

## CHAPTER 16: CLOSING THE LOAN AND REQUESTING THE GUARANTEE

[7 CFR 3555.107]

### 16.1 INTRODUCTION

The lender is required to comply with all conditions stated on *Form RD 3555-18/18E*, “*Conditional Commitment for Single Family Housing Loan Guarantee*,” and any attachments, as applicable. The loan must close under the same terms as underwritten and approved for in the Conditional Commitment.

### 16.2 CLOSING THE LOAN

#### **Required Closing Timeframe:**

- Purchase transactions-the lender has 90 days from the issuance of Conditional Commitment to close the loan with an opportunity for one 90-day extension. The extension must be requested prior to the expiration of the Conditional Commitment.
- Construction transactions-the expiration date for new construction, other than the “combination construction permanent loan” option outlined in Section 7 of Chapter 12, should correspond with the estimated project completion date but cannot exceed 12-months.
- The Agency must grant any approved extensions in writing. The Guaranteed Loan System (GLS) application page will be updated with the commitment extension.

#### **Closing in Compliance with Conditional Commitment Approval:**

- The loan must close under the same terms as underwritten and approved for on the Conditional Commitment; any changes in the loan terms, characteristics of the applicant, or characteristics of the property, between the issuance of Conditional Commitment and loan closing requires the lender to notify the Agency in writing.
- Adverse changes may require the release of application submitted in the Guaranteed Underwriting System (GUS) to the lender for correction and resubmission to ensure no impact to the underwriting recommendation.

- The Agency must verify in writing prior to loan closing that the changes are acceptable. Failure by the lender to obtain approval from the Agency may result in denial of the *Form RD 3555-17E*, “*Loan Note Guarantee*.”

**Signatures:**

- All individuals applying for the loan and assuming responsibility for the mortgage debt must sign the Uniform Residential Loan Application and any addenda.
- Any individual whose signature is required by state law (e.g. a non-purchasing spouse) must sign the security instruments and/or note to create a valid first lien, to pass clear title, or to waive inchoate rights. All owners to be vested in title must sign the security instruments except as noted in this section.
- Additional signatures on the security instruments for individuals who have not been reviewed during the mortgage credit analysis may jeopardize issuance of the Loan Note Guarantee.
- Lenders should not encourage borrowers to sign blank or incomplete documents.

A Power of Attorney (POA) may be used when the mortgagee verifies and documents that the following applicable requirements have been satisfied:

- Any specific or general POA must comply with state law and allow for legal enforcement of the mortgage note.
- For military personnel, a POA may only be used for one of the applications (initial or final), but not both:
  - when the service member is on overseas duty or on an unaccompanied tour;
  - when the mortgagee is unable to obtain the absent borrower’s signature on the application by mail or via fax; and,
  - where the attorney-in-fact has specific authority to encumber the property and to obligate the borrower. Acceptable evidence includes a durable POA specifically designed to survive incapacity and avoid the need for court proceedings.

- For incapacitated borrowers, a POA may only be used where:
  - a borrower is incapacitated and unable to sign the mortgage application;
  - the incapacitated individual will occupy the property to be guaranteed; and,
  - the attorney-in-fact has specific authority to encumber the property and to obligate the borrower. Acceptable evidence includes a durable POA specifically designed to survive incapacity and avoid the need for court proceedings.

Electronic signatures in accordance with the conditions outlined in Chapter 15 of this Handbook may be accepted.

**Interest Credit Closing.** To reduce the burden on borrowers whose loans were scheduled to close at the end of the month, but did not due to unforeseen circumstances, lenders and borrowers may agree to credit the per diem interest to the borrower and have the mortgage payments begin the first of the succeeding month.

**Lender Certification.** The lender will certify that the loan has been underwritten and closed in accordance with 7 CFR 3555.107, that it meets all conditions set forth from Conditional Commitment, and that all documentation has been submitted to Rural Development. The lender acknowledges that upon receipt and acceptance of the conditions of the Conditional Commitment and the required fees in the appropriate amount, Rural Development will execute and issue the Loan Note Guarantee.

### **16.3 REQUESTING THE LOAN NOTE GUARANTEE**

The lender must provide evidence the loan was properly closed and remit the upfront loan guarantee fee and the USDA technology fee within 30 days of closing the loan. A lender utilizing the automated method of loan closing will remit the upfront loan guarantee fee electronically using the interface with Pay.gov, the official United States Department of Treasury electronic payment system. Lenders may utilize Attachment 16-A as a checklist to ensure all loan closing documentation is submitted to Rural Development when requesting the Loan Note Guarantee.

A Loan Note Guarantee may not be issued beyond 30 days of the loan closing if the account is in default at the time the lender executes the Lender Certification.

## A. Electronic Closing – Preferred Method

Rural Development offers approved lenders the ability to submit guaranteed loan closing transactions to the Agency electronically via the Lender Loan Closing (LLC) System, eliminating the need for lenders to manually complete and submit *Form RD 1980-19*, “*Guaranteed Loan Closing Report*,” the *Lender Certification portion of Form RD 3555-18/18E*, and a paper check.

Lenders are required to execute and submit a Lender Loan Closing User Agreement to the Agency prior to gaining access to the system. Individual user access requires a Level 2 eAuthentication ID and password. User guides for gaining access to and using the LLC system can be found at: <https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library>.

Lenders must upload the following documentation in the LLC system to receive a Loan Note Guarantee:

- Final Closing Disclosure. The closing date listed on the Closing Disclosure must be entered on the Add Loan Closing screen in the LLC system. The Closing Disclosure is not required to be signed;
- Promissory Note; and,
- Any other necessary documentation as specified in the Conditional Commitment.

In addition to uploading documentation, lenders are required to enter basic loan closing information (e.g. loan closing date, promissory note amount, etc.) into the system and authorize electronic payment of the upfront guarantee fee and the USDA technology fee through the Pay.gov interface.

## B. Full Documentation

**If a lender is unable to use the Lender Loan Closing system:** The lender must submit the following loan closing documents to the Rural Development office that issued the Conditional Commitment. Attachment 16-A provides a stacking order and document identification checklist for lenders:

- *Signed Form RD 1980-19*;
- *Signed Form RD 3555-18/18E*. This Lender Certification is a confirmation the loan closed in accordance with the Conditional Commitment;
- Final Closing Disclosure, which is not required to be signed;
- Promissory note;

- Up front guarantee fee check;
- USDA technology fee check (if the loan was underwritten using the Agency's Guaranteed Underwriting System (GUS)); and,
- Any other necessary documentation as specified in the conditions.

## **16.4 UPFRONT LOAN GUARANTEE FEE**

The lender will pay the Agency the upfront guarantee fee, which may be passed to the borrower and is an eligible loan purpose.

If a lender is not submitting electronic loan closings, as outlined in Paragraph 16.3 above, the fee must be paid by a lender or closing agent's check payable to the Treasurer of the United States, United States Department of Agriculture, Rural Development, or other reasonable variation such as USDA, USDA - Rural Development, or to Rural Development. Agency employees will process fees paid by check in accordance with RD Instruction 1951-B.

Lenders who participate in the submittal of electronic loan closings will pay the upfront guarantee fee through the LLC system interface with Pay.gov.

If the Agency is unable to issue the Loan Note Guarantee, the fee may be returned to the lender. Once the Loan Note Guarantee is issued, the Agency cannot refund the fee.

The upfront guarantee fee amount is published in Exhibit K, of RD Instruction 440.1, available in any Rural Development office or on the Rural Development website: <http://www.rd.usda.gov/publications/regulations-guidelines/instructions>. The fee is subject to change to maintain a subsidy neutral program required by Public Law 111-212.

### **A. Calculation of Upfront Loan Guarantee Fee**

The maximum loan amount for a guaranteed loan is 100% of the appraised value plus the upfront guarantee fee. Eligible closing costs may also be included in the loan amount up to 100% of the appraised value. Additional guidance on eligible closing costs is outlined in Chapter 6, Section 6.2 of this Handbook.

There are three options for payment of the upfront guarantee fee:

### **Finance the entire upfront guarantee fee**

The appraised value may only be exceeded by the amount of the upfront guarantee fee financed. Therefore, the entire upfront guarantee fee may be financed into the total loan. (Example: calculations show a 1% upfront fee).

Example: The appraised value of the subject property is \$100,000. The purchase price of the property is \$98,000. The borrower has elected to finance \$2,000 in eligible loan closing costs that does not include the upfront guarantee fee.

Begin with the base loan amount of \$100,000 (\$98,000 purchase price plus \$2,000 eligible closing costs). Calculate the total loan amount including the entire upfront guarantee fee being financed as follows:

$\$100,000 / .99 = \$101,010.10$  (total loan amount including the upfront guarantee fee)

$\$101,010.10 \times 1\% = \$1,010.10$  (upfront guarantee fee)

Refer to Chapter 6 of this Handbook for assistance in determining the maximum loan amount allowed for each applicable refinance loan program.

### **Pay the entire upfront guarantee fee at loan closing**

Borrowers are not required to finance the upfront guarantee fee and may elect to pay the entire fee at loan closing from personal funds, seller concessions, or eligible gift assistance at settlement.

Example:

$\$100,000 \times 1\% = \$1,000.00$  upfront guarantee fee paid at loan closing.

### **Finance part of the upfront guarantee fee**

The borrower may elect to finance only a portion of the upfront guarantee fee. In these cases, the borrower will pay an upfront fee that corresponds to the total loan amount that includes a portion the upfront fee. The remaining amount of the upfront guarantee fee not financed, will be paid by the borrower from personal funds, seller concessions, or eligible gift assistance at settlement.

Example:

\$500 of the 1 percent fee will be financed; therefore, the total loan amount will be \$100,500.

$\$100,500 \times 1\% = \$1,005.00$  (Guarantee fee)

In this scenario, the applicant will borrow \$100,500.00 which includes \$500.00 of the upfront guarantee fee. The borrower will pay the remaining \$505.00 of the guarantee fee from personal funds at settlement (\$1,005.00 total fee minus the \$500.00 financed = \$505.00)

An upfront fee calculator is available for use by lenders and employees at:  
<https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library>.

## **16.5 ANNUAL FEE**

The servicer will electronically pay the Agency the annual fee on all purchase and refinance transactions which may be passed to the borrower. The servicer responsible for payment is required to enter into a User Agreement to electronically receive billing notifications and submit payment. The annual guarantee fee amount is published in Exhibit K, of RD Instruction 440.1, available in any Rural Development office or on the Rural Development website: <http://www.rd.usda.gov/publications/regulations-guidelines/instructions>. The fee is subject to change to maintain a subsidy neutral program required by Public Law 111-212.

Information for gaining access to the Agency's Guaranteed Annual Fee (GAF) system can be found at <https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library>.

### **A. Amount of Annual Fee**

The servicer will pay the Agency the annual fee which is calculated on the average scheduled unpaid principal balance of the mortgage.

## **B. Calculation of Annual Fee**

The amount of the annual fee is calculated from the original amortization schedule of the mortgage at loan closing. The annual fee does not include delinquent payments, prepayments, agreements to postpone payments, or loan modifications to the original mortgage.

## **C. Due Date of Annual Fee**

The annual fee is due and payable to the Agency on the 1<sup>st</sup> day of the billing month with a grace period to payments credited through the 15<sup>th</sup> day of the billing month. Electronic payments submitted on a business day prior to 7:00 p.m. central time will be credited the next business day. Electronic payments after 7:00 p.m. central time, or on a non-business day, will credit two business days later.

## **D. Payment of Annual Fee**

The servicer is responsible for the payment of the annual fee to the Agency.

## **E. Advance Notice, Billing, and Reconciliation of the Annual Fee**

Servicers will receive advance notice, two months prior to the current annual fee due date, documenting the annual fee amount due in the subsequent year to allow the servicer to adjust a borrower's escrow collection to accommodate the next scheduled billing period. Advance notices are generated on the first business day of the month.

The annual fee billing file will be available to the servicer on the anniversary closing month of the loan each year. Payment of any annual fee billed is due to the Agency on the 1<sup>st</sup> day of the month following the anniversary date of loan settlement.

The billing file will outline the current annual fee amount due, all past due annual fee amounts, and all late charge amounts due for each individual loan in the servicer's portfolio subject to an annual fee.

## **F. Late Charge on Unpaid Annual Fee**

Payments received by the Agency after the payment dates prescribed in this section and supported by §3555.107(i) of 7 CFR 3555 shall include a late charge of four percent of the unpaid fee amount.

In addition to the initial late charge provided, the lender may be assessed an additional late charge on any annual fee remaining unpaid after the last day of the month in which payment was due. This additional late charge will be one percent of the unpaid annual fee amount. Annual fee late charges cannot be passed on to the borrower.



## **G. Period Covered by Annual Fee**

The initial annual fee shall cover the period effective with the first day of the calendar month following the settlement date and ending on the last day of the settlement anniversary month. Subsequent annual fee payments shall cover the twelve-month period preceding each subsequent anniversary date.

## **H. Duration of Annual Fee**

The servicer shall pay the annual fee to the Agency until termination of the Loan Note Guarantee. Termination may be any of the following:

- When the mortgage reaches maturity;
- At prepayment. The borrower paid the mortgage in full prior to the maturity date or by an approved short payoff;
- Foreclosure. The property was acquired by a lender or third party at a foreclosure sale; or
- Voluntary conveyance. The property was conveyed to the lender through an approved deed-in-lieu of foreclosure agreement.

A termination event must be reported to the Agency within 15 days of occurrence.

## **I. Pro rata payment of the annual fee**

If the Loan Note Guarantee is terminated prior to the due date of the annual fee due, the servicer shall pay a prorated portion of the fee. The annual fee is prorated monthly beginning with the month proceeding the settlement date. The servicer must determine how many months of the scheduled annual fee period have elapsed at the time of termination. Regardless of what day of the month the loan is terminated, the entire month in which termination occurs will be included in the prorated calculation.

If the Loan Note Guarantee is terminated after the due date of the annual fee payment, the servicer shall pay a prorated portion of the annual fee. The calculation will be prorated from the due date of the last annual fee to the date of termination.

A pro rata annual fee will also be due and payable after a foreclosure is complete. The lender shall pay a portion of the annual fee prorated from the due date of the last annual fee to the date of settlement.

## **J. Method of Payment of the Annual Fee**

Payment of the annual fee will be remitted electronically. Implementation and technical guides to explain electronic payment of the annual fee may be found on the USDA LINC website: <https://usdalinc.sc.egov.usda.gov/RHShome.do>.

## **K. Nonpayment of the Annual Fee**

If for any reason the servicer fails to pay the scheduled annual fee payment, submitted loss claims may be reduced by the cumulative amount of unpaid annual fees, late fees and/or additional late charges due the Agency.

Servicers are subject to termination of their eligibility to participate in the SFHGLP due to nonpayment of the annual fee in accordance with §3555.52(c)(1) of 7 CFR 3555 and Chapter 3 of this Handbook.

## **16.6 TECHNOLOGY FEE**

Lenders will pay the Agency a technology fee, which may be passed to the borrower as an authorized loan purpose, when the request for loan guarantee is submitted via the Agency's Guaranteed Underwriting System (GUS). The fee can be included in the loan amount subject to maximum loan-to-value thresholds. The technology fee will be collected through the Agency's LLC system interface with Pay.gov when the lender submits the loan closing package electronically.

### **A. Amount of Technology Fee**

The Agency will notify all lenders via the Agency website and GovDelivery of the required technology fee amount. The technology fee is nonrefundable once the loan is closed and the Loan Note Guarantee has been issued. Failure to pay the technology fee at the time of closing will result in denial of the Loan Note Guarantee.

### **B. CFPB Forms: Loan Estimate and Closing Disclosure**

When the technology fee is passed on to the consumer, it will be disclosed on the *Loan Estimate* and *Closing Disclosure* as "Services You Cannot Shop For/Services Borrowers Did Not Shop For" in accordance with 12 CFR 1026.37(f)(2) and 1026.38(f)(2).

These items should be titled as "USDA Technology Fee" on both disclosures when applicable.

## **16.7 AGENCY REVIEW OF CLOSING DOCUMENTS AND ISSUANCE OF THE GUARANTEE**

The Agency will review the required loan closing documents to ensure the lender has completed and fulfilled all requirements specified on the Conditional Commitment have been satisfied.

### **A. Incomplete Closing Documents**

If the Agency determines that the closing documentation is incomplete or has correctable errors, the lender should be granted up to 30 days to correct the situation. The lender will be notified of incomplete packages by telephone, in writing, typically by e-mail, and, if necessary, by regular mail. Agency staff should make every effort to contact the lender and determine the time required to provide the necessary documentation. While the burden of submitting a complete loan closing package is on the lender, Agency staff should be cognizant that the lender cannot satisfy investor requirements without possession of the Agency's Loan Note Guarantee. If the loan package is not complete within 30 days, and the account is in default, the Agency will not issue a Loan Note Guarantee. The Agency will return the loan closing package if necessary corrections cannot be made within 30 days.

### **B. Acceptable Closing Documents**

#### **Lenders:**

Lenders that utilize the electronic method of loan closing will:

- Submit their upfront guarantee fee and technology fee electronically through the Pay.gov interface with LLC;
- Submit all required documentation through the LLC system; and,
- Retrieve and print the Loan Note Guarantee within the LLC system.

Lenders that submit manual loan closings will:

- Submit a paper check for the upfront guarantee fee and technology fee;
- Submit all required documentation by email; and,
- Receive the Loan Note Guarantee electronically.

**Agency Staff:**

- Will review and determine if the closing documents are acceptable and issue the Loan Note Guarantee within 10 business days of receipt of the closing package;
- Process the upfront guarantee fee and technology fee paid by check in accordance with RD Instruction 1951;
- Enter loan closing information into the Guaranteed Loan System (GLS);
- Provide *Form RD 3555-17/E* and the “Loan Amortization Schedule,” to the lender as an attachment to the promissory note; and,
- Retain a copy of *Form RD 3555-17* for the Agency’s imaging repository.

NOTE: The Loan Note Guarantee does not take effect until *Form RD 3555-17/E* is executed or issued by the system generated method.

**C. Unacceptable Closing Documents**

The Agency will not issue the Loan Note Guarantee if there are errors in the closing documents, the loan does not meet all program requirements, does not meet any conditions set forth on the Conditional Commitment , or if the applicant receives cash back at closing in excess of the amount borrower paid out of pocket for costs such as a deposit, earnest money, an appraisal, or other allowable items that may be financed with the loan being guaranteed.

Loan funds and/or seller paid concessions may not be disbursed to the applicant(s). Lenders can correct oversights and unauthorized use of loan funds. If the lender can make the necessary corrections, the Agency will ensure the loan meets regulatory requirements prior to issuance of the Loan Note Guarantee.

<b>Corrections of loans closed for higher loan amounts and/or interest rates than authorized on the Conditional Commitment:</b>	<b>Correction of loans that have released unauthorized loan funds to the borrower at closing:</b>	<b>Correction of loans submitted to the LLC but prior to issuance of the LNG:</b>	<b>Corrections of loans after issuance of the LNG:</b>
See page 5 of Attachment 16-C	See page 5 of Attachment 16-C	See pages 6-8 of Attachment 16-C	<b><i>GUS/GLS will not be released.</i></b> See page 5 of Attachment 16-C for self-reporting instructions.

Most frequently asked questions regarding corrections after the loan has closed can be answered in Attachment 16-C. If the Agency determines the Loan Note Guarantee cannot be issued, the Agency will notify the lender of the reasons and provide review and appeal rights as described in Appendix 3 of this Handbook. Guaranteed loan funds will not be de-obligated until all appeal rights have expired, even if the process continues across fiscal years. If the Agency is upheld on appeal, Agency staff will de-obligate the funds in GLS. If the Agency's decision to deny the loan is overturned, the approval official will immediately take the necessary steps to issue the Loan Note Guarantee.

## **16.8 CLOSING DATE**

The date of closing will be defined as the closing date listed on the Closing Disclosure and entered on the GLS Add Loan Closing screen.

Borrowers may elect an interest credit settlement, where interest will be paid at closing to the previous first day of the month. The maturity date for this type of settlement will be slightly less than 30 years. Example: Borrower closes loan on October 3, 2011. For most loan closing settlements, interest would be paid from the settlement date to the beginning of the next month, November 1, 2011. The first payment would be due December 1, 2011. The maturity date would be November 1, 2041. Should the borrower elect an interest credit settlement, fewer funds are required at closing. Interest would be paid to the previous first day of the month, October 1, 2011. The first payment would begin November 1, 2011 and the maturity date would be October 1, 2041 in this example.

## **16.9 DUPLICATE LOAN NOTE GUARANTEE**

Lenders utilizing the LLC system can retrieve a reissued Loan Note Guarantee from the LLC system. Occasionally a lender may request a certified copy or a duplicate original of *Form RD 3555-17*. Many investors accept a certified copy, or scanned copy, while others require a duplicate original. A lender's request for a certified copy, scanned copy or duplicate original of *Form RD 3555-17/E* will be honored.

## **16.10 TRANSFERRING LOANS AND/OR SERVICING RIGHTS**

Lenders may transfer guaranteed loans to other USDA approved lenders by following the requirements described in Chapter 4 of this Handbook.

## 16.11 ACCEPTABLE LIEN POSITION

The guaranteed loan must have first lien position at closing; however, the lender may permit liens junior to the guaranteed loan if:

- The lien will not interfere with repayment of the loan and has been considered in the underwriting process.
- The total value of all liens on the property is less than or equal to the property's market value, except when a "soft-second" for down payment or closing costs assistance creates the overage.
- The junior lien is for an authorized loan purpose.

## 16.12 OWNERSHIP REQUIREMENTS

### A. Lender and Agency Responsibilities

After closing, the lender must compare the deed of trust or real estate mortgage with the title opinion to assess lien priority, assure the collateral is accurately covered, verify the date and time record, and ensure that the loan closing instructions have been followed. The Agency does not set policy for survey requirements; however, it is the lender's responsibility to ensure that ownership interest that protects the security property has been obtained after the loan is closed. If the borrower defaults on the loan, the lender must be able to foreclose on the property to settle the debt. If the lender failed to obtain all required security, the originating lender may be subject to indemnification if a loss claim request is made to reflect the lender's failure to meet the lien requirements.

### B. Acceptable Forms of Ownership

The two forms of ownership acceptable to the Agency are fee-simple and secure leasehold.

#### 1. *Fee-Simple Ownership*

The most common form of ownership is fee-simple where the borrower holds a fully marketable title to the property. This title is evidenced by a deed that vests full interest in the property to the borrower as mortgagor.

## 2. *Secure Leasehold Interest*

Although fee-simple ownership is preferable, the borrower may have a secure leasehold interest in the property. Leasehold interests are acceptable when all the following conditions are met:

- The applicant must be unable to obtain fee-simple title to the property, and the rent charged for the lease must not exceed the rate paid for comparable leases. This must be documented in the appraisal.

The lessor must own the fee-simple title. This provision does not apply to a lessor who is a Native American possessing a leasehold interest on restricted land. Trust or restricted land must remain in trust or restricted status. In these cases, the mortgage, deed of trust, leasehold interest or other security interest must be approved by the Secretary of the Interior. For those loans to Native Americans on restricted or trust land, the lender must obtain:

- Evidence that the tribe has enacted legally binding and effective foreclosure procedures and will enforce those procedures upon notice of default from a lender.
- Evidence that the tribe has enacted legally binding and effective eviction procedures and will enforce those procedures upon notice of default from a lender.
- Evidence that the tribe has adopted procedures ensuring that the guaranteed loan will always have first lien priority (if applicable) and will be satisfied before all other property debts (excepting tribal taxes) OR has adopted legislation requiring the tribe to follow state or local priority of lien procedures.
- A copy of the tribe's lease for use on residential land.
- Leasehold estates are an accepted practice and readily marketable in the area where the subject property is located.
- Neither the leasehold nor the fee-simple title may be subject to a prior lien unless the Agency authorizes acceptance of the prior lien before loan approval.
- The lease is recorded.
- The lease must be in writing, and contain all the following provisions:

- The lessor's consent to allow the lender's mortgage.
- The right of the lender to foreclose and sell the property without restrictions that adversely affect the market value of the property. For loans to Native Americans on restricted or trust land, the lender will adhere to the Tribe's mortgage, foreclosure and eviction ordinances and the terms of the lease. For loans to Native Americans on restricted or trust land, the lender can only sell the leasehold interest to the Tribe, the tribally designated housing entity, or another tribal member. The lender and RD staff should consult with the Tribe to ensure they adhere to the Tribe's ordinances, the terms of the lease, and may exercise flexibility as directed by the Tribe. The Agency's Native American Coordinators should also be contacted for additional assistance.
- The right of the lender to bid at a foreclosure sale or to accept voluntary conveyance of the property in lieu of foreclosure.
- The right of the lender to occupy, sublet, or sell the property should the leasehold be acquired through foreclosure, voluntary conveyance, or abandonment. For loans to Native Americans on restricted or trust land, the lender will adhere to the Tribe's mortgage, foreclosure and eviction ordinances and the terms of the lease. For loans to Native Americans on restricted or trust land, the lender can only sell the leasehold interest to the Tribe, the tribally designated housing entity or another tribal member. The lender and RD staff should consult with the Tribe to ensure they adhere to the Tribe's ordinances, the terms of the lease, and may exercise flexibility as directed by the Tribe. The Agency's Native American Coordinators should also be contacted for additional assistance.
- The right of the borrower to transfer the leasehold and lender mortgage to an eligible transferee who will assume the lender's debt if the borrower defaults or is unable to continue with the lease.
- A negotiated agreement with the lessor before the leasehold interest is approved regarding the lender's obligation to satisfy unpaid rent or other charges accrued before or during the time the lender has possession of or title to the leasehold. During negotiations, the lender should consider the length of time it will take to foreclose, how much the Agency would be responsible for, and when the lender would have to pay.
- Fair compensation to the borrower for any part of the property taken by condemnation.
- The unexpired term of the lease must be at least 150 percent of the term of the mortgage.



- The language regarding amendments to mortgages with leasehold interests, specified in Attachment 16-B of this Chapter, must be inserted in the mortgage.

## **C. Insurance Policy Requirements**

### **1. Hazard Insurance**

Until loans are paid in full, lenders must ensure that borrowers continuously maintain hazard insurance on the collateral to protect against fire and weather-related damage. A hazard insurance policy must be in force at the time the loan is closed. A policy must document if the dwelling is on a leasehold to ensure state laws regarding insurance requirements are met.

Lenders should adopt accepted industry standards for hazard insurance as noted below:

- Hazard insurance providers should have ratings in accordance with the most recent Government Sponsored Enterprise (GSE) requirements.
- Hazard insurance policies should conform to the GSE coverage requirements of “the standard extended coverage endorsement,” which states that a policy cannot be accepted that in whole or part excludes wind, hurricane or catastrophe insurance unless the coverage is provided in another policy with the same coverage limits as the hazard policy.
- Borrower occupied properties should have replacement cost coverage in an amount equal to the insured value of the improvements or the unpaid principal balance. Deductible(s) should not exceed the greater of either \$1,000 or one percent of the policy coverage, or the minimum deductible offered by the borrower’s chosen insurance carrier.

### **2. Flood Insurance**

If a dwelling is in a Special Flood Hazard Area (SFHA) as identified by the FEMA, the property must be located within a National Flood Insurance Program (NFIP) participating community and the borrower must obtain flood insurance. The lender must ensure the borrower continuously maintains flood insurance for the life of the loan and that the policy is in force at the time of loan closing.

Flood insurance must cover the lesser of the outstanding principal balance of the loan or the maximum amount of coverage allowed under NFIP. Unless a higher amount is allowed by state or federal law (which includes FEMA policies), the maximum

deductible clause for a flood insurance policy should not exceed the greater of \$1,000 or one percent of the face amount of the policy, or the minimum deductible offered by the borrower's chosen insured carrier. Existing dwellings for the SFHGLP are eligible if flood insurance is available.

Advance copy

**Guaranteed Rural Housing**

**Loan Closing Stacking Order Checklist**

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

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

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

**General Information**

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

**Identify Delivery Location of Loan Note Guarantee**

*[Preferred method: Automated Lender Loan Closing]*

Electronic Delivery/Email:

Regular Mail Delivery:

Attn:

Advance COPY

***File Stacking Order Checklist***

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

**Please stack the loan closing package in the following document order:**

	<b>Form RD 1980-19, “Loan Closing Report”</b>
	<b>Guarantee Fee – Payable to USDA or Rural Development</b> – <i>*Include a copy of Page 1 - Form RD 3555-18/18E</i>
	<b>USDA Technology Fee – Payable to USDA or Rural Development</b>
	<b>Form RD 3555-18/18E, Lender Certification:</b>  <i>*Lender is certifying all conditions listed or appearing on the commitment and/or GUS Underwriting and Findings Report for this applicant have been fulfilled, the security instrument has been recorded and is a good and valid first lien on the property described.</i>
	<b>Promissory Note</b> , <i>copy with appropriate riders, if any</i>

	<p><b>Final Closing Disclosure</b>, <i>copy of final</i></p> <p><i>*The submitted form does not require signature.</i></p>
	<p><b>Additional Conditions</b>, <i>as noted on Form RD 3555-18/18E, or supplemented by Attachment</i></p> <p>Submit documentation of required conditions, as applicable. Those conditions indicating the lender should “Retain in Lender’s Permanent File” should not be included in post-closing documents.</p>

Advance COPY

**ATTACHMENT 16-B**

**AMENDMENTS TO MORTGAGES WITH LEASEHOLD INTEREST**

The following paragraphs must be inserted in the mortgage. The first paragraph should be placed directly before the legal description of the real estate.

“All borrower’s right, title, and interest in and to the leasehold estate for a term of \_\_\_\_\_ years beginning on \_\_\_\_\_, 20\_\_\_\_, created, executed and established by certain Lease dated \_\_\_\_\_, 20\_\_\_\_, by \_\_\_\_\_, Page \_\_\_\_ of \_\_\_\_ Records of said County and State, and any renewals and extensions thereof, and all borrower’s right, title, and interest in and to said Lease, covering the following real estate.”

“Borrower will pay, when due, all rents and all other charges required by said Lease, will comply with all other requirements of said Lease, and will not surrender or relinquish any of borrower’s right, title, or interest in or to said leasehold estate or under said Lease while this instrument remains in effect.”

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## Guaranteed Rural Housing

### Loan Closing Reference Guide

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**Q:** I am getting an error when I attempt to submit the Lender Loan Closing (LLC) that says the loan amount does not match the promissory note amount.

**A:** This is an internal known error that can occur. National Office guidance is to ask the lender to attempt the submission again the following day.

**Q:** Can the borrower and co-borrower names be switched so the other person is listed first?

**A:** All borrowers are equally bound to the loan, regardless of their position on the loan application. Rural Development will continue to reflect the order of the applicant names as they were submitted to the Agency. No changes will be made.

**Q:** I am trying to access the LNG on the USDA LINC website but nothing is coming up when I search for the Borrower.

**A:** Verify the lender is using the correct Borrower ID number. Ensure the lender is selecting the correct “Request Type” which is “Loans.”

**USDA** RH Lender Administration List  
LINC Home | ESALINC Home | BRS LINC Home | BHS LINC Home | RUS LINC Home | Lender Profile | Help | Logout

**Search/Include Criteria**

**Search By:** Lender ID Branch    
 Borrower ID  (Random ID/Account Number)  
 Borrower Name/State  ALL STATES  
 Lender Loan Number

**Include:** Request Type   
Loan Status

Select Action and Press hyperlink of Borrower ID you wish to take action on:  
Action

**Q:** I did not receive the email with a link to the LNG. Can you resend it to me?

**A:** The LNG can be accessed by the lender anytime once it is issued by USDA. It is available from the GUS “Display Documents” option from the GUS Navigation Toolbar. USDA may also submit the LNG directly to the requestor via the following steps:

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Display Document(s) from the RH Lender Administration List																			
<p>The RH Lender Administration List allows the user to view and obtain the Loan Note Guarantee issued by the agency.</p> <ul style="list-style-type: none"> <li>• Search By: <ul style="list-style-type: none"> <li>• Branch</li> <li>• Borrower ID</li> <li>• Borrower Name/State</li> <li>• Lender Loan Number</li> </ul> </li> <li>• Set Request Type to Loans.</li> </ul>																			
<ul style="list-style-type: none"> <li>• Select <b>Display Document(s)</b> from the <b>Action</b> drop-down. The <b>Status</b> of the loan will be set to <b>Closed</b>.</li> <li>• Select the <b>Borrower ID</b> hyperlink to obtain the <b>Lender Display Document(s)</b> page.</li> </ul>	<table border="1"> <thead> <tr> <th>State</th> <th>County</th> <th>Borrower ID/ Tax ID</th> <th>Borrower Name</th> <th>Lender Loan Number</th> <th>USDA Loan Number</th> <th>Amount</th> <th>USDA Lender Branch</th> <th>Status</th> </tr> </thead> <tbody> <tr> <td>09</td> <td>067</td> <td>****1794</td> <td></td> <td></td> <td>60</td> <td>\$27,500.00</td> <td>001</td> <td>CLOSED</td> </tr> </tbody> </table>	State	County	Borrower ID/ Tax ID	Borrower Name	Lender Loan Number	USDA Loan Number	Amount	USDA Lender Branch	Status	09	067	****1794			60	\$27,500.00	001	CLOSED
State	County	Borrower ID/ Tax ID	Borrower Name	Lender Loan Number	USDA Loan Number	Amount	USDA Lender Branch	Status											
09	067	****1794			60	\$27,500.00	001	CLOSED											

**Q:** Where can I find instructions for submitting the lender loan closing?

**A:** The USDA LINC Training and Resource Library includes the “Lender Loan Closing (LLC) User Guide. Scroll down the resource page to the “Lender Loan Closing/Administration” section of the page. There are many helpful resource aids in this section.

**Q:** It has been over 30 days since the loan closed, but our company forgot to submit the loan closing package. Is it too late?

**A:** No. USDA will continue to accept complete loan closing submissions to assist the lender to obtain a LNG. If repayment of the loan has commenced, be sure to upload a payment history with the loan closing package to ensure the loan is not delinquent.

**Q:** I think I submitted the loan closing, but I am unsure how to confirm. Can you check for me?

**A:** The easiest way to check on a submitted loan closing is to log into GLS and check the “Add Loan Closing” screen. Scroll towards the bottom to see if the upfront fee payment information is completed/accepted. If the lender asks this question on the same day they submitted the LLC, the payment will reflect “pending” until the next day. The LNG cannot be issued by USDA until the payment status changes to “settled”.

GUARANTEE FEE	Purpose Code *	3 INITIAL CLOSING (FEE) ▼		
	Fee Amount	\$787.87	Fee Deposit Date	09/13/2018
Payment Status	Payment Amount	Date Submitted	Settlement Date	Confirmation
SETTLED	\$787.87	09/12/2018	09/13/2018	26C6UD7P

**Q:** I submitted the loan closing, but I did not receive the loan closing confirmation screen. Our company requires us to print this for our files.

**A:** Lenders may still get a copy of this confirmation. Go to the USDA LINC website where loan closings are submitted. Enter the Borrower ID. Ensure the “Request Type” is set to “Obligations”. When the correct Borrower has been identified, select the “Action” as “Lender Loan Closing Confirmation”. Click on the Borrower ID hyperlink.

**USDA RH Lender Administration List**

LINC Home | FRALINC Home | BRSLINC Home | RHSLINC Home | BUSLINC Home | Lender Profile | Help | Logout

**Search/Include Criteria**

Search By: Lender ID  Branch    
 Borrower ID  (Random ID/Account Number)  
 Borrower Name/State  ALL STATES ▼  
 Lender Loan Number

Include: Request Type   
 Loan Status

Select Action and Press hyperlink of Borrower ID you wish to take action on:  
 Action

State	County	Borrower ID/ Tax ID	Borrower Name	Lender Loan Number	USDA Obl Loan Number	Amount	USDA Lender Branch	Status
09	057	<a href="#">253450589</a> *****1794		TEST-2 TERRELL	41	\$120,000.00	001	OBLIGATED

One item found

**Q:** The system is not allowing me to submit the loan closing. When I complete the Add/Update Loan Closing screen and click “Submit”, the webpage jumps back to the beginning.

**A:** Ask the lender which internet web browser they are using. If it is Google Chrome they will need to switch to Internet Explorer in order to be compatible with the loan closing system.

**Q:** How do I change the LLC roles of my associates? How do I modify or delete Security Administrators?

**A:** The LLC Administrative Guide available on the USDA LINC Training and Resource Library under the “Loan Closing / Administration” section. There is step by step instructions to add, modify, or delete existing users. Adding or removing a Security Administrator is accomplished by completing the “Additional Lender Security Administrator” form located under the if “Security” portion of the USDA LINC Training and Resource Library.

## Security

### Training

1. [Lender eAuth Training for SFH \(FLASH\)](#)

### Documentation & Resources

1. [Additional Lender Security Administrator - Fillable \(PDF\)](#)

**Q:** The credit report uploaded into GUS expired prior to loan closing. What should I do?

**A:** The lender must pull a soft credit check to ensure no new debts has been assumed. If there are no changes between the credit report in GUS and the supplemental credit report, the lender may retain their current Conditional Commitment. The lender must retain the recent credit report to support their loan file.

If new credit is stated on the recent report, the lender must request GUS to be released. A new credit report must be uploaded into the system, the liabilities must be corrected, and a new final underwriting submission must be performed. A new Conditional Commitment must be issued by the Agency.

**If the lender has already submitted the automated loan closing, follow the steps provided on page 6 of this guide to release the file back as applicable.**

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**Q:** The loan has closed for a higher loan amount and/or interest rate than what was authorized on the Conditional Commitment. What can I do?

**A:** The lender may perform a loan modification to rectify the loan amount and/or interest rate to match the issued Conditional Commitment. If that is not an option, the lender must request USDA to release the GUS loan back for correction. Once the loan amount and/or interest rate has been corrected, a new underwriting submission may be performed. USDA will issue a new Conditional Commitment.

**If the lender has already submitted the automated loan closing, follow the steps provided on page 6 of this guide to release the file back as applicable.**

**Q:** Unauthorized loan funds were released to the borrower at closing. How can we correct this?

**A:** Lenders have two possible solutions:

1. Lender may apply the amount of the unauthorized loan funds to the principal loan balance. Documentation of the amount applied must be submitted to USDA.
2. Loan fees paid by the applicant(s) with credit cards or other short term loans may not be reimbursed at closing. If the lender is required to reimburse an applicant as the result of erroneous preparation of the Loan Estimate funds may be provided directly to the applicant since it represents a penalty due from the lender.

**Q:** I have received the Loan Note Guarantee, but our quality control/investor/etc. will not accept the loan until X is corrected. Can you please release the file back to me for correction of GUS?

**A:** No. Once USDA has issued a LNG, GUS will not be released. LNG's will not be revoked. Once they are issued, they are issued. The lender may submit a "Self-Report" to the Agency for review and response.

A self-report must include:

- Borrower ID/GUS Application ID and last name to select the correct file
- Description of the issue
- Provide supporting documentation, if applicable
- Lender/Servicer contact information

Submit this information via email [SFHGLD.Compliance@usda.gov](mailto:SFHGLD.Compliance@usda.gov). Response time is dependent on the issue and number of submissions received by USDA. It is the responsibility of the lender to ensure their investor will accept responses from USDA for investor delivery.

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**Release a GUS loan for correction after an automated loan closing has been submitted (prior to issuance of LNG)**

**ALWAYS CHECK THE FISCAL YEAR FUNDING UTILIZED FOR THE LOAN YOU MAY RELEASE. A RESTORATION OF FUNDS MAY BE REQUIRED, OR THERE MAY BE NO ISSUES.**

1. Determine the proper contact in your state to assist.
2. In GLS, access the “Add Loan Closing” screen. Do a screen print (CTRL + P) and save a copy of the screen to the borrower shared file. Label the document as “Add Loan Closing Screen”. You will need this later in the process.
3. Scroll to the bottom of the “Add Loan Closing” screen. Remove all email addresses that are listed.
4. Add your email address into this section so the LNG is only sent to you. Click “Submit”.
5. Go to the Image Repository and delete the LNG: <https://rdimagerep.sc.egov.usda.gov>  
This will ensure the lender cannot access this LNG.
6. Tomorrow you must contact your State’s technician at the Guaranteed Loan Branch (GLB) so they can delete the loan closing from GLS. Your current action must process overnight.
7. Next day: email the GLB contact:
  - Subject: “Borrower name, Borrower ID – I need a closing deleted
  - Body of email: I need the closing to be deleted on the below named file. I closed the loan in GLS on MM/DD/YYYY.  
Borrower Name: XXXX XXXXXX  
Borrower ID: XXXXXXXXX  
Loan amount: \$XXX,XXXX
8. When the loan closing has been deleted, the GLB technician will reply that the deletion has been completed.
9. Alert the specialist that they may deobligate the loan, delete the application from GLS, and release the loan back to the lender for correction.
10. When the lender has resubmitted the loan, it may be reobligated and a new CC may be issued.
11. The lender may now submit a new lender loan closing. You can refer back to the screen print you made of the previous Add Loan Closing screen. Use this screen print and a copy of the Promissory Note. Log into the Add Loan Closing screen in GLS. Complete this screen and refer to the information previously entered by the lender. Use the Promissory Note to ensure the closing data and maturity dates are entered correctly.

**Note: the GRH fee was paid when the lender submitted their previous loan closing. When the closing is deleted from GLS the fee they have paid does not get returned to the lender. Instead, it goes into a pending state until USDA recloses the loan in GLS. DO NOT ASK THE LENDER TO RESUBMIT THE UPFRONT GUARANTEE FEE.**

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### **Lender submits LLC for incorrect loan amount**

1. Contact your loan specialist.
2. From the GLS “Add Loan Closing” screen, obtain a screen print (CTRL + P) to save a copy of this information to the borrower shared file. Label the document as “Add Loan Closing Screen.” Save this for later processing.
3. Scroll to the bottom of the Add Loan Closing screen and remove all email addresses that are listed.
4. Add your email address into the section to the LNG is only sent to you. Click Submit.
5. Go to the Image Repository and delete the LNG.
6. Tomorrow you must contact your State’s technician at the Guaranteed Loan Branch (GLB) so they can delete the loan closing from GLS. Your current action must process overnight.
7. Next day: email the GLB contact:
  - Subject: “Borrower name, Borrower ID – Need loan closing deleted
  - Body of email: I need the closing to be deleted on the below named file. I closed the loan in GLS on MM/DD/YYYY.  
Borrower Name: XXXX XXXXXX  
Borrower ID: XXXXXXXX  
Entered Loan amount: \$XXX,XXXX
8. Email the lender (contact information is from the Add Loan Closing screen print you have saved) to notify them of the error and delay in processing.
9. Next day you can proceed to update the loan amount in GLS.

### **If the loan amount must be decreased:**

1. Go to GLS ‘Obligation Request’ screen. Enter the correct loan amount and submit.
2. Go to the Add Loan Closing screen in GLS. Refer back to the screen print you saved of the Add Loan Closing screen. Use this screen print with the Promissory Note.
3. Go to the Add Loan Closing screen in GLS. Complete the Add Loan Closing screen by referring to the information the lender previously entered. Use the Promissory Note to make sure the closing date and maturity dates are entered correctly.

**Note: the GRH fee has already been paid when the lender originally submitted their electronic closing package. When the closing is deleted from GLS the fee they have paid does not get returned to the lender. It goes into a pending state until USDA closes the loan in GLS. DO NOT ASK THE LENDER TO RESUBMIT THE UPFRONT GUARANTEE FEE.**

### **If the loan amount must be increased:**

1. Go to the GLS “Obligation Request” screen. Enter “0” in the obligation amount. Select the option to keep the application as “pending” in GLS. Click Submit.
  2. Contact the specialist who originally approved the file. If they are unavailable, an alternate specialist may be able to assist. They must go to the “Update Application” screen in GLS to reapprove the loan at the Promissory Note amount, as well as reobligate the loan. No new CC will be issued.
  3. Contact the lender to alert them the loan amount has been corrected. They may
-

resubmit the loan closing and pay the upfront guarantee fee shortage. Provide the lender with the following assistance:

- From the USDA Linc Website, proceed to the Add/Update Loan Closing screen to resubmit the closing. When you are at the Guarantee Fee section, click the drop down menu and select “Difference Fee & Previously Collected” option. This will allow the system to only collect the amount of the fee shortage.

<b>GUARANTEE FEE</b>	Purpose Code *	3 INITIAL CLOSING (FEE) ▼		
	Fee Amount	\$6,737.50	Fee Deposit Date	
	Previously Collected PAD Amount	\$6,645.24		
	Difference Fee / Prev Collected PAD Amount	\$92.26		
	Full / Difference for PAD Amount	Difference Fee & Previously Collected ▼		
		<small>If generating a Pre-Authorized Debit transaction for the closing fee, specify the PAD amount as the full guarantee fee amount or the difference between the guarantee fee and the amount previously collected from this lender for a deleted loan.</small>		

4. When the payment shortage has processed overnight, the LNG may be issued.

Advance