

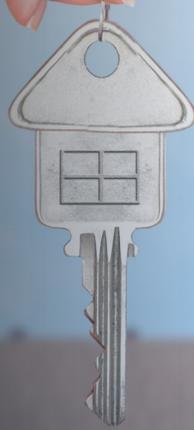
## Applicant Eligibility

Single Family Housing Guaranteed Loan Program  
(SFHGLP)

09/2020



Welcome to the Applicant eligibility training module presented by USDA's Single Family Housing Guaranteed Loan Program.



# THE ZERO DOWN PAYMENT OPTION for Qualified Rural Homebuyers

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- Once a homebuyer finds the perfect home, it's time to find the best loan option to meet their needs.
- For rural homebuyers, the Single-Family Housing Guaranteed Loan Program may be the perfect fit.
- This training module will assist you in determining whether an applicant meets the criteria for obtaining a guaranteed loan.

## 7 CFR 3555.151(a-d)

### §3555.151 Eligibility requirements.

(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 §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.



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- 3555.151 outlines the eligibility requirements an applicant must meet to be considered for a guaranteed loan.
- Their adjusted annual household income may not exceed the limit for the State and County where the property they wish to purchase is located.
- The applicants must be U.S. Citizens or be qualified aliens with eligible documentation.
- The applicant must also certify they will reside in the purchased dwelling as their primary residence.
- Guaranteed loans are not eligible to be used to purchase investment, rental properties, or other ineligible properties. In addition, the dwelling must be modest, safe, and sanitary.

## 7 CFR 3555.151(e)

(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.



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- If an applicant currently owns a home, additional requirements may apply.
- The applicant cannot retain a home that is currently financed with a Rural Development direct or guaranteed loan and the current home must not meet the applicant's current housing needs.
- The applicant must agree to occupy the new home as their primary residence and the applicant must be without sufficient resources to purchase a home without the need for the guaranteed loan.
- The applicant may only retain ownership in one single family home in addition to the new home being financed with a guaranteed loan.
- If the applicant is eligible to retain their current home, they must be financially qualified.
- If the applicant has been renting the retained home for a minimum of 24 months and has a lease agreement to confirm the receipt of rental payments for a minimum of 12 months after loan closing, then the current mortgage liability may be omitted from the debt ratio calculation.

Current home *must*  
no longer meet the  
applicants' need.

Must *not* be for  
*convenience* only!

#### HB-1-3555, 8.2A

- The current home owned no longer adequately meets the applicants' need. Manufactured housing units that are not fixed on a permanent foundation are considered functionally inadequate. The determination that the current home no longer adequately meets the applicant's needs must include documentation of a significant status change in the circumstances of the borrower that require immediate remedy. Examples of changes in status could include, but are not limited to:
  - Severe overcrowding which is defined as more than 1.5 household residents per room. The room count generally includes a living room, dining room, kitchen, den, recreation room, and bedroom(s). Room counts do not include the bathroom or an entry hall/foyer. The lender must obtain verification that overcrowding has existed for more than 90 days and will persist for at least nine (9) months into the future.
  - The disability or limited mobility of a permanent household resident that cannot be accommodated without substantial retrofitting of the current property, e.g., the installation of a ramp, an elevator or stairlift, or extra-wide doors and hallways. Lender must obtain verification of the change in status, the existing property deficiencies, and the suitability of the new property.
  - The applicant is/has relocated with a new employer, or being transferred by the current employer to an area not within reasonable and locally recognized commuting distance.

In all cases, the lender must provide an additional explanation of the burden upon the applicant imposed by the status change both in the near and longer term, and also the reasons beyond homeowner convenience why the purchase of the property must be completed prior to the sale of the existing property. All documentation will be retained in the lender's permanent loan file and may be requested by the Agency upon review.

- As mentioned in the previous slide, the current home must no longer meet the needs of the applicant and immediate resolution is needed.
- HB-1-3555, 8.2A further defines adequate housing and provides examples that could require immediate resolution. The examples include, but are not limited to:
- Severe overcrowding, which is defined as more than 1.5 residents per room.
- The current home may no longer meet the needs of the household due to the disability of a permanent member of the household.
- The applicant has been relocated for a job outside of a reasonable commuting distance.
- These are just a few examples, but keep in mind that the reason for the new home purchase cannot be for homeowner convenience only.

## 7 CFR 3555.151(f-g)

(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.



- Applicants must have the legal capacity to incur the loan obligation.
- They may not be suspended or debarred from participation in Federal programs.

Retain supportive  
documentation in  
permanent case  
file.

Liquid Assets =  
*Cash or Cash  
Equivalents*

7 CFR 3555.151(j)

(j) *Obtaining credit.* The applicant must be unable to obtain traditional conventional mortgage credit, as defined by the Agency, for the subject loan.

HB-1-3555, 8.2B

**B. Obtaining Credit**

Form RD 3555-21, "Request for Single Family Housing Loan Guarantee" requires both the lender and the applicant to certify that the applicant is unable to secure credit from other sources upon terms and conditions which the applicant can reasonably fulfill. The certification can be made if the applicant does not meet the requirements to obtain a traditional conventional credit loan. Traditional conventional credit is defined for Agency purposes as:

- The applicant has available personal non-retirement liquid verifiable asset funds of at least 20% of the purchase price that can be used as a down payment;
- The applicant can, in addition to the 20% down payment, pay all closing costs associated with the loan;
- The applicant can meet qualifying ratios of no more than 28% PITI and 36% TD when applying the 20% down payment;
- The applicant demonstrates qualifying credit for such a loan. The conventional mortgage loan term is for a 30- year fixed rate loan term without a condition to obtain private mortgage insurance (PMI).

If the applicant meets the cumulative criteria of traditional conventional credit, as defined by the Agency above; the applicant is ineligible for the SFHGLP.

- And the applicant must be unable to obtain conventional credit as defined by the Agency, which is typically having a 20 percent down payment from their own liquid funds, plus all money required for closing costs.
- The applicant must also meet the ratio and credit requirements listed here.

**USDA Rural Development**  
U.S. DEPARTMENT OF AGRICULTURE

- 7 CFR 3555.151(g) and HB-1-3555, 8.2E
- Verify debarment at [sam.gov](http://sam.gov).
- Record date on Form RD 3555-21.
- Recheck verification if greater than 30 days at loan closing!

The top screenshot shows the **sam.gov** homepage. It features a navigation bar with links for HOME, SEARCH RECORDS, DATA ACCESS, CHECK STATUS, ABOUT, and HELP. A prominent message states: "A NEW WAY TO SIGN IN - If you already have a SAM account, use your SAM email for login.gov." There is a "Log In" button and a link to "Login.gov FAQs". Below the navigation bar, there is a "Search Records" section with "Search Tips to Get Started" and a "Choose Quick Search or Advanced Search" section. The "QUICK SEARCH" section includes a text input field for a search term and an "ADVANCED SEARCH - ENTITY" button.

The bottom screenshot shows the **GUS "Additional Data"** application page. It has a sidebar menu with options like "Additional Data", "Credit / Underwriting", "View Findings", "Display Documents", "Upload Documents", "Request Forms", "USDA Administration", "Activity History", "GUS Reports", "Loan List", and "Data Modified". The main content area contains several form fields: "Project Type" (dropdown), "Structure Type" (dropdown), "Purchase is" (dropdown), "Is a Repair Escrow Account Established?" (radio buttons), "Type of Repairs Escrowed" (dropdown), "Escrow Repairs Completed By" (dropdown), "Property is less than 12 months old and never occupied" (checkbox), and "Is any party pertaining to this loan application debarred from doing business with the Federal government in the System for Award Management (SAM)?" (radio buttons). A date field shows "09/17/2020" and a button labeled "System For Award Management(SAM)".

- SAM stands for the System for Award Management and is operated under the U.S. General Services Administration (GSA).
- Applicants that have a claim filed against them by other Federal agencies will be ineligible to receive additional U.S. Government benefits until the suspension or debarment is satisfied.
- SAM.gov publishes an exclusion file used by many organizations for screening and/or compliance purposes.
- SAM may be accessed online at [www.sam.gov](http://www.sam.gov) or from a link provided in the Guaranteed Underwriting System (GUS) on the "Additional Data" application page.
- When SAM is checked, the lender will respond accordingly to the questions in the GUS. An incorrect data entry may render an "Ineligible" underwriting recommendation.
- The check should be completed no more than 30 days from loan closing.



# LEARNING CHECKS

7 CFR Part 3555 / HB-1-3555



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The best way to learn information is to test your knowledge!

## QUESTION

*Topic*

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

TRUE/FALSE or other answer options will be displayed



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The following question slides will list:

- The topic,
- A question or scenario, and
- potential responses.

# ANSWER

*Topic*

*7 CFR Part 3555 and HB-1-3555 references provided*

## **X. Correct Response**

- Additional guidance for clarification may be provided



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The answer slides 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.

*Ready?*

LET'S GET  
STARTED!



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Let's get started!

## QUESTION

### *Applicant Eligibility*

- As evidence of residency status, the applicant has provided the lender with a copy of I-765, "Employment Authorization Document", which expires in 5 years.
- This applicant is eligible for financing with a USDA loan?

A. YES

B. NO



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Read the question on the slide and select a response.

## ANSWER

*Applicant Eligibility*

*3555.151(b) and HB 8.2 B*

### **B. NO**

Applicants must be a U.S. citizen, a U.S. non-citizen national, or a qualified alien.



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No.

- Applicants must provide evidence acceptable to the Agency of their status as a U.S. citizen, U.S. non-citizen national, or qualified alien in order to be eligible for USDA financing.

## QUESTION

### *Applicant Eligibility*

- An applicant has 20 percent for a down payment and closing costs saved between their checking, savings, and 401(k) retirement account.
- The applicant is not eligible for a guaranteed loan.

A. TRUE      B. FALSE



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Read the question on the slide and select a response.

## ANSWER

*Applicant Eligibility*

*3555.151(j) and HB 8.2 A*

### **B. FALSE**

Non-liquid assets such as a 401k retirement account are not included in funds available for a down payment.



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False.

- The applicant must have at least 20% personal funds from non-retirement liquid assets, as well as have funds available for all closing costs associated with the loan.

## QUESTION

### *Applicant Eligibility*

- Jane is in the military and she and her husband, Jack, have applied for a guaranteed loan.
- She will be deployed within 30 days of loan closing for a 12-month tour of duty while Jack resides in the subject dwelling.
- The required occupancy requirements will be met.

A. TRUE    B. FALSE



18

Read the question on the slide and select a response.

## ANSWER

*Applicant Eligibility*

*3555.151(c), HB 8.2 C*

### **A. TRUE**

- Jack will reside in the property while Jane is deployed.
- The home will be Jane's primary residence when she returns post-deployment.



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True.

- Jack is part of the household and will reside in the home as his primary residence while Jane is deployed.
- When Jane's deployment ends, she will also live in the residence as her primary residence.

## QUESTION

### *Applicant Eligibility*

If an applicant retains a home in addition to the one being financed with a guaranteed loan, rental income for repayment purposes must be received for a minimum of \_\_\_\_\_ months.

- A. 12
- B. 6
- C. 24
- D. 36



Read the question on the slide and select a response.

## ANSWER

*Applicant Eligibility*

*3555.152(b)(2), HB 9*

### **C. 24 months**

A minimum of 24 months rental history must be documented for income to be included and the current payment excluded.



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- C.
- 24 months of rental income history plus an executed lease to document rent to be received for the upcoming 12 months is required.
  - When applicants can demonstrate rental income is stable and dependable, as evidenced and documented with the most recent two years tax returns and a copy of the current executed lease that has been signed by all parties, the net rental income can be considered for repayment ratios.

## QUESTION

### *Applicant Eligibility*

- Ally has \$25,000 in her savings account.
- The purchase price is \$155,000 with closing costs of \$3500 (excluding the upfront guarantee fee.)
- Ally does not qualify due to her assets.

A. TRUE    B. FALSE



22

Read the question on the slide and select a response.

## ANSWER

*Applicant Eligibility*

*3555.151 (j) and HB 8.2 A*

### **A. FALSE**

- $\$155,000 \times 20\% = \$31,000$
- $\$31,000 + \$3,500 \text{ closing costs} = \$34,500$

Ally only has \$25,000; therefore, she is unable to obtain convention financing as indicated in HB 8.2 A.



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False.

- 20 percent of \$155,000 is \$31,000 plus \$3,500 for closing costs would require a total cash investment of \$34,500.
- Ally only has \$25,000, Therefore, she does not have the required cash to qualify for a typical conventional loan as defined by USDA in handbook 8.2 A.

## QUESTION

### *Applicant Eligibility*

- Judy is a current USDA guaranteed loan borrower.
- She wishes to purchase a new home with a guaranteed loan with a closing date of July 14.
- The sale of her current home is scheduled to close on August 30.
- Judy is eligible for a guaranteed loan.

A. TRUE    B. FALSE



24

Read the question on the slide and select a response.

## ANSWER

*Applicant Eligibility*

3555.151 (e)(1), HB 8.A

### A. FALSE

- Applicants may have only **one** guaranteed or direct loan at one time.
- Judy must close on the sale of her current guaranteed home before she can complete the purchase of the new home.



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False.

- An applicant may only have one Rural Development direct or guaranteed loan at a time.
- Judy must close on her current home financed with a guaranteed loan before she can close on the new purchase.

## QUESTION

### *Applicant Eligibility*

USDA must ensure that there is a bedroom for each household dependent in order for the home to be considered adequate for the household.

A. TRUE      B. FALSE



26

Read the question on the slide and select a response.

## ANSWER

*Applicant Eligibility*

3555.151(e)(2), HB 8.2 A

### **B. FALSE**

USDA does not require a minimum number of bedrooms in the subject dwelling.



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False.

- USDA does not require a minimum number of bedrooms for the subject dwelling.
- However, the current home may no longer adequately meet the applicants' needs.
- The determination that the current home no longer adequately meets the applicant's needs must include documentation of a significant change in circumstances of the borrower that require an immediate remedy.

## QUESTION

### *Applicant Eligibility*

Which GUS application page allows the lender to enter non-U.S. Citizen documentation for program eligibility verification?

- A. Credit/Underwriting
- B. Borrower
- C. Additional Data
- D. Loan Terms



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Read the question on the slide and select a response.

# ANSWER

*Applicant Eligibility*

*3555.151 (e)(1), HB 8.A*

## **C. Additional Data**



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- C.
- Residency verification is entered on the Additional Data application page.

## QUESTION

### *Applicant Eligibility*

- George wishes to buy a \$135,000 home.
- The transaction will include \$5,000 in closing costs.
- His assets include \$150,000 in 401k, \$45,000 in IRA, and \$35,000 in savings.
- 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. YES

B. NO



30

Read the question on the slide and select a response.

## ANSWER

*Applicant Eligibility*

*3555.151 (j) and , HB 8.2 A*

### **B. NO**

- George has adequate funds for a 20% down payment.
- Funds may not be put aside for other purposes such as repairs and renovation.



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No.

The transaction would require a 20 percent down payment of \$27,000 plus the \$5,000 of closing costs, for a total investment of \$32,000.

George has \$35,000 in liquid savings.

The 401k and IRA accounts are retirement assets and therefore are excluded from consideration for down payment and closing costs.

Deducting funds from eligible liquid assets for purposes such as renovation, repair, furnishings, debt payment, etc... is not authorized under the regulations.

## QUESTION

### *Applicant Eligibility*

- Jerry and Connie have found a home that will be closer to both of their places of employment as well as to their children's elementary school.
- They would like to retain their current residence and purchase the new home with a guaranteed loan.
- This scenario is eligible?

A. YES

B. NO



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Read the question on the slide and select a response.

## ANSWER

*Applicant Eligibility*

*3555.151 (e) and , HB 8.2 A*

### **B. NO**

The lender must document the burden upon the applicant for the move beyond homeowner convenience.



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No.

- In all cases, the lender must provide evidence for reasons beyond homeowner convenience why the purchase of the property must be completed prior to the sale of the existing property.



Navigate through these resources and tools like an expert!

Take the “Program Overview Training”

Available on the USDA LINC:  
<https://www.rd.usda.gov/page/usda-linc-training-resource-library>

<https://www.rd.usda.gov/resources/regulations/program-regulations>

**Subpart D—Underwriting the Applicant**

**§3555.151 Eligibility requirements.**  
**§3555.152 Calculation of income and assets.**  
**§§3555.153-3555.199 [Reserved]**  
**§3555.200 OMB control number.**

<https://rd.usda.gov/resources/directives/handbooks>

**HB-1-3555 SFH GUARANTEED LOAN PROGRAM TECHNICAL HANDBOOK**

A consolidated version of the handbook is available. [HB-1-3555](#) is a large document and may take sometime to load.

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**Chapter 1** - Overview  
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**Chapter 6** - Loan Purposes  
**Chapter 7** - Loan Terms and Conditions  
**Chapter 8** - Applicant Characteristics  
**Chapter 9** - Income Analysis  
**Chapter 10** - Credit Analysis  
**Chapter 11** - Ratio Analysis  
**Chapter 12** - Property and Appraisal Requirements

- This training module has provided you with an overview of the key requirements of Applicant Eligibility.
- Complete program requirements and guidance can be found in 7 CFR Part 3555, Subpart D, Section 3555.151 and Chapter 8 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.



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Can't find your answer in the regulation or handbook?  
*Contact the PAC team!*

Want additional live program training?  
*Contact the LPA team!*

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Single Family Housing Guaranteed Loan Program (SFHGLP)  
**Contacts & Resources**

TOPIC	CONTACT
<b>File-Specific Questions</b> <b>Information to include in email:</b> <ul style="list-style-type: none"> <li>Identify the state the application is located; if applicable;</li> <li>Provide applicant's name and USDA borrower ID, if applicable;</li> <li>GUS loan number, if applicable</li> <li>Include contact information; and</li> <li>Indicate if you would like a call back (otherwise you will receive an email reply)</li> </ul>	Production Team One: <a href="mailto:SFHGLPONE@usda.gov">SFHGLPONE@usda.gov</a> AK, AL, AZ, CA, CO, GU, HI, IA, ID, KS, MT, NM, NV, OR, SD, TX, UT, WA, WI, WY, WY Production Team Two: <a href="mailto:SFHGLPTWO@usda.gov">SFHGLPTWO@usda.gov</a> AR, KY, LA, MN, MO, MS, ND, NE, NJ, NY, OK Production Team Three: <a href="mailto:SFHGLPTHREE@usda.gov">SFHGLPTHREE@usda.gov</a> CT, DE, GA, IL, MA, MD, ME, MI, NC, NH, RI, SC, VT, WV Production Team Four: <a href="mailto:SFHGLPFOUR@usda.gov">SFHGLPFOUR@usda.gov</a> FL, IN, OH, PA, PR, TN, VA, VI
Lender Approval	<a href="mailto:sfhqld.compliance@usda.gov">sfhqld.compliance@usda.gov</a>
Lender Recertification	<a href="mailto:sfhqld.compliance@usda.gov">sfhqld.compliance@usda.gov</a>
Program Training	<a href="mailto:sfhqld.lenderpartner@usda.gov">sfhqld.lenderpartner@usda.gov</a>
Program Marketing & Outreach	<a href="mailto:sfhqld.lenderpartner@usda.gov">sfhqld.lenderpartner@usda.gov</a>
General Loan Scenario Questions	<a href="mailto:sfhqld.program@usda.gov">sfhqld.program@usda.gov</a>
Loan Policy/Regulation/Handbook	<a href="mailto:sfhqld.program@usda.gov">sfhqld.program@usda.gov</a>
Loan Servicing	<a href="mailto:sfhqld.servicing@usda.gov">sfhqld.servicing@usda.gov</a>
Technical Issues: e-Authentication	<a href="mailto:eAuthHelpDesk@ftc.usda.gov">eAuthHelpDesk@ftc.usda.gov</a> 800-457-3642, option 1 (USDA e-Authentication Issues)
Technical Issues: GUS	<a href="mailto:RD.HD@STL.USDA.GOV">RD.HD@STL.USDA.GOV</a> 800-457-3642, option 2 (USDA Applications); then option 2 (Rural Development)
Loss Claims	<a href="mailto:guarantee.svc@stl.usda.gov">guarantee.svc@stl.usda.gov</a>
Monthly & Quarterly Status Reporting	<a href="mailto:rd.nfac.hsb@stl.usda.gov">rd.nfac.hsb@stl.usda.gov</a>
GUS User Agreements	<a href="mailto:rd.nfac.hsb@stl.usda.gov">rd.nfac.hsb@stl.usda.gov</a>
<b>TOOLS &amp; RESOURCES</b>	
Regulation and Handbook: <a href="https://www.rd.usda.gov/resources/directives">https://www.rd.usda.gov/resources/directives</a> Lender Webpage—Turn times, contact information, and helpful links: <a href="https://www.rd.usda.gov/page/sfh-guaranteed-lender">https://www.rd.usda.gov/page/sfh-guaranteed-lender</a> USDA LINC—Training modules, user guides, and more useful resources: <a href="https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library">https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library</a> GovDelivery—Receive notifications regarding origination, servicing, and GUS updates: <a href="https://public.govdelivery.com/accounts/USDARD/subscribe/new">https://public.govdelivery.com/accounts/USDARD/subscribe/new</a>	

Rev. 07/08/2020

- 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.



Thank you for supporting the USDA Single Family Housing Guaranteed Loan Program and America's rural homebuyers!



[www.rd.usda.gov](http://www.rd.usda.gov)

1 (800) 800-670-6553

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This will conclude the training module. Thank you and have a great day!