Welcome to the 7 CFR Part 3555 and technical handbook HB-1-3555 overview, presented by USDA's Single Family Housing Guaranteed Loan Program!
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.
Rural Development Mission

USDA Rural Development is committed to helping improve the economy and quality of life in rural America.

USDA Rural Development is committed to improving the economy and quality of life in rural America. USDA offers loans, grants, and loan guarantees for not just housing but also businesses, health care, first responders, water, electric, and communication needs.

Rural Development is a perfect example of how the Federal government can work in harmony to support the private sector and lower their risk of investing money.
The Single Family Housing Guaranteed Loan Program provides many advantages to rural homebuyers and our lending partners such as

- 100% financing with no downpayment or contribution required from the applicant,
- The program serves low to moderate income applicants,
- Only 30 year loan terms are authorized with fixed interest rates,
- The program offers expanded qualifying ratios but there is flexibility allowed when strong compensating factors are documented,
- Gift funds, grant funds, and Mortgage Credit Certificate’s (MCC’s) are allowed, and
- Loan funds may be used for purchases, new construction, and refinance transactions.
• Guaranteed loans are eligible for sale to many investors including Ginnie Mae pools,
• Guaranteed loans qualify to obtain Community Reinvestment Act (CRA) credits,
• Lenders may retain these loans to service within their portfolio, or they may sell them to another approved USDA lender for servicing and holding,
• Best of all guaranteed loans provide the lender with a 90% Loan Note Guarantee, which surpasses the risk protection provided by private mortgage insurance in the event of a default or loss.
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.
Subpart A of the regulation is titled as General. The topics available under this Subpart are listed on the slide. Some of the more widely used sections under this Subpart are:

- Mediation and appeals for adverse decisions issued by the Agency
- Environmental requirements will include hazard and flood insurance guidance
- Definitions and abbreviations is very useful to help determine USDA's interpretation and meaning for terms included in the regulation
Subpart B is Lender Participation and will include all the information lenders need to become an approved lender and understand their responsibilities for the origination, closing, and servicing of guaranteed loans.
Subpart C is Loan Requirements. This Subpart outlines what is eligible to be financed into the loan and includes information regarding the Loan Note Guarantee.
Subpart D is specific to underwriting the applicant including eligibility requirements the
calculation of income including repayment, annual, adjusted, and assets.
Subpart E discusses underwriting the property that serves as the collateral for the loan.
Subpart F is where servicing lenders can review guidelines on their responsibilities to properly service loans that are performing, meaning not delinquent.
7 CFR Part 3555

Subpart G: Servicing Non-Performing Loans

- .301: General servicing techniques
- .302: Protective advances
- .303: Traditional loan servicing options
- .304: Special servicing options
- .305: Voluntary liquidation
- .306: Liquidation
- .307: Assistance in natural disasters

Subpart G will assist lenders to service loans that are not performing and are now delinquent or may require servicing actions.
Subpart H focuses on the Loan Note Guarantee and loss claim procedures.
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. When HB-1-3555 is selected, the entire handbook will display which includes a Table of Contents of each handbook chapter, all 20 chapters, acronyms, glossary, and all 10 appendix.
This slide lists the first ten handbook chapters. The handbook is well organized and it is easy to locate topics.

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This slide lists handbook chapter eleven through twenty. Again, each chapter is clearly titled to assist the user to locate information more quickly.
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.
The Regulations and Guidelines website includes a host of program information from the home page. The link to access this site is also displayed on the slide.

Under “Rural Development” there are different publications and resources that are helpful to learning about the program in order to properly deliver it.

These bullets include:

• Administrative Notices (AN’s): Because the Single Family Housing Guaranteed Loan Program has a technical handbook, there are no Administrative Notices published for this program. All program clarification will be addressed in HB-1-3555.

The rest of these bullets will be addressed in the slides that follow.
7 CFR Part 3555 includes references to additional Instructions utilized by the guaranteed loan program. Two examples include Part 1924 for New Construction and Repair and Part 1970 a recently published Environmental regulation. All Instructions are available in pdf or word document versions.

If any Administrative Notices apply to part of an Instruction, they will be listed and available for selection.
The full handbook and regulation is located under “Handbooks.” By selecting “HB-1-3555” the entire handbook will display.
USDA may publish an Unnumbered Letter (UL) to announce a new upfront guarantee fee or annual fee structure. Another popular Unnumbered Letter topic may address the issuance of Conditional Commitments before funding is received by the Agency at the beginning of a new fiscal year. This site will list Unnumbered Letters published by not only the Single Family Housing Guaranteed Loan Program but also additional Rural Development programs. Ensure you select an Unnumbered Letter that is applicable to the correct program.
If you select “Forms” you will be taken to the eForms website. Select “Browse Forms.”
In the first screen shot, enter the number of the form you wish to view. In this example “3555-21” has been entered, and then select “Search.”

In the second screen shot the form will display under “Form Number” and you may select the hyperlink to view the form. Most forms are fillable pdf’s.
Procedure Notices are also available for view. Procedure Notices are published to provide updates to regulations. Ensure the Procedure Notice you wish to view includes an update for the applicable regulation, instruction, handbook, etc.
When USDA publishes a Federal Register Notice it may be available from the “Federal Register Publication” site. Ensure you select a Federal Register Notice that pertains to the correct program.
USDA offers many convenient online tools in addition to the Regulations and Guidelines site. Let’s review a few that will assist you to serve more rural homebuyers with efficiency and accuracy!
The online Property and Income Eligibility website is accessed through the link displayed on this slide. Let’s first look at online property eligibility.

On the top screen shot select “Single Family Housing Guarantee.”

Then from the second, or bottom screen shot select “Property Eligibility.”

A Property Eligibility Disclaimer will display to state that every effort is made to ensure the maps and determinations rendered are accurate, however final property eligibility decisions are made by USDA. You can select “Accept” to move forward to the property eligibility site. The “Accept” button is not show on this slide or in this screen shot.
A map of the United States will display. In the upper left hand corner there is a data field where a complete address may be entered. After entering the address select “GO.”
If the address is able to be mapped, a determination will display. In this example the property is located in an eligible area.
In this example the property is located in an ineligible area.

Another determination may be “Unable to Determine” which may indicate a new construction property or an error in the system at this time. You may always contact the USDA State Office where the property is located for further assistance.
There are two ways to help make the income eligibility determination. For those just learning about the guaranteed loan program, and you may be unaware of eligible deductions that may help a household qualify, you may wish to pursue the first option by selecting "Income Eligibility."

Once this option is selected the system will prompt you to select the State, County, and Metropolitan Statistical Area (MSA) where the property is located.
On this screen shot you can see we have selected “Arizona” for the State, “Graham” for the county, and “Graham County, AZ” as the MSA.

Now the screens will lead you through the income eligibility determination. Complete the total number of people in the household.

Enter the number of those household members that are under 18 years of age, or are 18 years of age and older but are full time students or are disabled.

If the Loan Applicant or Co-applicant are age 62 or older enter “yes” or “no.”

If there are any disabled persons living in the household enter “yes” or “no.”

Select “Next” to move forward in the determination.
Eligible child care expenses may entered as an annual figure.

Many income types will be listed for completion in regards to the applicant, co-applicant, and/or other household members who are age 18 and above. Once complete select “Finish.”
An eligibility determination will display. The message will state if based on the data entered on the previous screens the applicant is eligible for a guaranteed or direct loan.

There are also links to contact a USDA representative for both the guaranteed and direct loan programs.

A summary of the adjusted annual income will display to document how the eligibility calculations were performed.

This screen may be printed if you wish.
The second option to assist in determining income eligibility is to view the income limits. This may begin by selecting “Income Limits.”
A map of the United States will display. Please select the State whose income limits you wish to view. In this example we will select “Illinois.”
A pdf of the income limits for the selected state will display.

The MSA areas will display first. Be aware that a county you may looking for is included in one of the MSA’s listed.

Ensure you refer to the “Mod-Inc. Guar. Loan” line when reviewing these income limits. Households of 1-4 will match. Households of 5-8 will match.

Keep in mind that the income limits listed are the ADJUSTED ANNUAL INCOME limits. This means the annual income may be higher, but if the household qualifies for eligible deductions for childcare, dependents, etc. they may still be eligible to apply.
There is also a link to additional program information under “Loan Basics.”
The Loan Basics website will include an overview of the program, access to Fact Sheets for specific topics and links to approved lenders.
This website includes a link to assist you to locate a USDA State Office Guaranteed Loan Coordinator.
Each State and U.S. Territory will provide a point of contact which includes a phone number, fax number, and email address.
Guaranteed loans may be subject to an upfront guarantee fee and an annual fee that will apply for the life of the loan. The upfront guarantee fee and annual fee are subject to change each fiscal year. These fees are collected in order to ensure the program remains subsidy neutral. This means that the program does not pay for program losses with tax payer funding, but rather with the fees that are collected at the time of loan origination and each year if an annual fee is due.

The Training and Resource Library includes a Guarantee Fee and Annual Fee Calculator to assist lenders in making the proper calculations.
This is a screen shot of the calculator.

On the left side of the screen some important information must be entered:
- Loan Amount: this will include the total amount of the loan that is being requested by the lender
- Interest rate
- Loan term must be 30 years
- Number of payments per year will default to 12
- Enter the loan closing date
- Enter the start date of the loan
- Select the applicable upfront guarantee fee from the drop down box. In this example 1% is selected.
- Select the applicable annual fee from the drop down box. In this example .35% is selected.

When all of these data fields are completed, the spreadsheet will apply all data entries.
On the right side of the spreadsheet the following will display:

- Scheduled monthly payment (Principal, interest, and annual fee. Notice that real estate taxes, homeowners insurance, and homeowners association fees/maintenance fees are not reflected.)

- The Scheduled Number of Payments and Actual Number of Payments will default to 360.

- The applicable upfront guarantee fee will display.

- The total annual fee will also display. This figure is representative of the entire 30 years of repayment of the loan. If the loan is paid in full early, refinanced, or sold, then the entire annual fee will not be collected.

- The 1st year Monthly Annual Fee will also display. This monthly portion should be collected by the lender from the borrower in order to have the funds available to pay USDA when the annual fee bill is remitted to the servicing lender.
At the bottom of the spreadsheet there are other options available: The GRH Upfront Calculator (which is the page shown), Loan Amortization Schedule, Annual Fee Schedule, and Fee Prorating Calculator (this is utilized when a loan is refinance or the property is sold).
This is the Annual Fee Schedule. Lenders can review how much each annual fee payment will be.
USDA LINC is an online data base that houses the Training and Resource Library. By accessing this site you can view recorded training sessions, review helpful documentation and resources, and also locate forms required to help sign up and maintain your participation in the Guaranteed Underwriting System...just to name a few things!
The Training and Resource Library includes information on all of these topics.
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.
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.

ANSWER SLIDE

“Topic”

ANSWER: 7 CFR Part 3555 and HB-1-3555 references provided

X. Correct Response

• Additional guidance for clarification may be provided.
Let's get started!
Overview

The Single Family Housing Guaranteed Loan Program is delivered under which regulation:

A. RD Instruction 1980-D
B. 7 CFR Part 3555

Read the question on the slide and select a response.
The 7 CFR Part 3555 is the regulation and rule for guaranteed loan program delivery. All loan decisions, whether they are approval or denials must be supported by the regulation.
Overview

- Bixby Bank wishes to become an approved lender with USDA
- Approved lender requirements are located in which subpart of the 7 CFR Part 3555

A. Subpart B: Lender Participation
B. Subpart D: Underwriting the Applicant

Read the question on the slide and select a response.
Response A
Subpart B includes all of the information lenders would need to access when they wish to become an approved lender.
The technical handbook also supports the requirements of the regulation in Handbook Chapter 3.
Attachment 3-A is the Lender Approval Checklist and it will assist lenders to submit a complete loan application package to USDA for approval.
Overview

Lender has a question regarding debt ratios. Where should they refer for guidance?

A. 3555.151 “Eligibility requirements” and HB 11 “Ratio Analysis”

B. 3555.103 “Maximum loan amount” and HB 8 “Applicant Characteristics”

Read the question on the slide and select a response.
Response A: 3555.151 and HB Chapter 11
3555.151 is titled “Eligibility Requirements” and HB Chapter 11 is Ratio Analysis. The regulation and handbook are user friendly. There is also a Table of Contents for both resources to further assist lenders to find their guidance more efficiently. Please refer to the regulation first for questions. Then the technical handbook will assist lenders to find clarification on topics.
Overview

Lender has questions regarding appraisals. Where can they refer for guidance?

A. 3555.102 “Loan restrictions” and HB 4 “Lender Responsibilities”

B. 3555.107 “Application for and issuance of the guarantee” and HB 12 “Property and Appraisal Requirements”

Read the question on the slide and select a response.
Response B
3555.107(d) addresses Appraisals.
HB Chapter 12 is all about property requirements. The Table of Contents will reveal that section 12.5 is Residential appraisal reports.
Way to go! You have completed the learning checks!
Reminders:
• Where do we look first? 7 CFR Part 3555
• Where do we look for additional guidance if we have more questions or may be in need of more specifics? HB-1-3555.
• The regulation and technical handbook are very user friendly.
• The Table of Contents and “Control + F” are your friends. This functionality can search hundreds of pages of documents to find keywords and assistance more quickly.
• Be sure to take full advantage of online resources, including the Training and Resource Library on USDA LINC.
• Sign up for GovDelivery messages to stay abreast of program announcements.
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!