

CHAPTER 5: ORIGINATION AND UNDERWRITING OVERVIEW

5.1 INTRODUCTION [7 CFR 3555.51(b)]

SFHGLP loans are originated and underwritten by approved lenders. However, the process of requesting, issuing, and receiving the loan guarantee is one in which the lender and the Agency must cooperate closely. Lenders must provide the Agency with clear and accurate information so that Agency staff can promptly determine whether the loan qualifies for a guarantee. At the same time, Agency staff must process loan applications quickly and accurately to avoid delays that might hamper the lender's efforts to close the loan efficiently.

Section 5.2 of this chapter covers manual origination and underwriting. Section 5.3 of this chapter covers the use of the Guaranteed Underwriting System (GUS), the Agency's automated underwriting system.

5.2 REQUESTING A GUARANTEE

Not all loans are appropriate for the SFHGLP. The lender should determine whether, based on preliminary information, it appears that the loan will meet the program's criteria. The lender should also ensure that the applicant is fully informed about the requirements of the program.

A. Preliminary Determination of Applicant Eligibility

In general, the program is most appropriately used to offset the risk of making high loan-to-value loans in rural areas. It is not intended to offset risks that stem from a poor credit history or poor property condition. In particular, the lender should review the following items to make a preliminary determination of the applicant's eligibility.

- **Income.** Does the combined annual adjusted income of all members of the applicant's household (not just those who will be signatories to the note) fall within the program's income limits? Annual and adjusted incomes are distinct from repayment income.

Briefly, repayment income represents the income of parties to the note used to repay the loan. Annual income represents the entire household's combined income, regardless of whether the household members are loan applicants or not. Adjusted annual income represents the combined household income minus

qualified household deductions. The adjusted annual income may not exceed the program's income limits, which determines the household's eligibility for a SFHGLP loan. Chapter 9 contains more detail about calculating annual adjusted income for program eligibility. Appendix 5 contains the current income limits. Adjusted annual income eligibility may also be checked online at <http://eligibility.sc.egov.usda.gov/eligibility/> or by using the Agency's automated underwriting system, GUS.

Aside from meeting annual adjusted income requirements, the applicant must also have sufficient repayment income and meet additional program requirements. See Chapter 9 for more information about repayment income.

- **Ratios.** Do the applicant's PITI (Principal, Interest, Taxes and Insurance) and total debt (TD) ratios fall at or below the limits described in Chapter 11? Ratios are calculated using repayment income from applicants that will be a party to the Promissory Note. Please see Chapter 9 for more detail.
- **Credit.** Does the credit record appear to meet the program guidelines described in Chapter 10? The applicant must have a credit history that demonstrates their ability and willingness to repay the loan. GUS is unable to accept supplemental credit reports.
- **Loan amount.** Is the loan amount supported by the appraisal's fair market value? If there is not yet a current appraisal, is the loan amount expected to be supported by the appraisal? Appraisals are addressed in Chapter 12.
- **Rural area.** Does the property appear to be in an eligible rural area as designated by program guidelines? If warranted, did Agency staff confirm that the property location was rural? The Agency encourages lenders and those involved in the origination package to verify a property's eligibility on the Agency's property eligibility website. Property eligibility in many cases may be checked online at <http://eligibility.sc.egov.usda.gov/eligibility/> or by using the Agency's automated underwriting system.
- **Qualified alien/U.S. citizen.** Is the applicant a qualified alien or a United States citizen? If the applicant is not a U.S. citizen, they must produce evidence that they are qualified to receive Federal assistance and establish that they are a qualified alien. Alternately, Agency personnel can check a Department of Homeland Security (DHS) Citizenship and Immigration Services (CIS) database to determine eligibility. See Chapter 8 for more information.
- **Need for Guarantee.** Has the lender made a preliminary determination regarding the applicant's ability to obtain traditional credit?

Form RD 3555-21, "Request for Single Family Housing Loan Guarantee" requires both the lender and the applicant to certify that the applicant is unable to secure credit from other sources upon terms and conditions which the applicant can reasonably fulfill. The certification can be made if the applicant does not meet the requirements to obtain a traditional conventional credit loan. Traditional conventional credit is defined for Agency purposes as:

- The applicant has available personal non-retirement liquid asset funds of at least 20% of the purchase price that can be used as a down payment;
- The applicant can, in addition to the 20% down payment, pay all closing costs associated with the loan;
- The applicant can meet qualifying ratios of no more than 28% PITI and 36% TD when applying the 20% down payment;
- The applicant demonstrates qualifying credit for such a loan.
- The conventional mortgage loan term is for a 30- year fixed rate loan term without a condition to obtain private mortgage insurance (PMI).

If the applicant meets the cumulative criteria of traditional conventional credit, as defined by the Agency above; the applicant is ineligible for the SFHGLP.

Liquid assets for conventional credit down payment purposes typically consist of cash or cash equivalents. Cash or cash equivalents include funds in the applicant's checking or savings accounts, or investments in stocks, bonds, mutual funds, certificates of deposit, and money market funds, unless they were encumbered (pledges as collateral) or otherwise inaccessible without substantial penalty. Cash equivalents do not include funds in Individual Retirement Accounts, 401(k) accounts, Keogh accounts, or other retirement accounts that are restricted and may not be accessed without incurring substantial monetary penalties.

B. Informing the Applicant

Before requesting a loan guarantee, the lender should take the following steps to ensure that the applicant has a general understanding of the SFHGLP.

- **Concept of a loan guarantee.** Describe to the applicant what a loan guarantee is, why it is used, and the benefits of a loan guarantee. Benefits include, but are not limited to: no required down payment and a fixed interest rate.
- **Loan guarantee fee.** Inform the applicant of the guarantee fee to be paid at loan closing.
- **Annual fee.** Inform the applicant of the annual fee, if applicable.
- **Occupancy.** Inform applicants that they must occupy the property as their principal residence.
- **SFHGLP requirements.** Inform the applicant of program requirements such as income limits, property location eligibility, debt ratio thresholds, and other requirements such as the Debt Collection Improvement Act (DCIA) outlined on *Form RD 3555-21*.

5.3 UTILIZING THE GUARANTEED UNDERWRITING SYSTEM [7 CFR 3555.107(3)(b)]

The Guaranteed Underwriting System (GUS) was developed to automate the process of credit risk evaluation for the SFHGLP. Automated underwriting (AU) systems are an efficient, consistent, objective and accurate method of mortgage underwriting compared with traditional manual methods. GUS is a tool that helps evaluate the credit risk of the loan request. It compliments, but DOES NOT replace the considered judgment of experienced underwriters.

GUS incorporates applicant eligibility and underwriting requirements of this Handbook by utilizing a modified version of the Federal Housing Administration (FHA) mortgage scorecard known as Technology Open to Approved Lenders (TOTAL) concurrently with a rules based engine. GUS is accessed through a secure web-based automated underwriting environment at: <https://usdalinc.sc.egov.usda.gov/>. GUS considers mortgage loan application data entered by the approved lender, credit repository data, and income and property information to evaluate a potential borrower's ability to meet a proposed mortgage obligation. GUS evaluates select components in a mortgage loan application and provides a credit evaluation and underwriting recommendation within seconds. GUS is not designed to evaluate the dependability of an applicant's income proposed for repayment. This remains the underwriter's responsibility to determine prior to final submission. Refer to Chapter 9 of this Handbook to determine adequate and dependable income for repayment ability. Lenders are reminded that data entered into GUS must coincide with that of the lender's permanent case file.

A. Functionality of GUS

Incorporated within the functionality of GUS are the following components:

Property and Income Eligibility

- The dwelling offered as collateral for the proposed mortgage loan is located in an eligible rural area; and
- The applicant's annual adjusted household income meets the adjusted income limits in accordance with size of household, county and State in which the applicant(s) will reside.

Rules Based Engine

- The Engine incorporates the guidelines found in this Handbook regarding originating SFHGLP loans.
- Periodically new rules may be created to respond to issues analyzed within the SFHGLP portfolio.

Scorecard

- GUS uses a modified version of the FHA mortgage scorecard known as TOTAL exclusive to Rural Development.
- The scorecard has been validated and adjusted for SFHGLP use.
- The TOTAL scorecard, including the modified version validated for SFHGLP use, is intellectual property that is proprietary to HUD.
- Factors considered under the scorecard include credit history, payment-to-income ratios, and loan-to-value ratios.
- The scorecard allows favorable consideration to applicants that exhibit positive compensating factors such as available reserves for housing payments after loan closing.
- Periodically the scorecard may be modified to react to the changing lending market. When modifications occur, loans remaining as a preliminary

recommendation may not receive the same underwriting results upon a final submission.

Credit Bureau Interface

- GUS links with hundreds of credit providers nationwide. Users may link to a full list of credit providers at:
<https://www.efanniemae.com/sf/refmaterials/creditproviders/index.jsp>
- An interface occurs between GUS and the credit bureaus through a platform known as the Fannie Mae Credit Interface Service (CIS).
- The interface is seamless to lenders and only acts as a conduit. An attempt to access information from all national credit repositories will occur, but GUS can complete its credit risk evaluation with information from only one repository.
- New or re-issued credit can be pulled through GUS.
- Credit reports pulled through GUS are valid for 120 days for purchase loans and new construction, unless the credit provider's expiration is more restrictive.
- Lenders are not required to be a Fannie Mae subscriber or partner to utilize the credit report interface in GUS.

B. Gaining Access to GUS

Approved lenders may utilize GUS, as an optional tool. A step-by-step guide, "Gaining Access to GUS" may be used as a resource tool by lenders seeking to gain access and approval to utilize GUS. With the present version of GUS, only those lenders who have active Lender Agreements are eligible to utilize GUS. Lenders who utilize this system will be required to enter into a User Agreement and obtain authorized access through the use of an eAuthentication account and password. An on-line user guide covering the step-by-step process of gaining access to GUS may be obtained at: <https://usdalinc.sc.egov.usda.gov/RHShome.do> under the Training and Resource Library menu.

C. Underwriting Guidance for Lenders

A Lender User Guide, designed to assist approved lenders who utilize GUS, may be obtained at the website and menu noted above in Paragraph 5.3.B of this Chapter.

GUS evaluates the overall creditworthiness of the applicant(s) based upon a number of credit variables and, when combined with remaining functionalities of GUS indicates a recommended level of underwriting to determine a loan's eligibility for a SFHGLP guarantee. GUS will conclude that the credit and capacity for repayment of the mortgage are acceptable or will refer the loan to an underwriter for further consideration, review and manual underwriting.

Regardless of the underwriting recommendation provided, the lender remains accountable for compliance with SFHGLP eligibility requirements, as well as any credit, capacity, and documentation requirements. No borrower should be denied a SFHGLP guarantee solely on the basis of a risk assessment generated by GUS.

D. Compatible Loan Origination System (LOS) and Point of Sale (POS) Vendors

A single file import feature is available in GUS. GUS currently accepts the Mortgage Industry Standards Maintenance Organization (MISMO) AUS 2.3.1 .xml exported files, Fannie Mae 3.2. file format. LOS and POS vendors who have submitted an exported test file from the vendor's system and successfully imported to GUS are published at the following website under "GUS Documentation."

<https://usdalinc.sc.egov.usda.gov/USDALincTrainingResourceLib.do>

E. Cash Reserves

Although cash reserves after closing are not required for the SFHGLP, cash reserves are considered in the risk assessment provided by GUS. When disclosing the assets of the borrower on the “Assets and Liabilities” page of GUS, lenders have the responsibility to determine if the asset is liquid or readily converted to cash and can be done so absent retirement or job termination. Assets such as 401 (k)s, IRAs, etc. may be included in the underwriting analysis up to only 60 percent of the vested value. Funds borrowed against these accounts may be used for loan closing, but are not to be considered as cash reserves. Funds from gifts from any source will not be included in the cash reserves calculation in GUS. Cash reserves are used for the purpose of qualifying the applicant for a loan. Cash to close remains the lender’s responsibility to verify and document that the borrower has sufficient funds to facilitate funding. Documentation will be retained in the lender’s permanent case file.

Assets should never be overvalued as it affects the risk assessment provided by the automated underwriting system and misrepresents the file presented for a Conditional Commitment for Loan Note Guarantee. A two month average monthly balance of liquid assets most accurately represents the true value of the account since accounts, such as checking accounts often fluctuate significantly during the month from deposit to average monthly balance. The lesser of the two month average balance or actual balance (as reported on the most recent statement) will be input on the “Assets and Liabilities” page of GUS if utilized in the underwriting decision. In lieu of entering assets in GUS, the lender may underwrite to the most conservative approach with no consideration of assets on the “Assets and Liabilities” page and underwriting recommendation. Refer to Paragraph 9.3 for documentation standards and examples of calculating the average monthly balance of assets.

Assets may also influence program eligible income. Refer to Paragraph 9.4 of Chapter 9 for additional information regarding assets and program eligible income.

F. Omitting Liabilities

If a lender omits an adverse trade line when utilizing GUS and receives an “Accept” the applicant explanation letters and supportive documentation of adverse trade lines will be retained by the lender. The “Notes” section of the “Asset and Liabilities” page will reflect the lenders basis for omitting the trade line.

G. Established Data Tolerances

Loan application date submitted to the Agency must reflect a true and accurate representation of the loan to be closed. This data must match the loan file submitted to

the Agency when requesting the Conditional Commitment for Loan Note Guarantee or fall within the tolerances established by the Agency.

Tax and Insurance Escrows: Approved lenders must ensure that an accurate estimate for the property tax/insurance component of an applicant's monthly mortgage payment is utilized when submitting loan applications to the Agency. Care must be taken to assume a realistic estimate is used for computing the monthly escrowed amount. The escrowed amount for real estate taxes is based on the assessed value of improved land (i.e. value of both the property and the completed dwelling) for new construction and the actual taxes assessed for existing properties. The lender may contact the taxing authority which has jurisdiction over the property to obtain an estimate of the taxes to be assessed for newly constructed homes. Minor changes to the escrow portion of the monthly housing expense do not require the mortgage application to be reconsidered. This guidance is applicable to manually underwritten files and those files electronically submitted by lenders utilizing GUS. Specifically, it is not necessary for the lender to perform an updated underwriting analysis of a loan file that has received a Conditional Commitment for Loan Note Guarantee when monthly tax and insurance estimates do not increase the payment-to-income principal, interest, taxes, and insurance (PITI) and debt-to-income total debt (TD) ratios by more than two-percentage points at closing. A small increase to monthly tax and insurance payments would not typically cause a substantial change in risk classification of the proposed real estate loan. This tolerance threshold applies only to situations where tax and insurance data provided on the loan application, at time of Conditional Commitment, differs from the amount recorded at loan closing.

The threshold policy for tax and insurance escrow should not be construed to allow lender manipulation of escrow variables to obtain approvals. The Agency reserves the right to request and review files from lenders that are suspected of purposely underestimating tax and insurance payments in order to secure a commitment or loan guarantee.

Income: Verification of income shall be obtained prior to final submission. Therefore data entered in GUS is supported with verifying documentation of income in the lender's permanent loan file. Data tolerances for confirmed income are not available to approved lenders. Income shall be verified and documented in accordance with Chapter 9 of this Handbook.

Liquid Assets: Asset data reflected in GUS must be supported by verification documentation. The final submission will reflect the verified amount. Guidance regarding verifying assets can be found at Paragraph 9.4 of Chapter 9.

H. GUS Findings and Underwriting Report

The responsibilities associated with producing loans of acceptable quality for loan guaranteed by the Agency remains the same for a GUS evaluated loan or manually underwritten loans. When a lender enters mortgage loan data into GUS and requests a loan underwriting evaluation, a two part underwriting summary is delivered to the lender through a GUS Underwriting Findings Report. The first portion of the underwriting summary will render an underwriting recommendation of ACCEPT, REFER or REFER WITH CAUTION. An INELIGIBLE or UNABLE TO DETERMINE may also be delivered. The underwriting recommendation is followed by a risk evaluation of ELIGIBLE, INELIGIBLE, or UNABLE TO DETERMINE. The second portion represents a combined analysis of property, income, loan eligibility and borrower eligibility.

The GUS Findings and Underwriting Report will provide feedback messages for lenders. The lender must review the feedback messages.

The final submission of the last scoring event must be retained in the lender's permanent loan file. Lenders who utilize GUS to obtain their underwriting recommendation do not need to prepare a Uniform Underwriting Transmittal Summary (FNMA Form 1008/Freddie Mac Form 1077), or equivalent, to document the underwriting analysis and decision if the underwriting recommendation is an "Accept."

The Agency commitment will reference the GUS findings report as a condition of guarantee loan approval.

I. Lender Steps When Requesting a Commitment

1. Ensure the data entered in GUS is true, complete and accurate.
2. Verify the entire loan package meets all SFHGLP requirements.
3. The approved lender's underwriter must review and confirm the loan package meets SFHGLP requirements and underwrite the appraisal.
4. Submit the file by GUS as a "Final Submission" to electronically transmit the loan application to the Agency.
5. If the loan is a "Refer or Refer with Caution," the underwriter must determine if the borrower is creditworthy in accordance with SFHGLP credit policies and guidelines. If approved by the approved lender's underwriter, submit the file by

GUS as a “Final Submission” to electronically transmit the loan application to the Agency. Full documentation files are required for loans receiving a “Refer” or “Refer with Caution” when using GUS.

J. GUS Underwriting Recommendations

Based on the analysis of credit, capacity and other loan characteristics, GUS will render an underwriting recommendation. The recommendation is based upon the data entered in GUS with the representation from the lender that the data is true, complete and accurate. The following represent possible underwriting recommendations with guidance on documentation to be submitted to the Agency when requesting a Conditional Commitment for Loan Note Guarantee.

ACCEPT/ELIGIBLE Underwriting Recommendation

Minimal documentation provisions apply to GUS underwriting recommendations that receive an ACCEPT. The lender may submit the following completed documents to obtain a Conditional Commitment, unless a quality control message on the GUS Underwriting Findings Report indicates a full documentation file is required. A quality control message requiring a full documentation file will appear on the GUS Underwriting Findings Report upon final submission.

1. “Uniform Residential Appraisal Report” (URAR) for single family dwelling units or its equivalent, or condominiums or manufactured homes [FNMA Form 1004 or Freddie Mac Form 70]
2. “Standard Flood Hazard Determination Form” [FEMA Form 086-0-032]
3. “Request for Single Family Housing Loan Guarantee” [Form RD 3555-21]. This form must be fully executed by the lender or the lender’s representative, and all applicants. The form must represent the request of the lender. If an interest rate is floating at commitment request, the lender should include the lock in date for confirmation by the Agency. Once the Conditional Commitment is issued if the loan is adversely affected by an increase in interest rate upon lock the loan must be resubmitted to GUS for underwriting prior to loan closing. An increase in interest rate could affect the eligibility of the loan.
4. Lender’s worksheet for documenting eligible household income and repayment income. The worksheet is part of *Form RD 3555-21*. Refer to Chapter 9 for additional guidance.

5. Final GUS Underwriting and Findings Report.

If the loan applicant is a qualified alien, a buydown is involved, or the property is located in a community property state and there is a non-purchasing spouse additional documents may be required.

Accurate data is the responsibility of the approved lender. By submitting the mortgage loan application request through GUS as a final submission, the lender is representing that the data input is true, complete, accurate and verified. Underwriting is the responsibility of the approved lender. Lenders are required to review the results of the GUS findings and credit reports. If necessary, make data changes and resubmit the loan to GUS. Approved lenders then make a lending decision using the Findings Report obtained from GUS, credit report(s), stable and dependable income, employment, assets, collateral and other file documentation.

Only a nominal amount of time by Agency personnel should be spent on GUS mortgage loan applications receiving an ACCEPT. During the review process, should data appear to be questionable, the Agency reserves the right to request further supportive information. Files may be selected for full file review if the lender is a new user to GUS, has demonstrated a disregard for Agency policies and procedures, has a high first year delinquency rate, or loss payments in excess of the national average. Randomly, full documentation of a file in lieu of minimal documentation noted above will be requested when receiving an underwriting recommendation of ACCEPT. This random selection is for quality control purposes. A message on the lender's final pass of underwriting will confirm when a full documentation file is required. Full file documentation reviews are to confirm the data input into the GUS file accurately reflects that of the lender's file and documentation.

Mortgage loan documents will be delivered electronically through the Agency's automated system of receiving documents. This is the preferred method. In cases when the system may be unavailable or a transition to the system is occurring, documents may be photocopied, scanned, emailed, faxed or delivered by regular or express mail through the state general email delivery box. It is anticipated that all lenders will utilize the automated method available. The necessity to collect an original Form RD 3555-21 is not required. A photocopy, scanned, emailed or faxed Form RD 3555-21 is acceptable.

ACCEPT/INELGIBLE Underwriting Recommendation

Loans receiving this recommendation have been determined as meeting the SFHGLP risk standards for loan guarantee; however do not meet certain eligibility guidelines. Typical reasons for an ACCEPT/INELIGIBLE recommendation may include:

- Property not located in a rural area
- Program eligible income exceeds Rural Development guidelines
- Non-owner occupied transaction
- Not a qualified alien

Loans that receive a recommendation of ACCEPT/INELIGIBLE may still be eligible for a Rural Development loan guarantee. To achieve eligibility, the lender's underwriter should analyze the findings report and determine the basis for the ineligibility and determine if the reason for ineligibility can be resolved in order to comply with Rural Development guidelines. Issues that caused the loan to be ineligible may be resubmitted to obtain a correct underwriting recommendation.

REFER or REFER WITH CAUTION Underwriting Recommendation

GUS loans receiving an underwriting recommendation of REFER or REFER WITH CAUTION will require further review by the lender. Risk factors have been identified based upon the data entered into GUS. The credit risk evaluation represented by a REFER WITH CAUTION is greater than the credit risk of loans that receive a REFER. Lenders should practice extreme care in their underwriting analysis and decisions when underwriting a loan file receiving a REFER or REFER WITH CAUTION recommendation. The lender's underwriter must perform a manual underwriting evaluation of the mortgage loan application to determine if the borrower is creditworthy in accordance with SFHGLP credit policies and guidelines. Lenders must submit full documentation files as noted in Chapter 15 of this Handbook for manually underwritten files for GUS underwriting recommendations of REFER or REFER WITH CAUTION. Credit documentation, mitigating circumstances, and compensating factors considered in the manual underwriting analysis should be recorded in the lender's permanent case file. Compensating factors considered in the evaluation of the mortgage loan application should be documented on the underwriting analysis and summary [typically the Uniform Underwriting Transmittal Summary – FNMA Form 1008/Freddie Mac Form 1077 or equivalent].

Loans should not be denied solely on the basis of a risk evaluation generated by GUS. Mitigating circumstances according to Agency standard guidelines may be considered.

K. Lender's Reliance on the GUS System

Lenders who utilize GUS represent and agree that they will not rely principally or exclusively on the GUS System in determining whether or not credit will be extended to

any applicant. The lender remains responsible for the loan qualifying decision in addition to eligibility of the household for the SFHGLP.

L. Lender's Permanent Loan File - Documentation Requirements

The lenders permanent case files must be supported with the following verified documentation, regardless of the GUS recommendation:

- Credit history;
- Annual Adjusted Income – determined for program eligibility;
- Stable and Dependable Income – determined for repayment and qualifying purposes;
- Assets – for income calculation and compensating factor analysis;
- Collateral requirements; and
- Any other documentation supporting the mortgage loan request.

Stable and dependable income will be documented in accordance with Chapter 9 of this Handbook and remains the responsibility of the lender. GUS does not evaluate or predict the stability of an applicant's continuance of income. This determination is performed by the lender prior to final submission of an application.

M. Resubmission Policy

The lender is responsible for the integrity of the data used to obtain an underwriting evaluation in GUS. If data changes during the loan application stage, after Conditional Commitment or prior to loan closing, the GUS underwriting recommendation could be compromised. Lenders are responsible for resubmitting the loan to GUS when material changes are discovered. Lenders must follow Paragraph 15.7 of Chapter 15 of this Handbook prior to closing a loan. **Any request to release GUS for data updates after issuance of a Conditional Commitment will be treated as a new request, processed in date order of applications received.** Under the following conditions, lenders must resubmit the loan through GUS for an updated evaluation:

- Borrowers were either added or deleted from the loan application or critical information has changed.
- A **decrease** in the borrower's income and/or cash assets/reserves.
- An **increase** in loan amount or interest rate on the mortgage loan request.

- Any changes that would negatively affect the borrower's ability to repay the mortgage.
- Information regarding the property changes – such as a change in sales price or value.

The lender must request the loan be released from the Agency to the lender. The lender should modify the data and resubmit the loan through GUS for an updated final evaluation underwriting recommendation.

Some data changes do not affect the outcome of an underwriting recommendation. Once a mortgage loan has been sent to the Agency as a "Final Submit," the following data changes do not require that the GUS loan application be updated:

- A **decrease** in loan interest rate
- A **decrease** in loan amount
- A **decrease** of mortgage or personal liabilities
- An **increase** of assets
- The bureau update of a credit report due to the expiration of the credit report (expires at 120 days prior to loan closing) after a final submit has occurred by the lender and a Conditional Commitment has been issued; yet prior to loan closing as long as no adverse impact has occurred that would affect the outcome of the underwriting recommendation. Lender must retain the updated credit report in their permanent lender's case file.

N. Lender's Representations to the Agency upon Final Submission

The lender represents as of the date of final submission to the Agency the following:

- All terms, conditions and requirements of the SFHGLP are fully satisfied.
- All representations submitted by the lender are true and correct.
- The lender is in compliance with its agreements contained in documents to participate in the SFHGLP and utilize the GUS System.
- The lender has not misstated or omitted any material fact about the mortgage loan request for guarantee.

- Applicable laws and terms of the note and security instruments have been correctly and timely disclosed to the applicant(s).
- The lender represents that all persons executing documents on behalf of the lender are duly authorized to do so.

O. Termination

GUS is a tool to assist lenders in their underwriting decisions. The Agency reserves the right to terminate the lender's access to GUS in the event of any default under the terms of the agreement to utilize GUS or any lender's suspension, withdrawal or termination of approval to participate in the SFHGLP.

Other than a lender's suspension, withdrawal or termination of approval to participate in the SFHGLP, a lender may be suspended from accessing GUS if (not all inclusive):

- A lender fails to provide the Agency with information that is true, complete and accurate.
- Omission of any material fact on any application, other documents, or oral representation made to the Agency when seeking a Loan Note Guarantee.
- A lender has a 30-, 60- or 90- day delinquency rate or loss claim rate more than 50% higher than the average 30-, 60- or 90- day delinquency rate or loss claim for all guarantees issued in the Agency's portfolio. This can be measured within a geographic area of the nation also.
- Misuse of GUS in accordance with terms and conditions of the agreement to utilize the System.

Emphasis of any evaluation conducted will be placed on the risk that the loan(s) poses to the Agency.

Agency Actions

- Initially, contact the lender to ensure a firm understanding of the lender's terms and conditions of the use of the GUS System. Firm evidence of any violations must be discussed and addressed.
- Follow up the initial communication with a written notice outlining the agreed upon plan to improve.

- Allow a lender a reasonable time frame to institute a remedy and represent improvement to the identified findings.
- Monitor the lender for improvement.
- After continued evaluation of findings and results to improve, if the lender fails to comply, refer the lender's lack of conformance to the National Office. States must support the referral with a recommendation of action, supported by the state's actions and attempt to remedy and improve results with the lender.