Welcome to Applicant Eligibility, 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.
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.
The regulation Table of Contents provides a quick view of the individual topics included under this Section. Applicant eligibility is located in Subpart D, Section 3555.151.

Repayment ability is addressed in the Ratios training module. Credit qualifications is addressed in the Credit Analysis training module.
3555.151 outlines the eligibility requirements an applicant must meet to be considered for a guaranteed loan.

1. Their adjusted annual household income may not exceed the limit for the State and County where the property they wish to purchase is located.
2. Applicant’s must be U.S. Citizens or be qualified aliens with eligible documentation.
3. The applicant must certify they will inhabit the purchased dwelling as their primary residence. Guaranteed loans are not eligible to be utilized to purchase investment, rental properties, or other ineligible properties.
4. The dwelling must be modest, safe, and sanitary. Modest should be considered as a home that the applicant’s meet the repayment requirements for under the regulation.
If an applicant currently owns a dwelling, additional requirements may apply:

1. The applicant cannot retain a dwelling currently financed with a Section 502 direct or guaranteed loan,
2. The current home retained must not meet the applicant's current housing needs,
3. The applicant must agree to occupy the new dwelling as their primary residence,
4. The applicant must be without the sufficient resources to purchase a dwelling without the need for the guaranteed loan,
5. The applicant may only retain one dwelling in addition to the new residence purchased with a guaranteed loan, and
6. If the applicant is eligible to retain a current dwelling, they must be financially qualified with all housing obligations. If the applicant has been renting the retained home for a minimum of 24 months, with a lease agreement to continue to receive rental payments for a minimum of 12 months after the loan is closed, the current mortgage liability may be omitted from the debt ratio calculation.
Applicants must have the legal capacity to incur the loan obligation.

They may not be suspended or debarred from participation in Federal programs.

And the applicant must be unable to obtain conventional credit as defined by the Agency, which is typically having a 20 percent downpayment from their own funds plus all money required for closing costs.
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. Applicant eligibility guidance is located in Chapter 8.
This screen shot displays the Table of Contents of Chapter 8. This helps the user to locate specific topics more quickly.

Based on the review of 3555.151, you can begin to see where the technical handbook may provide additional clarification of the regulation on this topic.
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.
Let’s get started!
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

Read the question on the slide and select a response.
False
A 2 bedroom home is obviously not adequate for a household of 7. Because John does not have a 24 month history of renting the current dwelling, the lender must include the current mortgage payment and all applicable expenses in the total debt ratio. This home may not be currently financed with a Section 502 direct or guaranteed loan.
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

Read the question on the slide and select a response.
True
Jack is part of the household and he will reside in the home as his primary residence while Jane is deployed. When Jane’s deployment ends, she will return to this dwelling as well, and it will continue to be her primary residence.
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

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

The household earns $82,000 but they have eligible deductions of $8,500 for childcare and one dependent deduction of $480. This will bring their adjusted annual income down to $73,650.

$73,650 is below the adjusted annual income limit for this State and County of $75,650. Adjusted annual income determines program eligibility for the guaranteed loan program. Please refer to the training module Adjusted Annual Income for additional information.
Read the question on the slide and select a response.

**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

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False

Applicants may only have one Section 502 direct or guaranteed loan at one time.

Judy must close on her current dwelling financed with a guaranteed loan before she can close on the new purchase.
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

Read the question on the slide and select a response.
False
Rob only has one year of rental income history. The regulation and technical handbook require 24 months of history plus a lease to anticipate rent received for the upcoming 12 months. Otherwise, Rob appears to meet the additional 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

Read the question on the slide and select a response.
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

False

If an applicant is not a U.S. Citizen there are additional eligibility factors. An applicant could be a U.S. non-citizen national or a qualified alien. Applicant’s must be able to provide evidence to support their legal and permanent entry to the United States of America.
USDA offers lenders an online database that is incorporated into the Guaranteed Underwriting System (GUS) which allows them to check the eligibility of a non-U.S. Citizen.

Instructions for USDA personnel to access SAVE is located in Handbook Attachment 8-A.

Lenders may enter the applicable data directing into the “Immigration/Naturalization Check” data fields in GUS that will be available when the “Declarations” are completed to accurately reflect the applicant is not a U.S. Citizen.

Select the “Insert Immigration Info.”
Next, a list of eligible documentation to support the legal and permanent entry of the applicant into the U.S. will display. Select the appropriate documentation from this list by checking the box next to the option supported by the information provided by the applicant.

Then select “Back” from the bottom row of action buttons.
Based upon the documentation selected, the applicant’s name will appear that requires the information to be verified.

For this example an Alien Identification Number is required, along with a Card Number, and a Document Expiration Date.

When all data fields are completed select “Verify Eligibility via SAVE.”

GUS will display the rendered determination. If additional information is required, additional research, or another message that requires assistance by the lender, please contact the USDA State Office representative for assistance.
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

Read the question on the slide and select a response.
Response A
SAM stands for System for Award Management.

This system is operated under the U.S. General Services Administration (GSA).

Applicant’s that have claims 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 is available online at the website displayed on the slide.

SAM is also able to be accessed from the link provided in GUS on the “Additional Data” application page.

When SAM is checked and there is no debarment of any applicant, the lender must respond accordingly to the question presented on this application page and displayed on this slide. Many lenders will read the question as “I checked SAM and all is well = YES.”

But the question states “System for Award Management (SAM) indicates a party to the transaction is debarred from business with the Federal Government.” The lender will want a “No” response to be recorded when there is no debarment or suspension. An incorrect data entry on this date field will render an “Ineligible” underwriting recommendation.

The lender will also record the date they completed the SAM check.
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

Read the question on the slide and select a response.
False
A $155,000 purchase price times 20 percent is $31,000.
$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.
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

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

George would require a $27,000 20 percent downpayment 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 are retirement assets and therefore excluded from consideration for downpayment and closing costs.

Deducting funds from eligible liquid assets for renovations, repairs, furniture, debt payoff, etc. is not authorized under the regulation.
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!