Understanding this document and its role is a very important key to operating successfully within the program, as no Rural Development loan can ever close prior to the receipt of a Conditional Commitment from the Agency. Obtaining a Loan Note Guarantee depends upon following this process and meeting the outlined requirements.

In this training module, we will review the requirements to accept and meet those conditions so that the loan note guarantee may be issued.
Welcome to the Conditional Commitment training module presented by USDA’s Single Family Housing Guaranteed Loan Program.
Lender Notification On Request For Loan Guarantee

HB-1-3555, Chapter 15.6

1. Loan Guarantee is Approved
   - Loan file meets Agency requirements.
   - Conditional Commitment establishes conditions for issuing the Loan Note Guarantee.
   - Lender must submit and certify all conditions have been met.

2. Return of Incomplete Application
   - Application is missing information and/or final GUS Underwriting Findings Report.
   - Lender cannot provide necessary information.
   - Agency will suspend application until complete application is received.

3. Loan Guarantee is Denied
   - Loan guarantee request will be denied if proposed loan fails to meet program requirements.
   - Agency will notify lender in writing with reason for denial and provide appeal rights.
   - Agency will process in the GLS database to record denial.

- The Agency will notify the lender of the results of the application review. There are three potential results that could be provided:
  - Loan Guarantee is Approved
  - Return of Incomplete Application
  - Loan Guarantee is Denied
The lender has three responses to the issuance of Form RD 3555-18/18E; the lender may accept the terms and conditions, decline the terms and conditions for loan guarantee, or request that the terms and conditions be altered.

**ACCEPTING THE CONDITIONS**
- Loan amount equal to or less than the authorized amount.
- Interest rate equal to or less than the authorized amount.
- All stated conditions have been met.

**DECLINING THE CONDITIONS**
- Stated terms and conditions cannot be met.
- Loan guarantee is not needed.
- Loan will not go to closing.

**REQUESTING CHANGES**
- Lender believes there are erroneous conditions or requirements.
- Modifications that adversely affect the loan; increase in loan amount, interest, monthly liabilities, etc.

The lender has three responses to the issuance of Form RD 3555-18/18E, Conditional Commitment:

1. **Accepting the Conditions.** If the lender understands and agrees to accept the conditions listed on the Conditional Commitment, no further communication with the Agency is required until the lender is ready to request the loan note guarantee.

2. **Declining the Conditions.** If the lender determined that the terms and conditions stated on the Conditional Commitment cannot be met, that the loan guarantee is not needed, or that the loan will not go to closing, the lender must inform the Agency in writing as soon as possible.

3. **Requesting Changes in Conditions.** Requests to close the loan at a lower loan amount or interest rate than those authorized on the issued Conditional Commitment do not require any action. However, if the lender believes that there are erroneous conditions and requirements on the Form RD 3555-18/18E that should be altered, the lender can contact the Agency in writing and propose those alternatives.
• Modifications that adversely affect the loan such as an increase in the loan amount, interest rate, monthly liabilities, real estate taxes or homeowner’s insurance, or lower the repayment income or assets would require a new underwriting review. The lender would not be authorized to close the loan until a new Conditional Commitment is reissued.
The lender is required to comply with all conditions stated on Form RD 3555-18/18E, “Conditional Commitment for Single Family Housing Loan Guarantee” and any attachments, as applicable.

The loan must close under the same terms as underwritten and approved for in the Conditional Commitment.
Closing the Loan

HB-1-3555, Chapter 16.2

**Required Closing Timeframe**

**Purchase Transactions**
- Conditional Commitment expires in 90 days.
  - One 90-day extension may be requested.

Closing loans for:

- **Purchase Transactions:**
  - Lender has 90 days from the issuance of the Conditional Commitment to close the loan
  - Lender can request a one-time, 90-day extension
  - The extension must be requested prior to the original expiration date
Closing the Loan

HB-1-3555, Chapter 16.2

Required Closing Timeframe

**Construction Transactions**

- Conditional Commitment expiration date should correspond with estimated project completion date.
  - Not to exceed 12 months.
  - Does not apply to “Combination Construction to Permanent Loans”.
- The Agency must grant any approved extensions in writing.

Closing loans for:

- **Construction Transactions:**
  - The expiration date for new construction should correspond with the estimated project completion date, not exceeding 12 months
  - This does not apply to “combination construction permanent loan”
- The Agency must grant any approved extensions in writing
Closing the Loan

HB-1-3555, Chapter 16.2

**Closing in Compliance with Conditional Commitment**

- Loan must close under same terms as underwritten and approved for on Conditional Commitment.
- Adverse changes may require the release of application submitted in the GUS to the lender for correction and resubmission.
- The Agency must verify in writing prior to loan closing that the changes are acceptable.

- The loan must close under the same terms as underwritten and approved for on the Conditional Commitment
- Any changes in the loan terms, characteristics of the applicant, or property from the issuance of the Conditional Commitment to loan closing requires the lender to notify the Agency in writing
- Adverse changes may require the release of the application submitted in GUS to the lender for correction
- Resubmission is required to ensure there is no impact to the underwriting recommendation
- The Agency must verify in writing prior to loan closing that the changes are acceptable
- Failure by the lender to obtain approval from the Agency may result in denial of the

From RD 3555-17E, “Loan Note Guarantee”
All applicants must sign the loan application and any addendums.

Follow state laws and ensure a valid first lien.

Signatures of those who have not been reviewed during the mortgage credit analysis may jeopardize issuance of the loan note guarantee.

Lenders should not encourage borrowers to sign blank or incomplete documents.

• All individuals applying for the loan and assuming responsibility for the mortgage must sign the loan application and any addendums.
• Any individual whose signature is required by state law must sign the security instruments. All owners to be vested in title must sign the security instruments, unless otherwise noted.
• Lenders should not encourage borrowers to sign blank or incomplete documents.
A Power of Attorney (POA) may be used when the mortgagee verifies and documents the following requirements have been met, as applicable:

- Any specific or general POA must comply with state law and allow for legal enforcement of the mortgage note.
- For military personnel, a POA may only be used for one of the applications (initial or final), but not both.
Power of Attorney

➢ May be used when the mortgagee verifies and documents the following applicable requirements have been satisfied:
  
  o For incapacitated borrowers, a POA may only be used where:
    
    ▪ Borrower is incapacitated and unable to sign the application.
    
    ▪ Incapacitated individual will occupy the property.
    
    ▪ Attorney-in-fact has specific authority to encumber the property.

• For incapacitated borrowers, a POA may only be used where;
  
  • A borrower is incapacitated and unable to sign the mortgage application;
  
  • The individual will occupy the property to be guaranteed; AND
  
  • The attorney-in-fact has specific authority to encumber the property and to obligate the borrower
Interest Credit Closing

- Loans were scheduled to close at the end of the month but were not able to due to unforeseen reasons.
- Lenders and borrowers agree to credit the per diem interest to the borrower.
- Mortgage payments begin the first of the succeeding month.

- Lenders and borrowers may agree to credit the per diem interest to the borrower and have the mortgage payments begin the first of the succeeding month in order to reduce the burden on borrowers whose loans were scheduled to close at the end of the month but did not due to unforeseen circumstances.
• The lender must certify that the loan has been underwritten and closed in accordance with the regulations and that it meets all conditions set forth from the Conditional Commitment.
• The lender acknowledges that upon receipt and acceptance of the Conditional Commitment and required fees, the Agency will execute and issue the Loan Note Guarantee.
Conditional Commitment is Valid for 90 Days!

One 90-Day Extension May Be Granted

§3555.107(f) Application for and issuance of the loan guarantee

(f) Issuance of a conditional commitment. The lender must demonstrate that all the general loan, applicant, and site eligibility requirements of this part are met before Rural Development will issue a conditional commitment. The lender, however, may obtain any required property inspection reports, such as a well test or construction phase inspections, if applicable and not needed for environmental compliance, after the issuance of the conditional commitment, but prior to loan closing.

(1) The conditional commitment will expire in 90 days from issuance, unless new construction is involved.

(2) The expiration of a conditional commitment may coincide with projected completion of new construction.

(3) An extension may be granted if the loan cannot be closed due to circumstances beyond the lender’s control.

(4) Lenders may accept or decline the conditional commitment, or submit requests for changes with adequate support and documentation to be reviewed by the Agency.

• 7 CFR 3555.107 (f) is the regulation that states the issuance of a conditional commitment from Rural Development will occur after the approved lender has submitted the required documentation for Agency review.
• The commitment may be issued with conditions the lender will be required to meet as applicable.
• The lender is required to comply with all conditions stated on Form RD 3555-18/18E “Conditional Commitment for Single Family Housing Loan Guarantee” and any attachments, as applicable.
• The loan must close under the same terms as underwritten and approved for in the Conditional Commitment.
Verify the Terms Listed are Correct

Note the Expiration Date and Plan Accordingly

The first page of the Conditional Commitment will contain:

• Lender, borrower and loan details;
• Upfront Loan Note Guarantee Fee, Annual Fee and Guarantee Systems Technology Fees;
• Additional conditions and requirements, and;
• Commitment expiration date with the name and signature of the Agency Representative.
The second page of the Conditional Commitment will contain:

- 1st page of required Lender Certification;
- Instruction as to whether loan will be retained or sold after closing;
- Servicing and Holding Lender information, as applicable, and;
- Borrower’s Information
The third page of the Conditional Commitment will contain:

- 2nd page of required Lender Certification;
- All forms required to accompany the Loan Note Guarantee request;
- Additional conditions that must be met for the issuance of the Loan Note Guarantee, and;
- Lender’s authorized representative’s name, title and signature.
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.
7 CFR Part 3555 and HB-1-3555 references provided

X. Correct Response

• Additional guidance for clarification may be provided

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!
A Conditional Commitment is typically valid for _____ days.

A. 60  B. 90  C. 180

Read the question on the slide and select a response.
A Conditional Commitment is *typically* valid for 90 days.

- Conditional Commitments are valid for 90 days.
- They may be valid for up to 12 months when issued for new construction loans.
- Approved lenders may request extensions to issued commitments from the Agency for a one time extension of the expiration date.
QUESTION
Conditional Commitment

• Approved lender signs the Lender Certification of Form RD 3555-18/18E.
• Their signature certifies that all Agency conditions listed have been met.

A. TRUE    B. FALSE
ANSWER
Conditional Commitment

3555.107(f), HB 16.2

A. TRUE

• Lender certification is verified through signature.
• Lenders also certify that all required documentation is retained as applicable.

True.

• The approved lender will verify all conditions have been met when they sign the Lender Certification portion of Form RD 355-18/18E
• The Lender Certification includes the statement that all documentation has been retained in the lender’s permanent loan file
The Agency issued a Conditional Commitment based on:

- Loan Amount $162,000
- Interest Rate 3.75%
- 30 Years
- Appraised Value $175,000

The Borrower would like to increase the loan amount to $170,000 to pay for repairs needed to the HVAC system.

The loan may close on the original issued Conditional Commitment.

A. TRUE  B. FALSE

Read the question on the slide and select a response.
B. FALSE

• Modifications that adversely affect the loan such as an increase in loan amount must be re-submitted to the Agency for a new underwriting review.
• The lender is not authorized to close the loan until a new Form RD 3555-18/18E is reissued.

False.

• Modifications that adversely affect the loan such as an increase in loan amount, interest rate, monthly liabilities, etc. will require a new underwriting review.
• Additionally, any decrease in repayment income, assets of property value would also require a new underwriting review.
• The lender is not authorized to close on the loan until a new Form RD 3555-18/18E is reissued.
• The lender has three responses to the issuance of Form RD 3555-18/18E.

A. TRUE  B. FALSE
A. TRUE

- The lender has three responses to the issuance of Form RD 3555-18/18E, Conditional Commitment:
  - Accepting the Conditions
  - Declining the Conditions
  - Requesting Changes in Conditions

True.

- The lender has three acceptable responses to the issuance of the Conditional Commitment:
  - Accepting the Conditions;
  - Declining the Conditions, and;
  - Requesting Changes in Conditions
Way to Go!
LEARNING CHECK COMPLETED!

Way to go! You have completed the learning checks!
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 Conditional Commitments.
• Complete program requirements and guidance can be found in 7 CFR Part 3555, Subpart C, Section 3555.107(f) and Chapters 15 and 16 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!