based on these criteria, a scoring system will be used to rate overall performance during a 12 month period:

# Minimum Performance Elements Met	Status of MOU	Action Required By The Intermediary	Improvement Timeframe
3 out of 3	Excellent	None	N/A
2 out of 3	Acceptable	Emphasis on improving deficient area	Within the next quarter
1 out of 3	Unacceptable	Immediate action to improve in deficient areas	If no improvement within the next quarter, MOU is revoked
0 out of 3	Immediate revocation	N/A	N/A

ATTACHMENT 3-B
FOLLOW-UP QUESTIONS FOR
FORM RD 410-4, UNIFORM RESIDENTIAL LOAN APPLICATION

Form RD 410-4, Uniform Residential Loan Application is designed to obtain a broad range of applicant information. To accurately process an Agency loan, however, the Loan Originator must review the application carefully and ask follow-up questions to ensure that all relevant information has been obtained. This attachment provides a list of questions that may be useful for each section of the application. Not all questions will be needed for all applicants, and additional information may be needed in some cases.

I. Type of Mortgage and Terms of Loan

- None.

II. Property Information and Purpose of Loan

- Determine whether the applicant intends to purchase a Real Estate Owned (REO) property or assume a loan from a program borrower.
- Determine whether the applicant is interested in a leveraged loan or if the application was submitted by a packager.
- If the applicant wishes to refinance, obtain details about why and also inquire about the type and condition of their home. The Agency will refinance loans only in limited circumstances.
- If the applicant will not reside in the property, confirm that the applicant wishes to obtain a nonprogram loan.
- If the applicant is requesting a subsequent loan to improve the property, determine whether the repairs are necessary to maintain the security, or to meet the family's housing needs.

III. Borrower Information (as well as Additional Information Required for RHS Assistance)

- Name, age, and relationship of all household members.
- Confirm number and ages of dependents.
- Any foster children or foster adults?

- Any full-time students?
- Any household members with disabilities?
- Any elderly household members?
- If the household qualifies as an elderly household, does the household have extensive medical expenses?

IV. Employment Information (as well as Additional Information Required for RHS Assistance)

- If there is an adult household member who has recently changed jobs, determine the reason for the job change.
- If there is an adult household member for whom no employer information has been provided, determine whether the person is employed.
- If any adult household member is unemployed, determine for how long.
- Discuss employment gaps in excess of 30 days with the applicant.

V. Monthly Income and Combined Housing Expense Information (as well as Additional Information Required for RHS Assistance)

- Verify that income listed is comprised of all sources of income, including income from applicants, spouses of applicants (even if the spouse is a minor), and any other adult household members.
- If the income history reveals significant fluctuations, discuss the income trends with the applicant.

VI. Assets and Liabilities

- If the household reports owning real estate, discuss the type of property owned to verify that the reported market value is reasonable.

VII. Details of Transaction

- If completed by applicant, review information to confirm accuracy.
 - If the applicant reports any judgments, bankruptcies, lawsuits, foreclosures or deeds in lieu of foreclosure, or delinquencies on a Federal debt or any other obligations, determine the particular circumstances.
-

VIII. Declarations

- If the applicant reports any alimony, child support, or separate maintenance obligations, verify that it is included as a liability in Section VI of Form RD 410-4.
- If the applicant has applied for a nonprogram loan, determine whether any part of a proposed down payment will be borrowed, since other debt will affect repayment ability.
- If the applicant is not a U.S. citizen, verify that he or she is a qualified alien.
- If the applicant does not intend to occupy the property, verify that the applicant intends to obtain a nonprogram loan.
- If the applicant has had ownership interest in a property, determine how that interest was disposed of to ensure that it was not disposed of at below market value.

IX. Acknowledgment and Agreement

- None.

X. Information For Government Monitoring Purposes

- None.

Additional Information Required for Agency Assistance

- If the applicant has received prior assistance, determine whether there were any repayment problems, and in the case of a Section 504 loan or grant, whether the assistance limit has been reached.
 - If the applicant is a veteran, or family of a deceased service person, determine the dates of service, the type of discharge received, and the date of death, if deceased.
 - If the applicant lists a household member as disabled, determine whether the household may be entitled to a deduction for the costs of dependent care to allow a household member to further their education or to work, and whether any reasonable accommodations may be required.
 - If the applicant lists child care costs, determine whether child care is needed to allow a household member to further their education or to work (if it is to allow the applicant to work, determine whether the salary the applicant receives is equal to or greater than the cost of child care and the age of the child for which care is being provided).
 - If the applicant indicates that the present dwelling has physical problems or is overcrowded, obtain details about the nature and duration of the problem.
 - If the applicant did not include alimony, child support, or separate maintenance information in Section V of Form RD 410-4, make sure the information is provided.
-

ATTACHMENT 3-C

CASE STUDY - PROCESSING PRIORITIES

The Field Office currently has funds available only for borrowers in Big Gap County which has been designated as a high-priority needs area for which the Agency has a special set-aside. The Loan Originator must review the following applications to process any that can take advantage of the set-aside funds and to select applications for processing in anticipation of additional funding not designated for set-asides that will be available soon. Part I provides information on the applicants, their current situations, and the dates of the applications. Part II illustrates the analysis and ranks the applications in the order of selection.

Part I. Applicants

Application Complete Date	Applicant	Description
9/5	De Moura	Ms. De Moura has owned her home, which was financed by a local lender for 3 years. Last year, she was laid off from her job but has found a new position that pays only half the salary. As a result, she is behind in her loan payments and the lender has accelerated her loan. Ms. De Moura would like to refinance with Agency funds.
9/6	Sapienza	The Sapienzas used a Section 502 loan to purchase an existing home. They are requesting a subsequent 502 loan to install a retaining wall because of erosion in the backyard.
9/7	Yao	The Yaos wish to purchase a newly-built house. They would like to obtain a Section 502 loan and their loan application package was submitted via an Agency-approved intermediary.
9/8	Jones	The Joneses moved into the area 4 months ago and would like to purchase an existing house using Section 502 funds because the rental unit the family occupies is too small for the family and has an inadequate heating system.
9/9	Garcia	The Garcias would like to purchase a home from Greenes who have been paying regularly on their Section 502 loan but are now transferring out of State.
9/9	Olsen	The Olsens wish to purchase a Real Estate Owned (REO) property using Section 502 funds. In addition, Mr. Olsen served in active military duty between June 27, 1950 and January 31, 1955.

Application Complete Date	Applicant	Description
9/14	Brown	The Browns used a Section 502 loan to purchase an existing home. Their septic system no longer works properly and needs significant repairs and they are requesting a subsequent 502 loan to repair it. They are 2 payments behind on their initial loan.
9/15	Johnson	The Johnsons would like to purchase a home from a current Agency borrower but have income well above the low-income limit.
9/16	Smith	The Smiths would like to build a home on a site in Big Gap County.
9/21	Pawlikowski	The Pawlikowskis have been without adequate plumbing for 8 months. They would like to purchase a newly built house using Section 502 funds.
9/21	Deitrich	The Deitrichs would like to build a new house because they feel their current 3 bedroom home is too small to accommodate Mr. and Mrs. Deitrich, their 3 children, and his Aunt Greta, who has recently moved in. They wish to fund the construction through a Section 502 loan.
9/23	Whitfield	The Whitfields wish to purchase a home from an Agency borrower who has an accelerated account.

Part II. Establishing Priorities

Selection Order	Applicant	Application Complete Date	Priority	Priority Status
N/A	Johnson	9/15	N/A	Although the Johnsons are not program-eligible, they may purchase the home under nonprogram terms. No additional funds are required because a nonprogram borrower can only assume the outstanding balance at new rates and terms. Processing need not be delayed until additional funds are available.
N/A	Smith	9/16	N/A	The Smiths receive funding immediately from the set-aside.
1	Brown	9/14	1	The Browns receive first-priority processing for new funds because they are requesting a subsequent loan to remove health and safety hazards. The Loan Originator should counsel the Browns to contact the Customer Service Center (CSC) to resolve the delinquency. The Loan Originator may need to coordinate with CSC about whether a loan or protective advance is most appropriate.

Selection Order	Applicant	Application Complete Date	Priority	Priority Status
2	Olsen	9/9	2	Since the Olsens are purchasing an REO property, the Agency gives second-priority processing to their request.
3	Garcia	9/9	2	The Garcias receive second-priority processing because they are assuming a home from an Agency borrower. Although their application was completed on the same day as the Olsens', the Olsens receive priority because Mr. Olsen qualifies for a veteran's preference.
4	Whitfield	9/23	2	The Whitfields receive second-priority processing because they are assuming a loan from an existing Agency borrower. Purchasing a home from a borrower who has an accelerated account does not give the Whitfields processing priority over the Garcias who also are assuming a loan from a current borrower. Within priority categories applications are selected by application date.
5	De Moura	9/5	3	Ms. De Moura receives third-priority processing because she is in danger of losing her home through foreclosure due to circumstances beyond her control.
6	Pawlikowski	9/21	3	Since the Pawlikowskis have been living in deficient housing for at least 6 months, they receive third-priority processing.
7	Yao	9/7	4	The Yaos receive fourth-priority processing because their loan application package was submitted via an Agency-approved intermediary
8	Sapienza	9/6	No Priority	The Sapienzas do not receive priority processing; they are requesting a subsequent loan to make needed repairs for a condition that, at this time, does not constitute a health and safety hazard. The Sapienzas application will be processed after all applicants with priorities have been processed.

Selection Order	Applicant	Application Complete Date	Priority	Priority Status
9	Jones	9/8	No Priority	The Joneses do not receive priority processing. Although they have been living in deficient housing for 4 months, they are currently 2 months short of receiving second-priority processing. If within 2 months funding is still not available, the Joneses would receive second-priority processing, and would be processed before the Olsens.
10	Deitrich	9/21	No Priority	The Deitrichs do not receive priority processing. The application will be processed after all applicants with priorities have been processed. Although the family believes the house is too small, it is not sufficiently overcrowded to be considered deficient, because there are no more than 2 people per bedroom.

ATTACHMENT 3-D

RURAL DEVELOPMENT RURAL HOUSING SERVICE

“Applicant Information Sheet” - Single Family Housing

The Rural Housing Service (RHS) provides loans in rural areas to eligible low- and very low-income applicants. The loan may be to purchase existing housing, purchase and repair existing housing, purchase a building site and construct a dwelling, or purchase new housing. Rural areas typically include open country and places with a population of 10,000 or less and, under certain conditions, towns and cities between 10,000 and 35,000 population.

For detailed information on income limits and eligible areas, visit:
<http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>

The property must be in good repair or placed in good repair with loan funds. For an existing property, a whole house inspection performed by a qualified inspector is needed. The buyer and seller should discuss who will cover the cost of the whole house inspection and address this item in the purchase agreement.

All who apply get equal consideration without regard to race, color, national origin, religion, sex, gender identity, sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity.

The following documents are attached and may be completed and returned to your local Rural Development office located at the following address:



- Form RD 410-4, “Uniform Residential Loan Application”
 - This form should be fully completed for the household and signed on all pages where a signature is required. Applications which are not fully completed or are unsigned will be considered incomplete.

- Checklist of items to accompany the Uniform Residential Loan Application
 - For your application to be considered complete, all items requested must be submitted, or indicate that the item is not applicable.
 - Submit a complete copy of the information. For instance, if your bank statement is 6 pages total, submit all 6 pages.

Please contact the above Rural Development office if you have questions regarding what needs to be in your application package or if you would like assistance in completing a form.

To determine if you qualify, review these frequently asked questions:

“DOES IT MATTER HOW MANY OTHER BILLS I HAVE TO PAY?”

RHS will look at your monthly obligations and how much you currently owe to others. We'll want to know if paying back the proposed loan on top of your other payments will be difficult for you.

“WHAT IF I THINK MY INCOME IS TOO LOW?”

Having enough income to repay your loan is an important part of getting a loan; however, the RHS loan may be subsidized. A subsidized loan is based on the applicant repaying a percentage of their income toward the housing payment, taxes, and insurance. The percentage is generally 24 percent of the applicant's household income.

“WHAT CAN I DO IF MY INCOME IS TOO LOW?”

Consider applying with a co-applicant if there is another member of your household willing and able to be a note signer. RHS will then look at your combined income and credit when determining repayment ability. You may also consider a cosigner. A cosigner is an individual who will not reside in the dwelling, but who is willing to be responsible for the debt. You may also consider applying for down payment assistance programs in your area which provide affordable housing products. Many areas have Housing Finance Agencies, Housing Authorities, or Non-Profit Agencies which administer these programs. Funding from these sources can be combined with Rural Development loan funds.

“HOW CAN I DETERMINE IF MY INCOME IS ADEQUATE TO REPAY A LOAN?”

The amount of your proposed monthly house payment, real estate taxes, insurance, and other credit debts cannot exceed 41 percent of your gross monthly income. If you have questions regarding how this determination is made, you may contact the local Rural Development Office shown on the front cover.

“CAN I GET A LOAN IF I’M UNEMPLOYED?”

A steady source of income is very important to getting a loan. An applicant must show sufficient resources to repay the housing loan. Not having a job or a stable source of income may have an impact on the Agency’s decision. Experience has shown that applicants with stable jobs and income sources are more likely to repay the loan.

“WILL YOU FIND OUT ABOUT OTHER CREDIT I’VE HAD?”

Yes. Your credit report provides information on your payment history including any difficulty you have had repaying other loans or credit cards. That information will be used to determine if you can repay the loan. If you are unsure what your credit history contains, you can obtain a free credit report by calling 1-877-322-8228 or logging into <http://www.annualcreditreport.com>. By law, individuals are entitled to receive one free credit file disclosure every 12 months from each of the nationwide consumer credit reporting companies – Equifax, Experian and TransUnion. This free report cannot replace the credit report that the Agency will obtain to determine eligibility.

“HOW CAN I FIND OUT IF I’M ELIGIBLE FOR A LOAN?”

A Rural Development employee is available to discuss eligibility requirements with you on an individual basis by phone or in person during regular office hours. Any interested person may make written application via the local Rural Development office by hard copy or electronic submission.

“WILL I KNOW RIGHT AWAY IF I QUALIFY FOR A LOAN?”

Rural Development staff can pre-qualify the applicant with unverified information provided by the applicant. However, a final eligibility determination will not be made until a written application is filed, household income is verified, and a mortgage credit report is obtained.

“HOW LONG WILL IT BE BEFORE I CAN MOVE INTO MY NEW HOME?”

Typically, applicant eligibility, loan approval, and loan closing may be accomplished within approximately 120 days of filing of the written application. However, depending on the availability of Government funding, this time-frame may be extended. The applicant is periodically advised regarding the status of his or her application when there is lack of funding.

“HOW MUCH MONEY WILL I NEED FOR A DOWNPAYMENT?”

A down payment is generally not required. Loans may be made for up to 100 percent of the market (appraised) value. Simply put, this means if the sales price of the property is equal to or less than the appraised value, no down payment is needed.

“DOES THIS MEAN I WON’T NEED ANY CASH TO GET A LOAN?”

Generally, the applicant will need some cash available. There are costs associated with the credit report, appraisal report, escrow, and other related closing costs. The credit report fee is always paid by the applicant upfront. The first year’s hazard insurance premium and whole house inspection report fee are paid prior to closing unless included in the loan amount. Costs pertaining to the appraisal, escrow, and loan closing may be included in the loan amount. You may also negotiate with the seller to contribute a percentage toward closing costs. Any agreement with the seller should be entered into prior to signing, and documented in the purchase agreement or sales contract.

“DOES THE APPLICANT HAVE OTHER RESPONSIBILITIES?”

Yes. Rural Development staff are available to assist the applicant from the application to loan closing. The applicant is responsible for providing requested information timely. The information may be requested by Rural Development staff, a loan application packager, a real estate agent, or a closing agent. Failure to provide information timely results in delayed decisions and other actions.

“ARE THERE OTHER ELIGIBILITY REQUIREMENTS?”

Yes. The applicant must:

1. Be without decent, safe, and sanitary housing.
 2. Be unable to obtain a loan from other resources on terms and conditions that they can reasonably be expected to meet.
 3. Possess the legal capacity to incur the loan obligation.
 4. Be a U.S. citizen, a U.S. noncitizen national, or a qualified alien and provide acceptable evidence of qualified alien status.
-

“WHAT ARE THE TERMS OF THE LOAN?”

The maximum repayment period is 33 years and, under certain conditions, 38 years. The maximum repayment period for manufactured homes is 30 years.

“WHERE MAY HOUSES BE LOCATED?”

Houses must be located in a rural area, on desirable sites with an adequate supply of safe drinking water and suitable arrangements for sewage disposal. Streets must have an all-weather surface and be maintained by a public body or a homeowner’s association.

“WHAT ABOUT THE SIZE AND DESIGN OF THE HOME?”

While cost and design vary in different areas of the country, a modest home does not generally exceed 2,000 square feet living area, above grade. Exceptions may be granted on a case by case basis for large households or for those applicants with special needs. The value of a dwelling may not exceed the Area Loan Limit for the area in which the applicant is requesting financing.

WHO IS RESPONSIBLE FOR INSPECTING THE HOME?

The applicant/borrower is responsible for hiring a qualified inspector to conduct a whole house inspection on an existing property and for making inspections necessary to protect their interests. While a Rural Development staff member or designee may inspect a property during and/or following construction or repair, these inspections do not create or imply a warranty or guarantee on the condition of the property.

“WHERE MAY I APPLY?”

Applications are made at the local Rural Development office or through an application packager serving the area where the house will be located. To locate your nearest Rural Development office, please visit: <http://offices.sc.egov.usda.gov/locator/app?state=us&agency=rd>

ATTACHMENT 3-E

REQUEST TO REOPEN A REJECTED APPLICATION IN MORTGAGESERV

Application Number: _____

Name of Applicant: _____ Name of Co-Applicant: _____

Reason for Request (check only one):

_____ National Appeals Division (NAD) overturned the rejection of the application.

_____ The Loan Approval Official reviewed and reconsidered the rejection and recommends reinstatement.

Please **PRINT** name of requesting official: _____

Signature of requesting official: _____ Date: _____

Title of requesting official: _____

FOR STATE OFFICE USE ONLY:

*Request Approved: _____ **Request Denied: _____

PRINT the Housing Program Director's name:

Housing Program Director's signature: _____ Date: _____

*If approved, the State Office should fax form to Field Assistance Desk (FAD) at 314-457-4441 and notify the Field Office of the approval.

**If denied, fax form back to originating office to place in applicant's case file.

ATTACHMENT 3-F

HOW TO ADDRESS NEGATIVE PRE-QUALIFICATION RESULTS

The purpose of this attachment is to instruct the RHS staff on how to handle discussions concerning negative pre-qualification results. Since pre-qualifications are based on unverified information and infile credit reports, the results are not binding. To avoid implying that the results are official, the following scripts are to be used in each given situation:

Situation 1: The potential applicant has credit blemishes (be it bankruptcy, collections, etc.) on their infile credit report.

Proper Response:

Let the potential applicant know that their credit record does not have to be perfect to be eligible for a loan. Inform the potential applicant that past credit blemishes can be acceptable if their overall credit record demonstrates an ability and willingness to repay obligations or if their credit blemishes occurred as a result of circumstances beyond their control. Counsel the potential applicant on how to correct the credit blemishes and share with the potential applicant the credit standards as outlined in HB-1-3550, Chapter 4. Be sure to explain to the potential applicant that fulfilling suggestions provided by the RHS staff will improve their chances of qualifying for a loan, but not guarantee loan approval.

Unacceptable Response:

Informing the potential applicant that based on the results of the infile credit report, they do not meet our credit standards and would not qualify for a Section 502 direct loan.

Situation 2: The potential applicant does not appear to qualify for an amount sufficient to purchase a decent, safe, and sanitary dwelling.

Proper Response

Counsel the potential applicant on ways to improve their financial status (i.e. paying off small debts, debt consolidation, increasing their income, etc.) and inform the potential applicant that a qualifying co-signer may be added to an application to compensate for a lack of adequate repayment ability. Also refer the potential applicant to State and non-profit agencies that might be willing to extend forgivable loans and/or grants.

Unacceptable Response:

Telling the potential applicant that they do not qualify for a loan due to a lack of repayment ability.

Situation 3: The potential applicant presently owns a home.

Proper Response:

Let the potential applicant know that if their dwelling is structurally unsound, functionally inadequate, or too small to accommodate the needs of the household, RHS may be able to provide financing to improve the existing dwelling or to purchase a new one. In addition, let the potential applicant know that RHS may be able to refinance the property under certain circumstances (refer to HB-1-3550, Chapter 6.5).

Unacceptable Response:

Informing the potential applicant that the Section 502 direct loan program is designed for first-time homebuyers only.

Situation 4: The household's adjusted annual income appears to be over the income limit.

Proper Response:

Inform the potential applicant that to qualify for a Section 502 direct loan, their household's adjusted annual income must be within our established income limit based on household size and location. Also let the potential applicant know that if they should exceed the income limit for the direct loan program other options are available (assumed loan, purchase of a REO property, a Guaranteed Rural Housing loan, and other credit).

Unacceptable Response:

Informing the potential applicant that they do not qualify for a Section 502 direct loan because it appears as though they are over income based on the unverified income information.

ATTACHMENT 3-G

502 SINGLE FAMILY HOUSING CHECKLIST

“THIS CHECKLIST DOES NOT REPLACE THE RUNNING RECORD!”

This document should be filed under Folder A for an Electronic Customer File (ECF) or under Position 1 for a hardcopy file.

Applicant: _____ **Co-Applicant:** _____

Processing Priority: 1___ 2___ 3___ 4___ 5___

The pre-qualification section does not apply if Form RD 410-4, Uniform Residential Loan Application, has been received; proceed to the application processing section.

ECF / POS DATE

PRE-QUALIFICATION

- 3 _____ **Enter information from potential applicant in UniFi (Be sure to register the pre-qualification following instructions in the DLOS Training Manual).**
- B 3 _____ **Infile Credit Report (OPTIONAL provided that the potential applicant has signed Form RD 3550-1, Authorization to Release Information) (HB-1, 3.3, 4.11)**
- B 4 _____ **HB Letter 19 (3550) - if applicable (HB-1, 3.3)**
- B 3 _____ **Print out Eligibility Summary from UniFi – sign and date.**

ECF / POS DATE

APPLICATION PROCESSING

Review application for completeness within 3 business days of receipt. Promptly contact the applicant to request any missing information. Follow up with a letter advising applicant of a 15-day deadline for submission or the application will be withdrawn. Mark the file as inactive until complete. **(HB-1, 3.6)**

- C 3 _____ **RD 410-4, Uniform Residential Loan Application, (or current industry standard “Uniform Residential Loan Application” along with pages 6-10 of RD 410-4) and RD 3550-1, Authorization to Release Information (for each adult household member) (HB-1, 3.5)**
- _____ **If an application includes the information required by TRID, forward to the applicant within 3 business days of receipt of the application (HB-1, 3.8):**
- C 2 _____ **Handbook Letter 5 (3550), Cover Letter to Truth in Lending Disclosure**
- C 2 _____ **CFPB’s “Your home loan toolkit: A step-by-step guide”**
- C 2 _____ **CFPB’s Loan Estimate**
- C 2 _____ **Attachment 3-I, Settlement Service Providers List & Mortgage App. Related Disclosures**
- C 2 _____ **For an unsecured loan, send RD 1940-41, Truth in Lending Statement. Date returned _____**
- C 3 _____ **Check Treasury’s DNP portal, print pages and file in applicant file (if not completed at Pre-qual) (HB-1, 3.3, 4.11)**
- C 3 _____ **Check MortgageServ’s “SSN CROSS REFERENCE” softlink key (if not completed at pre-qual) (HB-1, 3.3, 4.11)**
- D5 3 _____ **If not a citizen, see Attachment 4-D (S.A.V.E.) (HB-1, 4.20)**

- D5 3 _____ Loan eligibility narrative completed/signed by Loan Approval Official (LAO)
- D5 3 _____ RD 1944-59, Certificate of Eligibility (COE) if a property has not been selected. Valid for 45 days without leveraging or 60 days with leveraging. Two 30-day extensions may be granted (HB-1, 4.25)
- C _____ Check the applicant against the DNP portal when issuing the first COE extension
- _____ Check the applicant against the DNP portal when issuing the second COE extension
- _____ Withdraw the application if no property is identified after the second COE extension
- C 3 _____ Verify completion of a Homeownership Education Course (Cert of Completion) (HB-1, 3.4)
- F 3 _____ If applicant is not eligible, send HB Letter 15 (3550), Standardized Adverse Decision Letter with review and appeal rights (HB-1, 1.9)
- C 3 _____ Document eligibility on originally submitted RD 410-4, item 17.
- D5 3 _____ Update UniFi/Stage Updating, print and sign Eligibility Summary

ECF / POS DATE ELIGIBILITY PROCESSING (cont.)

- F 2 _____ Form RD 3550-23, Applicant Orientation Guide (HB-1, 4.26).
- F 2 _____ If changed circumstances occur, issue revised Loan Estimate within **3 business days** of receiving new information, but no later than **4 business days** prior to loan consummation.
- D5 4 _____ HB Letter 1 (3550) Moderate Income Options
- D5 4 _____ HB Letter 3 (3550) Waiting Period
- D5 4 _____ HB Letter 4 (3550) Funds Not Available – Certificate of Eligibility and/or Property Identified
- D5 4 _____ HB Letter 16 (3550) Eligibility of Self Help Applicants

ECF / POS DATE PROPERTY ELIGIBILITY

- 5 _____ Within 3 business days of receipt of a ratified sales contract identifying a specific property to be financed, the Loan Originator must send the required documents as established under the Application Processing section of this checklist. (HB-1, 3.7)
- E 5 _____ Sales Contract or Form RD 3550-34, Option to Purchase Real Property, (HB-1, 5.1) Review all pages of and attachments to Purchase Agreement:
Legal Description _____
- E 4 _____ HB Letter 10 (3550) Status of Offer to Buy Single Family Housing REO Property
- 3 _____ Discuss closing date - with seller, buyer, and real estate agent if it appears RD is unable to close loan by Purchase Agreement possession date
- E 6 _____ Verify eligibility of subject property (identified for purchase) (HB-1, 5.1)
<http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>
Date Verification Completed: _____
Maximum loan limit for _____ county, \$ _____
- E 5 _____ Attachment 9-C, Condominium Questionnaire, as applicable
- E 6 _____ Verify the subject property’s address using the USDA address verification site. Result code must be 1 or 2; or researched, verified, and documented if not. Enter verified address in UniFi. (HB-1, 5.1)
<http://eligibility.sc.egov.usda.gov/eligibility/addressVerification>
- E 2 _____ Recalculate Eligibility Summary with actual loan amounts, if different from original, print for file.

- E 8 _____ **Appraisal** or document Statement of Value if appraisal is not required (**HB-1, 5.16**)
- E 8 _____ **RD 1922-15, Administrative Appraisal Review for Single Family Housing** - within 7 days of appraisal (**HB-1, 5.21**); **Reviewed and Accepted** _____ (initial and date)
- E 4 _____ **Notify Applicant of appraisal results and provide a copy of the appraisal.** If making an adverse decision on the appraisal, send either **HB Letter 17** or **HB Letter 18**, as applicable, along with a copy of the appraisal.
- E 6 _____ **Lead Based Paint (LBP) Compliance Key and Print Out (houses built prior to 1978)** <http://leadpaint.sc.egov.usda.gov/LBPWeb/index.html>
- E 3 _____ **RD Instruction 1970-B, Exhibit D “Categorical Exclusion”** (must be completed prior to obligation of funds or Issuance of a Conditional Commitment, as applicable) or **RD Instruction 1970-C, Exhibit E “Guide for Reviewing Environmental Assessments”** as applicable (**RD Instruction 1970 series “Environmental” & HB-1, 5.8**)
- E 6 _____ **FEMA’s Standard Flood Hazard Determination** (www.floodcert.com) (**HB-1, 5.7 and 5.8**)
- E 3 _____ **RD 3550-6, Notice of Special Flood Hazards, Flood Insurance Purchase Requirements** (**HB-1, 5.8**) and **Availability of Federal Disaster Relief Assistance**, as applicable (**HB-1, 5.8 D and 7.12 B**)
- E 3 _____ **FEMA Elevation Certificate** or other forms of documentation (**HB-1, 5.8 and 1970-F**)
- E 3 _____ **Dwelling served by public utilities or meets on-site water and waste systems** (**HB-1, 5.7 D and 5.8 B**)
- E 3 _____ **Eight step decision making process** has been completed (**HB-1 5.7 and 1970-F**)
- E 6 _____ **Whole House Inspection for an existing property which certifies the following items** (**7CFR 3550.57 & HB-1, 5.7**)
 _____ Septic _____ Well _____ Heating/Cooling
 _____ Plumbing _____ Electrical _____ Other – Structural Soundness
 _____ Termite/Other Wood Destroying Pests
- E 5 _____ **Survey** (if applicable) (**HB-1, 5.7**)

ECF / POS DATE NEW CONSTRUCTION

- E1 6 _____ **RD 1924-2, Description of Materials** (must be approved by RD, Buyer & Builder)
- E1 6 _____ **RD 1924-25, Plan Certification** (**HB-1, Appendix. 7, State Supplement**)
- E1 6 _____ **House Plans/Drawings and Plot Plans** (must be approved by RD, Buyer & Builder)
- E1 6 _____ **Manufactured Home built to HUD code** - verify dealer/contractor has been approved
- E1 6 _____ **Proof of construction quality for a new dwelling (new construction or dwelling less than one year old that has never been occupied) to determine permitted loan-to-value** (**HB-1, 6.7 B.**)
- E1 3 _____ **RD 1944-36, Application for Conditional Commitment** with fee. Refund fee if Conditional Commitment cannot be issued, order appraisal (now fee cannot be refunded), return fee to Contractor at closing. (**HB-1, 9.2**)

ECF / POS DATE UNDERWRITING/LOAN APPROVAL

- D1 3 _____ **Reverify income** - if expected to be over 120 days old by closing date (**HB-1, 4.3**)
 - F 3 _____ **Update Eligibility Summary with correct information, print, sign and date** – must be in file at rejection/approval (**HB-1, 6.17**)
 - D5 3 _____ **Loan eligibility narrative updated to include underwriting details/signed by LAO**
 - 2 _____ **Verify UniFi Program Type Code** (must match income type)
 - F 2 _____ **Validate the interest rate and obligate through MortgageServ** (**HB-1,8.6 E, 8.7**)
-

F 2 _____ **Update MortgageServ screens before uploading file; check Display History Screen for correct loan amount.**

ECF / POS DATE UNDERWRITING/LOAN APPROVAL (CONTINUED)

F 4 _____ **If denying property, send HB Letter 15, Standardized Adverse Decision Letter with review and appeal rights (HB-1, 1.9 & 8.2) and reissue Certificate of Eligibility for applicant to select another property.**

 3 _____ **If other funding is involved, review lender terms and fees to determine if acceptable (HB-1, 10.9)**

F 2 _____ **RD 3550-7, Funding Commitment and Notification of Loan Closing-** issued day of approval/obligation in MortgageServ (if not signed and returned in 15 days, must de-obligate) (HB-1, 8.2) **along with a copy of the appraisal, unless obligated subject to an appraisal.**

F 2 _____ **RD 1940-41, Truth in Lending Statement** – if applicable for an unsecured loan (HB-1, 3.8B)

- Loan must be approved/rejected within 30 days after completed docket (HB-1, 8.2)
- Make sure loan does not exceed applicable area loan limits (HB-1, 6.6)
- Verify loan-to-value ratio for existing dwellings does not exceed 100% (HB-1, 6.7)
- Loan terms cannot exceed maximum allowed (HB-1, 6.8) or approval authorities (1901-A)
- Attachment 6-A, Documentation Required Prior to Approving Loan. Chapter 6 of HB-1 gives additional guidelines.

ECF / POS DATE CLOSING

Closing Date: _____ **Consummation Date:** _____

IMPORTANT NOTE: Loan consummation may not occur until 3 business days after the Closing Disclosure is received by the applicant. With the mailbox rule, this means there is generally a 7 business day waiting period before closing if the Closing Disclosure was not provided in person.

3 _____ Re-verify Employment, Income and Eligibility (HB-1, 8.6.C)

D1 Date of oldest paystub: _____ (must not be more than 120 days by the closing date)

D1 Date of last Oral VOE: _____ (must be completed 10 days before closing)

D4 Date of TMCR: _____ (if more than nine months old at time of approval or closing, Loan Originator must obtain an updated TMCR at no cost to the applicant)

G 3 _____ Update UniFi with correct information and print the Eligibility Summary, sign and date-must be in file at loan closing (HB-1, 8.6.D)

D5 3 _____ Loan eligibility narrative updated to include final closing details/signed by LAO

G 5 _____ RD 1927-4, Transmittal of Title Information (HB-1, 8.4)

G 5 _____ RD 1927-9, Preliminary Title Opinion (if using attorney) (HB-1, 8.4)

5 _____ Review Title Insurance Binder/Preliminary Title Opinion and verify legal description is correct - (if exceptions noted affect the security value, loan cannot be closed).

G 5 _____ Closing Disclosure provided to applicant (after it was reviewed for compliance with tolerance limits) (HB-1, 8.5) _____ Provided in person _____ Provided by mail

G 5 _____ RD 3550-25, Loan Closing Instructions and Loan Closing Statement (HB-1, 8.11 & 1927-B)

5 _____ Re-verify closing agent’s account numbers

G 5 _____ RHCDS/MISC/CLOSING SELECT/ADD AGENT screen

G 7 _____ Hazard/Flood Insurance Binder & Receipt for 1st year premium (HB-1, Att 7-C)

G 7 _____ RD 3550-15, Tax Information (HB-1, 7.10), Calculate RE taxes that should be paid at closing (60 days of due date); instruct Title Agent to collect prorated taxes from Seller (refer to Purchase Agreement)(HB-1, 7.4)

- G 5 _____ RD 3550-9, Initial Escrow Account Disclosure Statement (HB-1, 7.5)
- G 2 _____ RD 3550-17, Funds Transmittal Report for tax service & appraisal fees, escrow funds, etc. (copy in Collections Operational File) (1951-B, if applicable)

<u>ECF / POS</u>	<u>DATE</u>	<u>CLOSING (CONTINUED)</u>
G 5	_____	RD 3550-19, Transmittal-Closing Documents & Attachments – as applicable (HB-1, 8.11)
G 3	_____	RD 410-4, Uniform Residential Loan Application PRINTED FROM UniFi
G 3	_____	Check the contractor using Treasury’s DNP portal – print hard copies for file (1940-M)
G 5	_____	RD 1927-5, Affidavit Regarding Work of Improvement (if required by State Supplement) send blank to closing (1927-B, 1927.58)
G 2	_____	RD 1940-16, Promissory Note (original in safe) (HB-1, 8.9 and FMI)
G 2	_____	RD 1940-43, Notice of Right to Cancel - if secured and non-purchase (HB-1, 8.6)
G 2	_____	RD 1944-14, Payment Assistance/Deferred Mortgage Assistance Agreement or RD 1944-6, Interest Credit Agreement (as applicable)
G 5	_____	RD 1955-49, Quitclaim Deed or Warranty Deed (as applicable)
G 5	_____	RD 3550-10, Condominium Rider (if applicable)
G 5	_____	RD 3550-11, Planned Unit Development Rider (if applicable)
G 2	_____	RD 3550-12, Subsidy Repayment Agreement (original in safe attached to note) (HB-1, Att. 8-A)
G 5	_____	RD 3550-14, Real Estate Mortgage or Deed of Trust for (State) - send blank
G 5	_____	RD 1927-8, Agreement with Prior Lienholder - if leveraged loan (HB-1, 8.6)
G 2	_____	RD 3550-22, Assumption Agreement Single Family Housing - if applicable (original attached to original note in safe) (HB-1, 8.6)
G 2	_____	RD 3550-16, Release from Personal Liability - if applicable (HB-1, 8.6)
G 5	_____	RD 3550-29, Document Errors and Omissions Agreement (HB-1. Attachment. 8-A)
G 5	_____	Obtain copies of all other funding sources including: promissory notes, grant agreements and/or security instruments (HB-1, 10.10)

<u>ECF / POS</u>	<u>DATE</u>	<u>POST CLOSING</u>
	5	_____ Verify closing documents faxed/uploaded (ECF)/imaged/mailed to CSC in required time frame (HB-1, 8.11) _____ Verify proper lien position. _____ Post 1 month follow-up for recorded Real Estate Mortgage. _____ Post follow-up for Title Insurance Policy (60 days) or Final Title Opinion (14 days). (If not received, contact closing agent by mail with a copy of the letter to the insurance company.)
H	2	_____ Activate loan/payment assistance in MortgageServ <u>WITHIN 1 DAY OF CLOSING.</u>
	5	_____ Review final Loan estimate & Closing Disclosure for tolerance violations. Cure violation within 60 days of closing.
H	6	_____ Send Compensation for Construction Defects letter, if new construction (Guide Letter 1924-1)
G	5	_____ RD 3550-25 – Loan Approval Official approves after all forms are returned, reviewed, and correct (HB-1, 8.11)
H	2	_____ Delinquent/Lienholder Screen – complete MortgageServ screen for each leveraged partner

<u>ECF / POS</u>	<u>DATE</u>	<u>CONSTRUCTION CONTRACT</u>
E2	6	_____ RD 1924-6, Construction Contract (Send Exhibit C, RD Instruction 1901-E within 10 days) (HB-1, 5.25) DOL web site (http://www.dol.gov/ofccp/regs/compliance/preaward/cnstnote.htm)
E2	6	_____ RD 1924-16, Record of Pre-Construction Conference, Attachment 12-F or other documentation (HB-1, 5.25)
E2	6	_____ “400 Series” (400-1, 400-3, 400-6, posters and Exhibit C of 1901-E,), as applicable (HB-1, 5.25)
E2	5	_____ AD 1048, Certification Regarding Debarment ... - lower tier (signed by contractor >\$25,000)
E2	7	_____ Builder’s Risk Insurance policy
E2	6	_____ RD 1924-1, Development Plan
E2	2	_____ RD 402-1, Deposit Agreement & RD 402-2, Statement of Deposits and Withdrawals
E2	6	_____ RD 1924-7, Contract Change Order and updated RD 1924-25, Plan Certification, if applicable
E2	6	_____ RD 1924-12, Inspection Report - Minimum of; (footer) ____ (rough-in) ____ (final) ____
E2	6	_____ RD 1924-9, Certificate of Contractor’s Release & RD 1924-10, Release by Claimants, if applicable
E2	6	_____ RD 1924-19, Builder’s Warranty or 10-year warranty per RD Instruction 1924-A, Exhibit L (NOTE: If 10-year warranty, must have policy or binder before final payment to builder)

<u>ECF / POS</u>	<u>DATE</u>	<u>POST CONSTRUCTION COMPLETION</u>
	6	_____ Verify correct address of subject property is listed in MortgageServ for new construction – address must receive a code 1 or 2 to be valid <u>or</u> must research and document discrepancy (HB-1, 5.1) (http://eligibility.sc.egov.usda.gov/eligibility/addressVerification)
	2	_____ Post Conversion of new loan closing in MortgageServ (print screen) and Warranty Follow-ups
	2	_____ Collect Escrow Funds
G	2	_____ Modify Promissory Note and have borrower(s) initial changes _____ Submit copies to CSC

ATTACHMENT 3-H

CREDIT SCORE DISCLOSURE

In accordance with the Fair and Accurate Credit Transactions Act of 2003 (FACT Act) and in connection with your application for a Rural Development Single Family Housing (hereafter referred to as “the Agency”) home loan, the Agency, upon request, must disclose to you the score that a credit bureau distributes to users and will be used by the Agency in connection with your home loan as well as the key factors affecting your credit scores.

While the Agency does not consider credit scores in determining adverse credit decisions, we may use them to presume acceptable credit in lieu of other credit underwriting practices. Credit scores assist lenders in evaluating your credit history in a more expedient and objective manner. Your credit scores are found on your tri-merge credit report, a copy of which will be provided to you upon request. The range of possible scores is from 300 to 850. The Agency may also obtain and consider other credit scores in making its decision on your application.

In addition to the credit scores, your credit report lists the key factors related to why your scores were less than the maximum possible score. Please keep in mind that the factors are only indicators of why you received less than the maximum score possible. The listing of these factors does not by itself indicate that you would not be approved for the loan you have requested. Rural Development considers many factors in addition to your credit scores in making a decision on your application. If your application is not approved, you will receive a separate notice stating the specific reason(s) for that action which may or may not relate to your credit scores.

The Agency did not calculate your credit scores or develop the scoring models. If you have any questions about your credit scores or the information in the tri-merge credit report from which the scores were computed, you can contact the credit bureau at the address listed below.

**Equifax Mortgage Solutions
815 East Gate, Suite 102
Mount Laurel, NJ 08054
(800) 333-0037**

NOTICE TO HOME LOAN APPLICANT

Pursuant to FACT Act, Section 212.

In connection with your application for a home loan, Rural Development must disclose to you the score that a credit bureau distributed to the Agency and was used in connection with your home loan, as well as key factors affecting your tri-merge credit score.

The credit score is a computer-generated summary calculated at the time of the request and based on the information a credit bureau has on file. The scores are based on data about your credit history and payment patterns. Credit scores are important because they are used to assist the Agency in determining whether you will obtain a loan. Credit scores can change over time, depending on your conduct, how your credit history and payment patterns change, and how credit scoring technologies change.

Because the score is based on information in your tri-merge credit history, it is very important that you review the credit-related information to make sure it is accurate. Credit records may vary from one company to another.

If you have any questions, about your score or the credit information that is furnished to you, contact the credit bureau at the address and telephone number provided with this notice. The credit bureaus play no part in the decision to take any action on the loan application and are unable to provide you with specific reasons for the decision on the loan application.

If you have any questions concerning the terms of the loan, contact Rural Development.

THIS DISCLOSURE HAS BEEN PROVIDED TO THE APPLICANT(S) PURSUANT TO SECTION 212 OF THE FAIR AND ACCURATE CREDIT TRANSACTIONS ACT OF 2003. I UNDERSTAND THAT I MAY RECEIVE A COPY OF MY TRI-MERGE CREDIT REPORT BY MAKING A WRITTEN REQUEST TO THE RURAL DEVELOPMENT OFFICE HANDLING MY LOAN APPLICATION.

ATTACHMENT 3-I

**SETTLEMENT SERVICE PROVIDERS AND MORTGAGE LOAN
APPLICATION RELATED DISCLOSURES**

Applicant(s) Name: _____

Subject Property Address: _____

Account Number: _____ Date: _____

List of Settlement Service Providers

The “Integrated Mortgage Disclosures Under the Real Estate Settlement Procedures Act and the Truth In Lending Act” (TRID) rule requires that if a lender permits an applicant to shop for third party settlement services, the lender must provide to the applicant with a written list of settlement services providers at the time the Loan Estimate is issued. Settlement service provider (also referred to as “service provider”) means any individual or business providing services in connection with a prospective or actual settlement of a mortgage loan. The lender’s list of settlement service providers is only required for settlement services listed on the Loan Estimate, page 2, Subheading C - “Services You Can Shop For”, and may include, but are not limited to, the following fees:

- Pest inspection fee
- Home inspection fee
- Survey fee
- Title services

In accordance with the TRID regulation, Rural Development (also referred to as “the Agency”) hereby provides you with a list of settlement service providers that have recently provided services to Agency’s customers. This list should assist you in identifying settlement service providers for services covered under the “Services You Can Shop For” section of the Loan Estimate. Rural Development does not require that you select the settlement service providers from this list; furthermore, you may choose a qualified provider that is not listed on this document. Please note that the settlement service providers on this list are not endorsed by or affiliated with Rural Development, and selecting a settlement service provider from this list does not affect the final credit decision on your loan application. Settlement services may take days or weeks to complete, therefore we strongly recommend that you select your settlement services providers as soon as possible or your settlement may be delayed. Once you have selected your service providers, you must contact your local Rural Development office to inform them about your selections.

If you select a service provider that is not on the Agency's list, you must provide our staff with the service provider's name, address and phone number. Settlement service providers and Rural Development staff work closely together to ensure that loan requirements are met in a timely manner before the closing date.

New Construction Homes / Construction Loans Disclosure

If you are buying a new construction home and settlement of your loan is expected to occur more than 60 calendar days from the time the initial Loan Estimate is issued, the Agency has the right to issue a revised Loan Estimate at any time up until 60 calendar days prior to loan closing/consummation.

Notification of Right To Receive a Copy of the Appraisal

In accordance with the Equal Credit Opportunity Act (ECOA) of 1974 (Regulation B) and in connection with your loan application, Rural Development must inform you of your right to receive a copy of the appraisal of the property you wish to purchase. Unless otherwise noted in the program's regulation, Rural Development will order an appraisal to determine the value of the property you are interested in purchasing and charge you a fee for the appraisal. The Agency will promptly give you a copy of the appraisal received regardless of the Agency's loan decision. You should expect to receive a copy of the appraisal after your loan has been evaluated by the Loan Approval Official but no later than three business days before loan closing.

If you have any questions concerning the terms of the loan, contact Rural Development.

THIS DISCLOSURE HAS BEEN PROVIDED TO THE APPLICANT(S) ALONG WITH THE LOAN ESTIMATE AND PURSUANT TO THE INTEGRATED MORTGAGE DISCLOSURES UNDER THE REAL ESTATE SETTLEMENT PROCEDURES ACT AND THE TRUTH IN LENDING ACT RULE. THE AGENCY MAY ISSUE A LOAN ESTIMATE IF APPLICABLE CHANGED CIRCUMSTANCES OCCUR. THIS IS NOT A LOAN / FUNDING COMMITMENT.

ATTACHMENT 3-J

CHECKLIST OF ITEMS TO ACCOMPANY THE UNIFORM RESIDENTIAL LOAN APPLICATION

When submitting a Uniform Residential Loan Application, Form RD 410-4, an applicant should simultaneously submit the following items in order for the application to be considered complete. The first two items are standard and apply to all applicants. For all other items, submit the requested items as applicable.

Prior to submitting an application and accompanying documentation, verify that the application has been fully completed and signed where applicable; and that all pages of the accompanying documentation has been provided. If signatures or documents are missing, the application will be considered incomplete and cannot be processed.

- Nonrefundable credit report fee of \$25 for individual or joint applicants. Payment may be accepted via check or money order; cash payments will not be accepted. **Notice to Customers Making Payment by Check:** If applicants send the Agency a check, it will be converted into an electronic funds transfer (EFT). This means the Agency will copy the check and use the account information on it to electronically debit the applicant's account for the amount of the check. The debit from the applicant's account will usually occur within 24 hours, and will be shown on the applicant's regular account statement. Applicants will not receive their original check back. The Agency will destroy the original check, but will keep an image of it. If the EFT cannot be processed for technical reasons, applicants authorize the Agency to process a paper copy of the image in place of the original check. If the EFT cannot be completed because of insufficient funds, the Agency may try to make the transfer up to two additional times [and the Agency will charge a one-time fee of \$15, which will also be collected by EFT].
- A signed Form RD 3550-1, Authorization to Release Information, for each adult member of the household. <http://forms.sc.egov.usda.gov/efcommon/eFileServices/eForms/RD3550-1.PDF>
- A completed and signed Form RD 3550-4, "Employment and Asset Certification". <http://forms.sc.egov.usda.gov/efcommon/eFileServices/eForms/RD3550-4.PDF>
- Verification of **all household income**. To qualify for the program, a household's adjusted annual income must be within the established income limit based on size and location. Below are some examples of income that may be applicable to all household members and what should be provided to the Agency.
 - Copies of the last four week's consecutive pay stubs.
 - Copies of recent benefit statements for regular unearned income (such as social security, public assistance, retirement income, etc.).

- Last 12 month payment history of alimony and/or child support received as provided by the court appointed entity responsible for handling payments. If this is not available, a copy of the separation agreement or divorce decree. Please note that while you can choose to have this income excluded from your repayment income, this income must be reported to determine if your household's adjusted income is within the program's income limit.
- For each applicant, a complete copy of their last two signed and filed Federal Income Tax Returns. IRS Form W-2, "Wage and Tax Statement," and/or IRS Form 1099-MISC, "Miscellaneous Income", must be attached. For returns mailed to the IRS, provide a copy of the signed document. For returns filed electronically, include a copy of the signature page with the Self-Select PIN, confirmation that the return was accepted, or evidence that it was filed by an authorized E-File provider.
- For each applicant, a signed IRS Form 4506-T, Request for Transcript of Tax Return <https://www.irs.gov/pub/irs-pdf/f4506t.pdf>
- For each applicant, a written explanation of employment history of less than two years or employment gaps in excess of 30 days within the last two years.
- For each household member, a copy of their two most recent brokerage or bank statements (excluding tax advantaged plans for education, health/medical, and retirement). If you are obtaining this information online, provide the statements as opposed to providing the online transaction histories.
- For each applicant, a written explanation for late payments, collections, judgments, or other derogatory items in their credit history of which they may be aware. If applicants are unsure what their credit history looks like, they can obtain a free credit report by calling 1-877-322-8228 or logging into <http://www.annualcreditreport.com>. By law, individuals are entitled to receive one free credit file disclosure every 12 months from each of the nationwide consumer credit reporting companies – Equifax, Experian and TransUnion. This free report cannot replace the credit report that the Agency will obtain to determine eligibility.
- For each applicant, verification of their identity. A copy of a Government-issued photo identification, evidence of date of birth (only required if not listed on the photo identification), and evidence of a valid/full taxpayer identification number (such as a copy of their Social Security card, pay stubs with the full taxpayer ID listed, etc.).
- For a household member who is a full-time student and 18 years of age or older, a copy of their school transcript.
- If applicable, provide written evidence of child care expenses for dependents 12 years of age or younger.

- If applicable, evidence of out of pocket annual medical expenses (for applicants 62 years of age and older, or individuals with a disability) who wish to be considered for a deduction to household income.

If all relevant information is not provided along with a fully completed and signed Uniform Residential Loan Application, the application will be considered incomplete.

Applicants are strongly discouraged from identifying a property or entering into a purchase agreement until they receive a Certificate of Eligibility from Rural Development. Applicants who are first-time homebuyers are strongly encouraged to complete a homeowner education training as early in the application process as possible since the training covers the following important topics: preparing for homeownership (readiness to go from rental to homeownership), budgeting (pre- and post-purchase), credit counseling, shopping for a home, obtaining a mortgage, loan closing, and life as a homeowner. There is generally an out-of-pocket fee for the training, which can be reimbursed should the loan request be approved and closed. Attached is a list of Agency-approved education providers. You will be expected to successfully complete this training prior to entering into a contract to purchase or construct a home for maximum benefit.