Welcome to Becoming an Approved Lender, presented by USDA's Single Family Housing Guaranteed Loan Program!
Training Objectives

- Where is the topic located?
  - 7 CFR Part 3555 and HB-1-3555
- Learning Checks
- Resources

The objectives of the training include:
1. Demonstrating where the training topic is located in the program regulation, 7 CFR Part 3555 and the technical handbook, HB-1-3555.
2. Providing learning checks to help you gain a working knowledge of the topic, and
3. Links to online resources to assist in locating program information.
Every effort has been made to ensure this training and all references are accurate, however, new program revisions and clarifications may occur. Therefore, please ensure you always reference the most recent USDA publications available online.

This training module is not intended to replace the need to reference the regulation, technical handbook, and additional USDA published documents regarding the Guaranteed Loan Program.
7 CFR Part 3555 is the program regulation. It is the first place users should look for the answers to their questions.

The regulation is the rule and it cannot be overridden by the technical handbook. The 7 CFR Part 3555 is comprised of 8 subparts, A through H.

You can access the full regulation online as Appendix 1 from the Regulations and Guidelines website.
The Regulations and Guidelines website is located from the link shown on the slide.

Under “Rural Development” there are many items available from this home page.

To access the regulation, select “Handbooks.”
A list of all USDA Rural Development handbooks will display.

Be sure to select the correct technical handbook: HB-1-3555.

Once HB-1-3555 is selected, the entire handbook, including all appendix will display for selection.

Appendix 1 is the full regulation, 7 CFR Part 3555.
7 CFR Part 3555
Subpart B: Lender Participation

- .51: Lender eligibility
- .52: Lender approval
- .53: Contracting for loan origination
- .54: Sale of loans to approved lenders

Lender Participation and approval guidance is located in Subpart B, Section 3555.51 through 3555.54.

The title of each section provides an overview of the information that is addressed.
The 7 CFR Part 3555 regulation cannot cover every topic and every potential scenario, therefore a technical handbook has been published to support the regulation and provide additional clarification. HB-1-3555 has 20 chapters.
The handbook may be accessed from the Regulations and Guidelines website. Lender Approval is located in Chapter 3.
CHAPTER 3: LENDER APPROVAL
3.1 INTRODUCTION
3.2 LENDER APPROVAL CRITERIA
   A. Approval from Another Recognized Source
   B. Approval by Demonstrated Ability
   C. Participation as an Agent of an Approved Lender
3.3 APPLICATION
3.4 AGENCY REVIEW
   A. Approval of Application
   B. Denial of Application
   C. Record Retention
3.5 LENDER SALE OF GUARANTEED LOANS
3.6 LENDER RESPONSIBILITY
3.7 OUTREACH AND EDUCATION
   A. Lenders
   B. Agency

This screen shot displays the Table of Contents of Chapter 3. This helps the user to locate specific topics more quickly from Lender Approval Criteria......
......to how USDA will monitor approved lenders and situations that may result in a lender’s approval being revoked.

There are also Attachments available to assist lenders to submit a complete lender approval application package for review.
A few helpful tips:
1. The underwriter of the loan is the approved lender’s underwriter.
2. USDA is NOT the underwriter of the loan.
3. When researching topics, it is helpful to begin with the Table of Contents for the regulation and the handbook.
4. A great best practice when searching for information is to open the regulation or a handbook chapter, select the “Control” button on the keyboard, hold it down, and then also select the “F” key. A keyword search box will appear. Enter a keyword or phrase to locate information more quickly.
Attachment 3-A is the Lender Approval Checklist. It consists of three pages. This form will assist lenders to ensure their application is complete and ready for USDA review.

For lenders who are only licensed to originate and execute mortgage loans in one State, they will wish to submit their package to the USDA State Office.

If a lender does business in more than one State it is highly recommended that National approval is requested. For National approval, the lender will submit their complete approval package directly to USDA National Headquarters in Washington, DC.

All items listed in Attachment 3-A must be complete and stacked in the order listed to ensure not only a complete application but also to assist in an expedited review and approval.
The top of Attachment 3-A page one will list Lender information.

The name, title, and responsibilities of each officer, director, or senior manager will be requested.

The lender may select from “Lender Functions” their current duties. If a lender does not wish to service or own the guaranteed loans they originate, they must ensure they will sell the loans to an eligible USDA lender that is authorized to service and hold these loans.

The “Lender Type” must also be selected.
Page two allows the lender to select the appropriate designation they hold which will render them eligible for USDA approved lender consideration. The evidence of certification from one of these eligible entities must be recent, and that is defined as approved or renewed within the previous 12 months.

The left column lists many eligibility options. Once one is selected the middle column lists the preferred method of evidence or certification that may be submitted with the loan application package as evidence to confirm program eligibility.

The final column is for application Agency assigned identification.
Page two also includes a list of the supplemental information that is also required in order to have a complete lender approval request application package. It is recommended that as these items are added to the application, the lender checks off the item from the right column.

Items include:

- An executed Form RD 3555-16 “Agreement for Participation in SFH Guaranteed/Insured Loan Programs of the United States Government.” USDA refers to this as the “Lender Agreement.”
- Resumes for underwriter’s qualifications. Because USDA guaranteed loans are underwritten by approved lenders and they are not underwritten by USDA, it is imperative that lenders employ underwriters with the required experience and knowledge to properly underwrite these mortgage loans.
- Retail lender or Wholesale/Servicing lender contact sheet as applicable. USDA must know how to contact all employees who will bear responsibility for the lender throughout the life cycle of guaranteed loans.
- Outline for underwriting policies.
- Statement to use forms approved by HUD, Fannie Mae, or Freddie Mac for the origination, closing, servicing, etc. of guaranteed loans.
- Quality Control Plan: The general requirements that must be addressed in the QC Plan are listed, and
- Training Certification There is an attendance sheet that may be signed by an eligible party of the lender to certify that all applicable parties within the lending institution
have completed required training for USDA guaranteed loans. Please refer to Handbook Chapter 3 for additional information.
Page three will include the certification and acknowledgment that all required items have been submitted along with all truthful statements made.

If only single state approval is required: there are directions to locate the proper USDA State Office contact and information.

If Multi-State/National Approval is required: submit the loan application package to the National Headquarters in Washington, DC.
The best way to learn information is to test your knowledge!
Each question slide will list:
- the topic
- A question or scenario, and
- potential responses.
The answer slide will list:

• The topic
• The reference to the answer from the regulation and handbook
• The correct response, and
• Any additional clarification that may be helpful.
Let’s get started!
Becoming an approved lender

- Bixby Bank
- NCUA member
- This membership is recognized for lender approval

A. TRUE     B. FALSE

Read the question on the slide and select a response.
True

• The lender is a member of the National Credit Union Administration, which is a regulated depository institution. The regulation supports this membership as an eligible entity that qualifies for USDA lender approval.
• All additional application materials and evidence is required to be submitted as required by Attachment 3-A.
Becoming an approved lender

- Doodle Bank
- Submitted lender approval package to USDA March 3<sup>rd</sup>
- Doodle Bank can begin originating loans on March 4<sup>th</sup>, but cannot close loans until they are officially approved by USDA

A. TRUE    B. FALSE

Read the question on the slide and select a response.
False
Doodle Bank must not begin any USDA guaranteed loan activity acting as an approved lender until they receive their official approval from USDA.
Lenders who are not approved lenders with USDA may participate as a third party originator or a correspondent lender for a currently approved USDA lender.
Becoming an approved lender

- Bixby Bank (approved lender) is purchased by Lincoln Lending (a non-approved lender)
- Bixby Bank may continue to originate USDA loans

A. TRUE    B. FALSE

Read the question on the slide and select a response.
False
A non-approved USDA lender (Lincoln Lending) has purchase Bixby Bank, therefore if they wish to continue to originate USDA guaranteed loans the new entity must apply for approved lender status. Bixby Bank must ensure all of the loans in their current pipeline are closed properly. Because Bixby Bank is no longer in existence, if Lincoln Lending does not apply and achieve USDA approved lender status they will be ineligible to retain any guaranteed loans. Therefore they will have to be sold to an approved USDA lender within 6 months.
Becoming an approved lender

USDA may terminate an approved lender if they fail to meet any eligibility requirement at any time.

A. TRUE B. FALSE

Read the question on the slide and select a response.
Lenders who no longer meet the required lender approval criteria, etc. may no longer be eligible to participate in the guaranteed loan program.

Lenders may also determine that they no longer wish to participate in the guaranteed loan program. They may request that their approval is withdrawn.
Becoming an approved lender

A complete lender application includes evidence of underwriter experience.

A. TRUE    B. FALSE

Read the question on the slide and select a response.
The approved lender is required under the terms of Form RD 3555-16 (lender agreement) to notify USDA if they fail to continue to meet any approved lender criteria at any time. USDA may terminate the lender's approval upon receipt of written request from them.
Becoming an approved lender

Quality control plans are not required to be submitted if the lender is already approved through HUD or VA.

A. TRUE   B. FALSE

Read the question on the slide and select a response.
False

Qualify Control plans are a very important approval criteria document and they are required for all lenders. The QC plan must be in writing, and it must outline the procedure, forms, and checklists that the lender may use in order to ensure their portfolio is performing well and is meeting mortgage lending requirements.
Becoming an approved lender

Quality Control Plan guidance is available in:

A. Attachment 3-B       B. Attachment 3-C

Read the question on the slide and select a response.
Response B
If lenders have questions about what exactly is required to be part of their eligible Quality Control Plan, Attachment 3-C is a helpful form. Attachment 3-A does list the information that is vital to be addressed in the QC Plan. Attachment 3-C assists USDA to review the QC Plan, and therefore it is also beneficial to lenders who are concerned if their QC Plan is acceptable to the Agency. Lenders should separate origination protocol from servicing procedures. The underwriter plan should include descriptions for basic skills and mortgage underwriting knowledge. The lender must also address their approach to escrowing for real estate taxes and homeowners insurance.
Becoming an approved lender

- Jackson Lending is located in Utah
- They are licensed in UT, MT, WY, CA, and CO
- Jackson must request USDA approval from UT due to their headquarters
- This approval will also be effective for MT, WY, CA, and CO

A. TRUE    B. FALSE

Read the question on the slide and select a response.
False
If a lender wishes to do business in multiple states they must apply for National Approval. National Approval will enable them to participate in the USDA guaranteed loan program for all states in which they are licensed. This also means that they must only submit one application package for review, rather than multiple packages that would have to be considered by each individual state.
Becoming an approved lender

- Orion Bank submits approval package
- FHA approval provided is dated March 2013
- This approval document is acceptable

A. TRUE    B. FALSE

Read the question on the slide and select a response.
False
The FHA approval/certification must be dated within the previous 12 months prior to lender approval application. This will ensure that USDA is not receiving outdated, expired, or erroneous information to support the request.
Becoming an approved lender

- Orange Loans is eligible to originate and underwrite USDA loans
- They must contract servicing or sell loans to an approved USDA lender for servicing

A. TRUE     B. FALSE

Read the question on the slide and select a response.
True
If Orange Lending was only approved to originate and underwrite USDA loans, then they must ensure they sell the loans to a USDA approved lender that can service and hold these loans.
Way to go! You have completed the learning checks!
Don’t forget the Regulations and Guidelines website is a wonderful source of USDA guideline knowledge.
Please sign up for GovDelivery messages. USDA sends out origination (including GUS) and servicing messages to alert lenders of new publications, clarifications, and additional program updates.
Thank you for supporting the USDA Single Family Housing Guaranteed Loan Program! We appreciate the opportunity to help you serve more rural homebuyers!
This will conclude the training module. Thank you and have a great day!