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To: sfhorignews@list-stl.sc.egov.usda.gov

Subject: SFH Origination Update - Incomplete Applications



Single Family Housing Origination Updates

From the National Office in Washington DC

Single Family Housing Guaranteed Loan Program

November 3, 2014

Please take a moment to review your RD loan applications before submitting, and remember...IF IT'S NOT COMPLETE, IT CAN'T COMPETE.

Rural Development will **not** put application packages in line for processing until they are deemed complete. The Rural Development office will return any incomplete application packages, including those containing inaccuracies or missing documents, to the submitting lender and those packages will go to the back of the line when resubmitted.

Incomplete applications compete for the limited time of our staff and our rules are clear that this should not happen. Per RD Instruction 1980.353(a), "**complete** applications will be considered by RHS in the order received from Lenders authorized to participate in the program." [emphasis added]

Please help us by reviewing the following guidance to ensure your submission is complete and error free. By spending a few extra minutes to confirm that your loan applications are complete before submitting them to Rural Development, you can avoid having them returned to you or reassigned in the processing queue.

We Need Your Help

We do not wish to inconvenience you or your borrowers but in recent months, our field offices have been inundated with applications with missing information, missing documents, miscalculations, oversights related to Guaranteed Underwriting System (GUS) findings, and the like. As a result, our field offices are engaging in lengthy communications with some of our lenders to try to keep these applications moving forward.

These applications, which consume significant staff time, are sometimes hastily prepared so that they can hold a place in the processing queue. This contributes to processing delays that impact all lenders,

the majority of whom submit complete and accurate applications. By returning incomplete applications or reassigning them to the end of the processing queue, we believe we can encourage better submissions and allocate our staff time more effectively to meet program needs.

Tools to Make Sure your Application is Complete

To ensure that applications submitted by your staff are not affected by the steps we have taken to protect our lenders and homebuyers, we ask that you share the following information with your staff that process, underwrite and close Rural Development guarantee requests:

- Tools have been developed to help you assemble and submit a complete package. The tools are available as fillable documents on USDA LINC under the heading “Loan Origination” at the following web link: <https://usdalinc.sc.egov.usda.gov/USDALincTrainingResourceLib.do#loanorigination>.

Available tools include:

- Lender’s *Origination Stacking Order Checklist*
 - Lender’s *Loan Closing Stacking Order Checklist*
 - Please make sure to submit only those documents noted. Sending additional documentation will delay the review process and impede timely response to your request.
- Please don’t make multiple requests for application status updates or repeatedly petition the RD office to speed the processing of your loan.
 - Applications can only be processed in the order they are received and deemed complete.
 - Each state communicates to the public the date of pipeline transactions that are being processed each day.
 - If states are advising of delays, consider those delays when locking interest rates, expiration of credit documents, etc.
 - Ensure your lender contact information is accurate Form RD 1980-21, “Request for Single Family Housing Loan Guarantee.” Agency reviewers will contact the person listed on Form RD 1980-21 with questions or requests for supplemental information.
 - Confirm data integrity. Data must be complete and consistent across all verification documents such as the appraisal, the verification of employment, etc. Data integrity is a critical element.
 - GUS issues quality control (QC) messages for randomly selected files. QC messages 31062 or 31067 require lenders to send full documentation files, even if the result was an “Accept,” as outlined in the *Lender Origination Stack Checklist* mentioned earlier. Credit or repayment ratio documentation/justifications are not required for a GUS loan selected for QC receiving an “Accept.”
 - Review the terms and conditions of Form RD 1980-18, “Conditional Commitment for Single Family Housing Loan Note Guarantee.” If underwritten with the assistance of GUS,

conditions include those noted on the “GUS Underwriting Findings Report.” When a commitment is received, you may proceed in one of three ways:

- Accept the terms and conditions of the commitment and close the loan at or below the interest rate and amount of loan indicated on the commitment; or
 - Request a modification of commitment from Rural Development **PRIOR** to closing the loan. The modification you request could, for example, be an increase in the loan amount, an increase in the interest rate or amending on of the conditions of the commitment; or
 - Reject the commitment and cancel your request.
- Once the Conditional Commitment is issued, GUS will only allow you to adjust data input related to:
 - Modifications that would increase the loan amount or interest rate authorized on the commitment;
 - An increase in liability, a decrease in assets, a decrease in repayment income or other changes taking place after the commitment was issued which would adversely affect the credit quality of the loan.
 - A change in escrow payment amounts representing more than a 2% after the commitment was issued.

Here is the most common application problem we encounter...

The “*Worksheet for Documenting Eligible Household and Repayment Income*” is not submitted or contains errors. For example, if the income on the worksheet doesn’t match GUS or RD Form 1980-21, the processing of your request could be delayed or the case returned to you.

- The worksheet is available in a fillable format under “Loan Origination” in a fillable format on USDA LINC: <https://usdalinc.sc.egov.usda.gov/USDALincTrainingResourceLib.do>
- Pages 1 and 2 should show the **Annual Income** and page 3 should show the **Monthly Repayment Income**.
 - Repayment income represents the parties to the note who will repay the loan request.
 - Annual income is calculated one time to qualify the HOUSEHOLD for the loan program.
- Net family assets with a cumulative total of \$5,000 or greater has to be considered in the annual income calculation. The greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate must be considered when calculating annual income and that income must be reported on the *Worksheet for Documenting Eligible Household Income*.

- All household members need to be listed on the worksheet and the breakdown of the income calculation is required.
- Student loans currently in repayment must have documentation to verify the current payment due (e.g. letter from a loan servicer, online account verifications, or other official written documentation), but do not need to be submitted to RD unless it is a manual or full documents submission. The credit report alone **is not** acceptable documentation.
- If GUS detects a borrower on the application is also associated with other submissions in GUS, you should research the matter and provide us with an explanation regarding the reason for multiple applications.
- Loans that are underwritten with the assistance of GUS and receive a “Refer” or “Refer with Caution” become manually underwritten loans.

We appreciate your commitment both to the fulfillment of rural America’s homeownership dreams and to the success of the SFHGLP.

Should you have any questions, please feel free to contact the Single Family Housing Guaranteed Loan Division at 202-720-1452.

Help Resources

USDA ITS Service Desk Support Center

For e-Authentication assistance

Email: eAuthHelpDesk@ftc.usda.gov

Phone: 800-457-3642, option 1 (USDA e-Authentication Issues)

Rural Development Help Desk

For GUS system, outage or functionality assistance

Email: RD.HD@STL.USDA.GOV

Phone: 800-457-3642, option 2 (USDA Applications); then option 2 (Rural Development)

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