Applicant Eligibility

Single Family Housing Guaranteed Loan Program

Training Objectives

• Where is the topic located?
  * 7 CFR Part 3555 and HB-1-3555

• Learning Checks

• Resources
Things change!

• Every effort has been made to ensure training references are accurate at the time of publication.

• Always reference the most recent USDA publications available online.

Guaranteed Loan Program Regulation

7 CFR Part 3555

• The regulation is the rule!
• 8 Subparts: A – H
• Appendix 1
7 CFR Part 3555
7 CFR Part 3555

Eligibility requirements.

3555.151

(a) Income eligibility. At the time of loan approval, the household's adjusted income must not exceed the applicable moderate income limit. The lender is responsible for documenting the household's income to determine eligibility for the SFHGLP.

(b) Citizenship status. Applicants must provide evidence acceptable to the Agency of their status as United States citizens, U.S. non-citizen nationals, or qualified aliens, as defined in Sec. 3555.10.

(c) Principal residence. Applicants must agree and have the ability to occupy the dwelling as their principal residence. The Agency may require evidence of this ability. Rural Development will not guarantee loans for investment properties, or temporary, short-term housing.

(d) Adequate dwelling. The dwelling must be modest, decent, safe, and sanitary.
7 CFR Part 3555: 3555.151

(e) Eligibility of current homeowners. Current homeowners may be eligible for
guaranteed home loans under this part if all the following conditions are met:

1. The applicants are not financially responsible for another Agency
guaranteed or direct home loan by the time the guaranteed home loan
   is closed.

2. The current home no longer adequately meets the applicants’ needs.

3. The applicants will occupy the home financed with the SFHGLP
   loan as their primary residence.

4. The applicants are without sufficient resources or credit to obtain the
   dwelling on their own without the guarantee.

5. No more than one single family housing dwelling other than the one
   associated with the current loan request may be retained, and

6. The applicants must be financially qualified to own more than one
   home. In order for net rental income from the retained dwelling to be
   considered for the applicant’s repayment ability, the consistency of
   the rental income must be demonstrated for at least the previous 24
   months, and the current lease must be for a term of at least 12
   months after the loan is closed.

(f) Legal capacity. Applicants must have the legal capacity to incur the loan
obligation, or have a court-appointed guardian or conservator who is
empowered to obligate the applicant in real estate matters.

(g) Suspension or debarment. Applicants who are suspended or debarred from
participation in Federal programs under 2 CFR parts 180 and 417 are not
eligible for loan guarantees.

(i) Obtaining credit. The applicant must be unable to obtain traditional
conventional mortgage credit, as defined by the Agency, for the subject loan.
Guaranteed Loan Program Technical Handbook
HB-1-3555

- Provides guidance to support the regulation
- HB is not the rule
- 20 Chapters
HB-1-3555: Chapter 8

CHAPTER 8: APPLICANT CHARACTERISTICS
8.1 INTRODUCTION
8.2 APPLICANT ELIGIBILITY REQUIREMENTS
   A. Owning a Dwelling
   B. Obtaining Credit
   C. Occupying the Property
   D. Having a Legal Capacity
   E. Not Having a Suspension or Debarment
   F. Having Acceptable Citizenship or Immigration Status
8.3 TRUTHFUL APPLICATION
8.4 ACCESS STEPS TO SAVE

ATTACHMENT 8-A SAVE System Access by Agency Employees

TIPS

• Underwriter = USDA Approved Lender
• USDA = not an underwriter
• Research Rule & HB questions: Table of Contents
• Research Rule & HB questions: Control + F
7 CFR PART 3555 / HB-1-3555
LEARNING CHECKS

Question Slide

“Topic”

• Question will be bulleted with scenario, or
• Include a statement/question

TRUE/FALSE or other answer options will be displayed
ANSWER SLIDE

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

X. Correct Response

• Additional guidance for clarification may be provided
Applicant eligibility

• John marries Jane
• Jane and her 5 children cannot fit in his 2 bedroom home
• John applies for guaranteed loan, but he will retain his current dwelling
• John is not eligible a guaranteed loan

A. TRUE  B. FALSE

Applicant eligibility

ANSWER: 3555.151(e)(2) and HB 8.2 A

• A 2 bedroom home is inadequate for a household of 7
• Overcrowding would exist in the current dwelling
• The current home PITI must be included in the total debt ratios
• Retained home may not be financed with USDA
Applicant eligibility

- Jane is an active duty military applicant applying for a guaranteed loan with her husband Jack
- She will be deployed within 30 days for a 12 month tour of duty, Jack will remain in the home
- The required occupancy requirements are met

A. TRUE   B. FALSE

Applicant eligibility

**ANSWER: 3555.151(c), HB 8.2 C**

- Jack will reside in the property while Jane is deployed
- This home will be Jane’s primary residence as well. She will return post-deployment
Applicant eligibility

- Household of 3: 2 adults and 1 child (3 years)
- HHM 1: $55,000 and HHM 2: $27,000 = $82,000
- Annual childcare expenses: $8,500
- Adjusted annual income for 1-4 HHM: $75,650
- The household is over the income limit and ineligible

A. TRUE     B. FALSE

Applicant eligibility

ANSWER: 3555.151(a), HB 9.1

B. FALSE

- $82,000 - $8,500 (childcare) - $480 (dependent deduction) = $73,020 adjusted annual income
- $73,020 is below the limit of $75,650
- Adjusted annual income determines program eligibility
- Refer to the Adjusted Annual Income training module
Applicant eligibility

- Judy is a current guaranteed loan borrower
- She wishes to purchase a new dwelling with a guaranteed loan on July 14th
- The sale of her current home will close August 20th
- Judy is eligible for a guaranteed loan

A. TRUE    B. FALSE

Applicant eligibility

**ANSWER:** 3555.151(e)(1), HB 8.2A

B. FALSE

- Applicants may only have one guaranteed or direct loan at a time
- Judy must close on the sale of her current guaranteed home before she purchases the new home
Applicant eligibility

- Rob owns a home: 2 bedroom, 1 bathroom
- Rob recently married and now has 3 children
- Rob has rented his home for 1 year and moved to a larger rental home that he now wishes to buy with a guaranteed loan
- Rob can use the rental income to qualify for a guaranteed loan

A. TRUE    B. FALSE

Applicant eligibility

**ANSWER:** 3555.151(e)(6), HB 8.2 A

B. FALSE

- Rob must have a minimum 24 month rental history to include this income and exclude the current payment
- Rob appears to meet all other requirements of 3555.151(e)
Applicant eligibility

- Ricky is a resident of the Republic of the Marshall Islands
- He is moving to California and applies for a guaranteed loan
- Ricky is not a U.S. Citizen, and is ineligible for a guaranteed loan

A. TRUE  B. FALSE

Applicant eligibility

**ANSWER:** 3555.151(b) and HB 8.2 F

B. FALSE

Applicants must have acceptable evidence they are:
- U.S. citizens
- U.S. non-citizen nationals, or
- Qualified aliens
SAVE: Systematic Alien Verification for Entitlement

• USDA personnel access SAVE directly: Attachment 8-A
• Lenders enter applicable data in GUS: Additional Data application page for non-U.S. citizen eligibility

1. Select the “Insert Immigration Info”

SAVE: Systematic Alien Verification for Entitlement

2. Select the appropriate documentation type
SAVE: Systematic Alien Verification for Entitlement

3. Complete applicable data fields based on documentation selected

4. Submit for result

Applicant eligibility

- Applicant Joshua L. Smith
- Lender must ensure Joshua is not debarred from doing business with the Federal Government
- Which system should the lender use

A. SAM    B. SAVE
Applicant eligibility

ANSWER: 3555.151(g) and HB 8.2 E

A. SAM

- SAM = System for Award Management
- Operated under U.S. General Services Administration (GSA)
- Applicants may not be suspended or debarred from participation in Federal programs

SAM: System for Award Management

1. Log on: www.sam.gov or
2. Access SAM site in GUS from “Additional Data” application page. Lender makes selections, not GUS.
Applicant eligibility

- Ally has $25,000 in her savings account
- Purchase price of her home is $155,000
- Closing costs (excluding upfront guarantee fee): $3,500
- Ally does not qualify due to her assets

A. TRUE  B. FALSE

Applicant eligibility

**ANSWER: 3555.151(j) and HB 8.2 A**

B. FALSE

- $155,000 x 20% = $31,000
- $31,000 + $3,500 closing costs = $34,500
- Ally only has $25,000, therefore she is unable to obtain conventional financing as indicated in HB 8.2 A
Applicant eligibility

• George wishes to buy a $135,000 home, $5,000 closing costs
• Assets include: $150,000 in 401k, $45,000 in IRA, and $35,000 in savings account
• George wants the guaranteed loan because he will use $20,000 of his savings to renovate the new home
• George is eligible for a guaranteed loan

A. TRUE B. FALSE

Applicant eligibility

ANSWER: 3555.151(j) and HB 8.2 A

B. FALSE

• $135,000 x 20% downpayment = $27,000
• $27,000 + $5,000 closing costs = $32,000
• George has $35,000 in savings
• The 401k and IRA are not considered for conventional eligibility due to penalties/non-liquid
• George cannot “earmark” funds for repairs, renovation, or debt payment
WAY TO GO!

Regulations
GovDelivery Sign up

Thank you for supporting the USDA Single Family Housing Guaranteed Loan Program!
In accordance with Federal civil rights laws and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income-derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at How to File a Program Discrimination Complaint and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) email: program.intake@usda.gov.

USDA is an equal opportunity provider, employer, and lender.