

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT

Form RD 3550-23
(Rev. 07-20)

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APPLICANT ORIENTATION GUIDE

This applicant orientation guide summarizes information that applicants should be made aware of after they are determined eligible for a single family housing direct loan. Before the Agency can make a loan decision, you will need to view the Agency's online applicant orientation video. This video is available at <https://www.youtube.com/watch?v=XxobzC24FfU&feature=youtu.be>. After viewing the video, you need to sign and return this form to the Rural Development (RD) office processing your loan request. If you are unable to watch the video, please contact your RD office for further instructions.

PART I. PROGRAM INFORMATION

A. RIGHTS

Equal Opportunity. The United States Department of Agriculture (USDA) is an equal opportunity provider, employer, and lender.

Appeal. Applicants have the right to appeal program administrative actions by which they are adversely affected.

B. INSPECTIONS

Applicants receiving a purchase or repair loan are responsible for property inspections needed to protect their own interests. To verify that all major systems are adequate when the loan is to purchase or refinance an existing dwelling, the applicant must engage the services of a State-licensed inspector to perform a whole house inspection and state whether the dwelling appears to meet the Agency's standards with respect to: termites and other pests (this may be separate from the whole house inspection); plumbing, water and sewage; heating and cooling; electrical systems; and structural soundness. The inspection report must be a comprehensive document that meets the minimum standards of the professional home inspector associations. When a State does not license inspectors, a qualified, independent, third-party inspector may perform the inspections and provide the necessary certifications. RD is a lending institution and will not guarantee the value or condition of the property.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575- 0172. The time required to complete this information collection is estimated to average 30 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

C. CLOSING

Down Payment. Applicants who have non-retirement assets above thresholds established by the Agency are required to use the excess amount toward the purchase and repair transactions.

[This section applies to loans subject to the residential real estate settlement process.]

Settlement Service Providers. In connection with the loan, applicants will be issued a written list of settlement service providers whose costs are known to the Agency. The list will contain providers for services such as home inspectors, title/closing agents, etc. Applicants may select a provider that is not on this list; however, applicants are responsible for researching the costs associated with alternate selections. Settlement service costs for providers on the list issued are disclosed on the Loan Estimate, which will be provided within three (3) business days after a complete application is received by the Agency.

Title Insurance. The applicant generally must secure title insurance, although in rare cases, a title opinion from an attorney may be used. The title company or attorney must be acceptable to the Agency.

Closing Agent/Attorney. The applicant must choose a closing agent who is acceptable to the Agency. The applicant has the right to select legal counsel for representation in all matters relating to this transaction. The closing agent/attorney will be required to complete certifications and inform the Agency prior to receiving authorization to close the loan. The applicant is responsible for all closing agent and/or attorney fees regardless of whether the loan closes.

Closing Costs. The applicant, seller, or both are responsible for paying closing costs at loan closing. Typical costs include: curing title problems, title abstracts, documentary stamps, tax monitoring services, lender's policies of title insurance, owner's policies of title insurance, appraisal fees, notary fees, recordation costs, land surveys, attorney's fees, and application packaging fees. The applicant also must make an initial deposit to the escrow account.

Document Errors and Omissions. The borrower agrees to execute, acknowledge, initial, and deliver requested documents to the lender or closing agent within ten (10) days of receipt or pay all costs which the lender sustains, including reasonable attorney fees.

D. ON-GOING OBLIGATIONS

Working with NFAOC. Part of the National Financial and Accounting Operations Center (NFAOC) mission is to provide services and counseling to help customers succeed as homeowners. NFAOC (formerly known as the Customer Service Center or CSC) provides a wide variety of services including payment processing, escrow/taxes/insurance management, payment subsidy eligibility assessments, and final payments.

Customer Service: For general loan servicing questions please call 1-800-414-1226 and have your loan number available.

Payments. Regular payments must be made on or before the due date and will not be applied until the full scheduled payment is made. Failure to make timely payments can result in late charges, reporting to credit repositories, offsets of income, and/or foreclosure. If for any reason a payment cannot be made on time, the borrower should immediately contact NFAOC at 1-800-793-8861. Notification will not, however, prevent the borrower from being assessed a late fee. If a borrower wishes to make a final payment, the borrower should contact NFAOC to obtain a payoff statement.

Payment Options. Borrowers have numerous options for making timely payments to NFAOC which include:

- **Preauthorized Debit (PAD):** PAD is a free service that allows borrower payments to be automatically withdrawn from their checking or savings account on the same day each month.
- **Web Access:** Borrowers may access their mortgage loan online by going to <http://rdhomeloans.usda.gov> to register for an eAuthentication ID.
- **Customer Initiated Payment (CIP):** CIP is a free service that allows homeowners to have funds deducted from their checking or savings account over the phone and applied to their mortgage account. Call 1-800-414-1226 and choose option 1. Have your bank routing and bank account numbers available.
- **Mail:** Payments may be mailed to USDA, RD, NFAOC, P.O. Box 790170, St. Louis, 63179-0170. Please write your USDA account number on your check or money order.
- **Western Union Quick Collect and Money Gram:** Both of these options are available to borrowers for making their monthly mortgage payment. Applicable fees apply. Additional details on these options are provided in the information guide you will receive from NFAOC once the loan is closed.

Late Payments. Borrowers who fail to make a full payment within 15 days of the payment date will be charged a late fee. This fee is a percentage of your principal and interest payment, or other amount authorized by State law.

Non-sufficient Funds. Borrowers will be required to pay a fee for any check returned for non-sufficient funds.

Escrow for Taxes and Insurance. Borrowers generally are required to establish escrow accounts unless the account is, or will be, escrowed by another lender; the Agency is not taking a security interest in the property, or the Agency's total indebtedness is less than \$15,000. The escrow account is maintained by NFAOC on behalf of the borrower for the payment of taxes and insurance. Borrowers with escrow accounts pay an amount each month, in addition to their principal and interest payment, that is deposited into the escrow account for the payment of future taxes and insurance bills. The Agency will pay taxes and insurance premiums when they are due with funds from the borrower's escrow account.

Insurance. Borrowers are responsible for obtaining and continuously maintaining hazard insurance throughout the term of the loan. If a borrower's insurance is canceled, the Agency may purchase insurance for the borrower and charge the borrower's account(s) for the cost of the insurance. Flood insurance is also required if the property is determined to be located in a Special Flood Hazard Area (SFHA) at the time of loan closing or subsequently during the life of the loan. The Loan Originator will notify the borrower using Form RD 3550-6, Notice of Special Flood Hazards, Flood Insurance Purchase Requirements, and Availability of Federal Disaster Relief Assistance, if the property is in a SFHA. If flood insurance cannot be secured, the property is not eligible for Federal financial assistance. Section 504 repair program applicants/borrowers are required to obtain flood insurance if the loan or grant equals or exceeds 50 percent of the market value of the structure before the improvement is started, or damage occurred.

Property Maintenance. Borrowers are responsible for maintaining their properties throughout the life of the loan. Should it be determined that your property is in need of repairs and you do not qualify for a subsequent loan for repairs, the Agency may advance funds to pay for repairs that are needed to protect the Government's interests; the Agency recovers the amounts advanced by charging the borrower's account. Failure to protect the Agency's security is a non-monetary default and could result in foreclosure. Please contact your local RD office for more information.

Energy Conservation. Energy cost savings can make a big difference in a borrower's ability to make regular loan payments. Utility companies and county extension offices may be able to suggest ways to conserve energy.

E. SERVICING OPTIONS

Counseling. Credit counseling is available for borrowers who experience difficulty in meeting their monthly loan payment obligation. Borrowers may call 1-800-793-8861 to obtain counseling from a representative.

Promise to Pay Agreement. A promise to pay is a firm commitment of payment arrangements made between you and a NFAOC counselor to bring the account current within a specified amount of time.

Delinquency Workout Agreement. If an account becomes delinquent, the borrower may agree to pay an extra amount each month, in addition to the scheduled payment, to bring the account current within two (2) years or the remaining term of the loan, whichever is shorter.

Moratorium. Borrowers who continue to personally occupy the property may apply for a postponement of payments for up to two (2) years if, due to a loss in income beyond their control, they are temporarily unable to continue making scheduled payments on their loan without unduly impairing their standard of living. If approved, eligibility for a moratorium agreement is reviewed periodically and is subject to cancellation. When the borrower is able to resume scheduled payments or when the moratorium agreement expires, the loan will be reamortized to include the amount deferred during the moratorium. All or a part of the interest that accrued during the moratorium may be forgiven if the borrower does not have repayment ability.

Reamortization. Under certain eligibility requirements, principal, interest, missed payments, and other charges are rolled into a new balance with a revised monthly payment schedule, also known as a "Loan Modification."

F. REPAIRS, ACTIONS REQUIRING APPROVAL, REFINANCING REQUIREMENT, AND UNAUTHORIZED ASSISTANCE

Compensation for Construction Defects - (502 LOANS ONLY). The Government may pay for major defects in construction (for construction loans initiated by the Agency) that are not repaired by the builder. Defects are usually the result of poor workmanship that the contractor refuses to repair, or for which the repairs are inadequate. If the contractor does not fulfill his/her obligation, the Agency may seek to debar the contractor. The borrower must file a claim with the Field Office within 18 months of the date the borrower signs the final inspection.

Subsequent Loans. A subsequent loan can be made as part of the original purchase of the property or in combination with an assumption, or it can be made during the loan term to an existing borrower to help pay for repairs or improvements to the property.

Actions Requiring Agency Approval. Borrowers must obtain approval from the Agency before taking actions that may affect the security value of the property. Key actions that require approval from the Agency include: subordination of the loan, mineral leases, partial release of security, lease of security property, and assumptions of indebtedness.

Refinancing with Private Credit - (502 LOANS ONLY). Agency credit is not intended to replace conventional credit. Periodic reviews of your ability to obtain private financing will occur post-closing. If the Agency believes you can obtain private credit at the prevailing rates and terms in the area, you will be required to apply for, and if approved by the lender, accept a loan sufficient to pay the balance of the Agency debt in full, with the exception of deferred recapture.

Unauthorized Assistance. Unauthorized assistance includes any loan, payment subsidy, or grant for which there was no authorization or for which the recipient was not eligible. Account adjustments may be made to correct for the receipt of unauthorized assistance and any subsidy granted improperly will be repaid by the borrower. Borrowers who receive unauthorized assistance based on false information provided intentionally to obtain benefits are at risk of losing their loan, debarment from participation in Federal benefit programs, and civil and criminal prosecution.

G. SPECIAL OBLIGATIONS

Payment Subsidy - (502 LOANS ONLY). Qualified applicants may be eligible to receive a payment subsidy to reduce their monthly payments. Income of borrowers receiving payment subsidy will be reviewed at least annually to confirm the borrower's eligibility and adjust the subsidy amount. Borrowers must personally occupy the property, and must inform the Agency whenever an adult member of the household changes or obtains employment, when there is a change in family status, or when income increases by more than ten (10) percent.

Recapture of Subsidy - (502 LOANS ONLY). Recapture of payment subsidy is calculated at time of loan pay off. Under certain conditions, recapture can be deferred when a borrower refinances the Agency loan with private credit or otherwise pays the loan in full. Subsidy recapture is due when the borrower ceases to live in the property or transfers title.

PART II. CERTIFICATIONS

Lead-Based Paint Hazards. I/we understand that if the house I/we choose to purchase was constructed before 1978, there is a possibility that it may contain lead-based paint.

Radon. I/we understand that radon is a naturally occurring radio-active gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. I/we understand that additional information regarding radon and radon testing may be obtained from the county or State public health unit.

Environmental Requirements. I/we understand that if any measures are identified in the Agency's environmental impact analysis for this project for the purpose of avoiding or reducing the adverse environmental impacts of the project's construction or operation, I/we are responsible for their implementation.

Closing Agent/Attorney Selection. I/we have been informed that I/we have a right to select legal counsel to represent me/us in all matters of this transaction relating to the closing of the loan, and that I/we are responsible for all legal fees. I/we understand this closing agent/attorney will be required to make certain certifications to the Agency prior to being authorized to close the loan.

Financing Loan Costs. I/we have been informed that I/we can finance the following costs.

- Appraisal Fee
- Tax Monitoring Fee
- Initial Escrow Deposit
- Homeownership Education Course

Full and Accurate Information. I/we certify that the information submitted on the application for assistance and supporting documentation is correct to the best of my/our knowledge. I/we understand that failure to fully disclose accurate and truthful financial information may result in the denial or termination of program assistance now or in the future. I/we further understand that whoever knowingly and willfully falsifies, conceals, or covers up a material fact, or makes a false, fictitious, or fraudulent statement or entry, may be fined or imprisoned not more than five (5) years, or both, as provided under section 1001 of Title 18, United States Code.

Collection Policies for Delinquent Debts. I/we have been informed of the following collection policies for delinquent debts owed to the Federal Government.

The Federal Government, as the mortgage lender, is authorized under the Debt Collection Improvement Act and related regulations to take action on any debt owed to the Federal Government arising from the mortgage. Such action includes, but is not limited to, the following.

- (1) Report the borrower's delinquencies to the credit reporting bureaus;
- (2) Assess additional interest and penalty charges for the period of time that payment is not made;
- (3) Assess charges to cover additional administrative costs incurred by the Government to service the borrower's account;
- (4) Offset amounts owed to the borrower under other Federal programs;
- (5) Refer the borrower's account to a debt collection agency, private collection contractor, or the United States Department of Justice;
- (6) Garnish the borrower's wages and if the borrower is a current or retired Federal employee, offset the borrower's salary, or civil service retirement benefits;
- (7) Refer the borrower's debt to the United States Department of Treasury for offset against any amount owed to the borrower as an income tax refund; and
- (8) Report any resulting written-off debt of the borrower's to the Internal Revenue Service as taxable income.

In addition, the Agency may foreclose on its mortgage and seek a deficiency judgment as permitted by law. All of these actions can be used to recover any debts owed when it is determined to be in the interest of the Federal Government to do so.

ACKNOWLEDGMENT

By signing this document I/we acknowledge that I/we have viewed the online applicant orientation video in its entirety or have obtained instructions from the RD office processing the loan request if I/we were unable to watch the video.

Applicant Date

Applicant Date