Welcome to the Becoming An Approved Lender training module presented by USDA’s Single Family Housing Guaranteed Loan Program.
Participation in the SFHGLP provides for lending opportunities that can expand your business to a multitude of borrowers that without a guarantee, you would not be able to assist. This module will highlight the key requirements and steps for approval into this 100% lending program.
• HB-1-3555, Chapter 3 defines a lender as an entity that originates, services, or holds a loan guarantee by the Agency.
• Once the Agency has approved the lender, it may participate in the program as long as it maintains the standards and continues to follow all program requirements.
Lender Participation
7 CFR 3555.51 and HB-1-3555, Chapter 3

- Demonstrate that it has expertise to make and/or service single family housing mortgage loans.
- Comply with all Agency requirements.

- 7 CFR 3555.51 and HB-1-3555, Chapter 3 require lenders to have the expertise to make and/or service single family housing mortgage loans and that they comply with all Agency requirements set forth in the regulation and handbook.
Lender Approval Criteria
HB-1-3555, Chapter 3.2A

Approval from Another Recognized Source

- A State Housing Finance Agency
- U.S. Department of Housing and Urban Development-Federal Housing Administration
- Government National Mortgage Association
- U.S. Department of Veterans Affairs
- Fannie Mae
- Freddie Mac

• Lenders that have been approved through another recognized source as noted in HB-1-3555 Chapter 3.2A are considered to have demonstrated the ability to originate, underwrite and service SFHGLP loans.
Lender Approval Criteria
HB-1-3555, Chapter 3.2B

Approval by Demonstrated Ability:
*Demonstrated Ability*

- A summary of residential mortgage lending activity.
- Written criteria that outline policies and procedures the lender follows when originating, underwriting, and closing residential mortgage loans.
- Evidence that the lender has an experienced loan underwriter on staff.

• In all other cases, the Agency determines whether a lender is qualified by reviewing the lender’s history along with other documentation that is noted in HB 3.2B such as their residential mortgage lending activity, policies and procedures for origination, underwriting, and closing residential mortgage loans, and evidence that the lender have an experienced underwriter on staff.
Lender Approval Criteria
HB-1-3555, Chapter 3.2B

Approval by Demonstrated Ability: Additional Requirements for Originating Lenders that do not service loans.

- Must certify that it will contract with an Agency-approved lender that agrees to follow all Agency servicing requirements.
- Originating lender should be prepared to escrow funds for taxes and insurance when required to repurchase loans.

- If the lender does not intend to service the SFHGLP loans, then the lender will agree to contract with an Agency approved lender who will follow all Agency servicing requirements.
- Originating lenders should be prepared to escrow funds for taxes and insurance when required to repurchase loans.
If the lender intends to service the SFHGLP loans, the lender will be required to provide additional documentation to show ability to do so. This includes policies and procedures for servicing residential mortgage loans, contracts related to escrow services, and evidence that the lender has serviced single-family residential mortgage loans for at least the past year.
Lender Approval Criteria
HB-1-3555, Chapter 3.2B

Approval by Demonstrated Ability: Federal Oversight

- Provide documentation that Federal oversight is being provided by one of the following:
  - Federal Reserve System
  - Office if the Comptroller of Currency
  - Federal Deposit Insurance Corporation
  - National Credit Union Administration
  - Federal Housing Finance Board regulating lenders within the Federal Home Loan Bank system

- A lender that is a federally regulated depository institution may be considered for participation in the SFHGLP.
- The lender must provide the official letter or other verifiable communications from the oversight authority that indicates the lender’s ability to process, underwrite and service single-family residential mortgage loans.
A Farm Credit System institution or lender participating in certain other USDA programs is eligible to participate in the SFHGLP if it can also demonstrate experience in underwriting and servicing single-family residential mortgage lending.
Lender Approval Criteria

HB-1-3555, Chapter 3.2C

Participation as an Agent of an Approved Lender:

- Lenders that do not meet requirements for Agency lender approval may participate as an agent of an approved lender.
- Approved lender must designate the agent in writing.
- Agent is authorized to originate and close the loan in their name if the loan was reviewed and approved by the approved lender.
- Loan must be transferred to approved lender immediately after closing.

- If a lender does not meet the requirements for Agency approval as a lender, they may participate in the program as an agent of a lender that has approval by Rural Development.
- The approved lender must designate the agent in writing and state the functions that the agent will perform on their behalf.
- The agent is authorized to originate and close the loan in their name as long as the loan was reviewed and approved by the lender and is transferred to the lender immediately upon closing and prior to issuance of the Loan Note Guarantee.
- The lender approved by Rural Development will be responsible for ensuring that its agent’s origination, underwriting and closing activities are in accordance with Agency standards.
- The Conditional Commitment and the Loan Note Guarantee will be issued to the approved lender.
Lenders wishing to become an approved lender for the Single Family Housing Guaranteed Loan Program will submit the completed and executed “Agreement for Participation in Single-Family Housing Guaranteed/Insured Loan Programs of the United States Government”, Form RD 3555-16 along with the documentation listed on the Lender Approval Checklist found in Chapter 3 of HB-1-3555.
• This slide highlights the key components of a complete application to become an approved lender for the SFHGLP.
• When assembling your application, follow Attachment 3-A, Lender Approval Checklist and assemble the documents in the order listed.
• Make sure your application is complete and that the documentation is accurate.
• Once your application is complete, submit it to the Quality Assurance and Lender Oversight team at sfhgld.compliance@usda.
**Lender’s Quality Control Plan**  
*HB-1-3555, Chapter 3.3*

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<td>📝</td>
<td>Written procedures for document reverification, sampling methodology, consistent and timely review process.</td>
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<td>Written procedures to report violations of laws or regulations, false statements, and program abuses to appropriate authorities in timely manner.</td>
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<td>Quality control team that operates independently from loan origination/underwriting and servicing functions.</td>
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<td>Ensure adequate quality control and data integrity checks are included for loans processed through automated underwriting systems on regular and timely basis.</td>
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<td>Provides standard operating procedures for all employees who will be involved with or affected by quality control process.</td>
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<td>Ensure adequate monitoring of all vendors, contractors, and third-party providers involved in the origination process.</td>
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<td>Identify training opportunities for lender staff.</td>
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- Reliable and effective quality control programs are essential to a lender’s success in the mortgage industry.
- Quality begins prior to the application intake and continues through the mortgage process.
- Quality Control should monitor and evaluate the integrity of the origination and servicing processes and should be customized to the lender’s organization and operations.
The Agency’s Review of a lender’s application will include:

- Confirmation that all required documents have been submitted and completed correctly. Form RD 3555-16 has been properly executed by a person authorized to bind the lender to the terms of the agreement.
- Evidence that the lender demonstrates consistent ability with the requirements of the Agency.
- Confirmation that neither the lender or any of lender’s principal officers have been suspended or debarred from participating in Federal programs.
- Evidence that the lender’s approval status with Fannie Mae, Freddie Mac, HUD, VA and other government agencies is active at the time of application to the Agency.
After the Agency completes their review of the lender’s application, a pre-approval or a denial with appeal rights will be issued to the lender.

If the lender meets the criteria for an approved lender and provides the supporting documentation as outlined in Attachment 3-A of HB-1-3555, the Agency will issue an approval notice to the lender.

Final approval is dependent upon the lender and all origination and underwriting staff involved with the SFHGLP completing mandatory training.

The purpose of the training is to provide an overview of the guaranteed program objectives, lender responsibilities, required loan documentation, and how to obtain a Loan Note Guarantee.

Lenders may utilize live training provided by agency staff or utilize the recorded training modules available on the USDA LINC.

Upon receipt of an executed training certification provided in Attachment 3-C, the Agency will forward the lender a copy of the executed Form RD 3555-16 notifying the lender of their approval to participate in the SFHGLP.

Lastly, lender approval files will be maintained and retained in accordance with Chapter 2 HB-1-3555.
The selling lender must provide the original LNG to the purchasing lender.

The selling lender must report the sale of the loan within 30 days of the sale.

- Lenders may sell their guaranteed loans to lenders who meet the Agency requirements as noted in Paragraph 3.2 of HB-1-3555, Chapter 3.
- The purchasing lender must execute or have an approved Form RD 3555-16 on file.
- The selling lender is responsible for providing the original Loan Note Guarantee to the purchasing lender and must report the sale of the guarantee on Form RD 3555-11 within 30 days of the sale.
Lender Responsibility

HB-1-3555, Chapter 3.6

**Processing**
- Lender must abide by restrictions on loan purposes, loan limitations, interest rates and terms as referenced in 7 CFR 3555.
- Lender will underwrite the loan and submit the necessary items in order to receive a Conditional Commitment.
- The agent may close the loan in its name provided the loan is immediately transferred to the approved lender to whom the guarantee will be issued.

**Servicing**
- Lenders are fully responsible for regular and default servicing and maintaining interest for all guaranteed loans.
- Regular and default servicing requirements are outlined in Chapters 17 through 20 of SFHGLP Handbook.
- When servicing is performed by a third party, the lender will inform Rural Development of the name and address of the servicer through the completion of Form RD 3555-11.

- The lender is responsible for processing and servicing the loan and may use third party originators such as agents or correspondents in carrying out these responsibilities.
- Lenders are fully responsible for their own actions and the actions of those acting on their behalf.
- Lenders must follow the SFHGLP guidelines as outlined in Chapter 4 of HB-1-3555.
Lenders

- Lenders may meet education and training requirements via in-person training or on-line.
- Rural Development has developed a series of modules for the SFHGLP and are located at https://www.rd.usda.gov/page/usda-linc-training-resource-library.
- Lenders are responsible to ensure all staff have reviewed the modules before participating in the SFHGLP.
- Additional resources are available on the Agency's SFHLP web page located at: https://www.rd.usda.gov/programs-services/single-family-housing-guaranteed-loan-program

Agency

- National Office staff will conduct outreach and lender education activities to encourage eligible lending institutions to apply for approved lender status.
- The Agency will reach out to local and national educators for information on any organization that can assist in meeting this objective.
- Eligible rural homebuyers benefit when their choice of lending institutions includes mortgage bankers, mortgage brokers, credit unions, Federal Home Loan Banks, etc.
- Lenders are encouraged to reach out to National Office staff for training and outreach opportunities at: sfhglp.lenderpartner@usda.gov

- Lenders are responsible to ensure that all staff who will be involved in the SFHGLP have reviewed all training modules before participating in the program.
- Agency staff will conduct outreach and lender education activities to continue to promote and educate the public on the Single Family Housing Guaranteed Loan Program.
As part of the monitoring of a lender’s origination and servicing of loans, Rural Development may review new loans originated by a newly eligible lender to ensure understanding of Agency regulations.

- Rural Development may also elect to conduct more frequent compliance reviews when major trends or weaknesses are present.
- Form RD 3555-16 outlines the responsibilities and terms to maintain approval for the SFHGLP.
• Routine compliance reviews will be conducted on a periodic basis and assist in Agency risk management and validate that lenders are complying with SFHGLP regulations.
• Reviews will include the examination of lender policies and procedures, cash management practices, and individual borrower case files.
• Case files consist of loan origination, servicing records, liquidation and claim files.
• Compliance review findings will be communicated to the lender and/or servicer verbally and in writing.
• The reviewers will work with the lender and/or servicer to correct findings identified.
• Upon closure of the review or expiration of any follow up period, a report will be prepared summarizing the review performed.
• All supporting documentation relating to the review will be maintained in the operational file.
Lender Recertification and Revoking Lender Eligibility

HB-1-3555, Chapter 3.9

- Lender remains eligible as long as the lender meets the criteria outlined in HB-1-3555, 3.2 unless revoked by the Agency or by another Federal agency.
- The Agency will require the lender to recertify eligibility every 2 years.
- Non-compliance with any eligibility requirements will result in termination of the lender’s approval.
- Extreme circumstances may result in debarment and/or indemnification.

• The lender remains eligible as long as they continue to meet the criteria as outlined by the Agency unless the lender’s status is revoked by Rural Development or by another Federal Agency.
• Every 2 years, the Agency will require the lender to recertify their status by submitting an updated Lender Approval Checklist with current supporting documentation.
• Rural Development may terminate the lender’s approval due to noncompliance with any of the eligibility requirements.
• In some cases, the lender may also be debarred by Rural Development or may be required to indemnify Rural Development for any losses paid.
• If Rural Development terminates a lender’s approval, the lender will have 30 days from the date of receipt of the Agency’s notification to appeal the decision.
Voluntary Withdraw

HB-1-3555, Chapter 3.10

Voluntary Withdraw

- The lender may voluntarily withdraw from participation in the SFHGLP.
- Pending, unclosed Conditional Commitments, loans serviced or held must be transferred to another approved lender prior to withdrawal.
- Lenders must notify Rural Development of their intent to withdraw from participation.

- If at anytime a lender would like to voluntarily withdraw from participating in the SFHGLP, they may do so by notifying Rural Development of their intent to withdraw.
- Pending, unclosed Conditional Commitments, loans serviced or held must be transferred to another approved lender actively participating in the SFHGLP prior to withdrawal.
Take the next step to growing your business and building homeownership in rural America, contact our Quality Assurance and Lender Oversight team about becoming an approved lender!

Contact Us!
sfhglld.compliance@usda.gov
Rural Development has developed numerous tools and resources to assist lenders with originating, processing, and servicing guaranteed loans.
• This training module has provided you with an overview of the key requirements of Becoming An Approved Lender.
• Complete program requirements and guidance can be found in 7 CFR Part 3555, Subpart B, Sections 3555.51 through 3555.54 and Chapter 3 of HB-1-3555.
• Be sure to bookmark these references, save yourself valuable time by using Cntrl-F to quickly search and find answers, and always ensure you are referencing the most current publications.
• The “Program Overview Training” module will assist you in learning how to navigate through all the resources and tools Rural Development has created to assist you.
• Users should first look for answers to their questions in the regulation and handbook, but if you still have a question after reviewing your resources, we’re here to help.
• All policy and regulation questions regarding the topic we just covered should be sent to our Policy, Analysis, and Communications Branch and
• If you would like to request additional program training, contact our Lender and Partner Activities Branch.
The Single Family Housing Guaranteed Lender webpage was specifically designed for our lending partners and includes information such as:

• Current turn times on new loan applications
• Contact information, and
• Links to program resources such as our 3555 Handbook and the USDA LINC website.

• Also, don’t forget to sign up for our GovDelivery email notifications. Rural Development sends out origination, 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 and America’s rural homebuyers!
This will conclude the training module. Thank you and have a great day!