



United States
Department of
Agriculture

Rural Development



HB-1-3555

Chapter 9 Revision Overview

SFH Guaranteed Loan Program

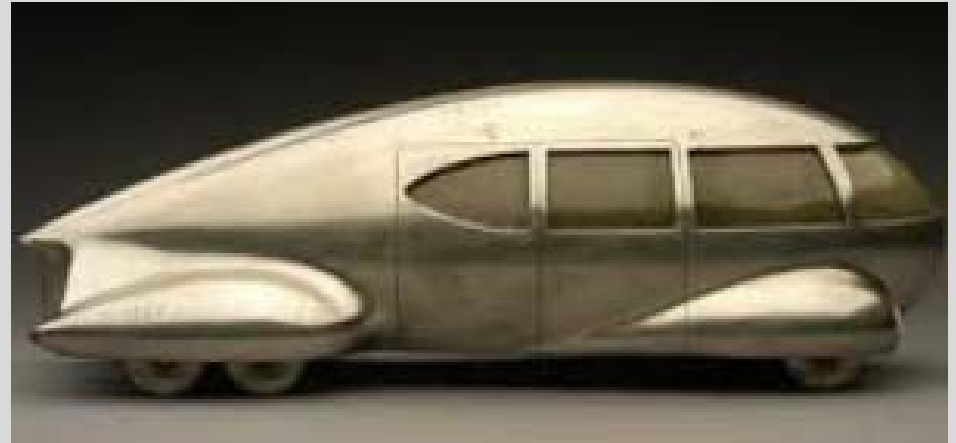
CHAPTER 9: Income Analysis



HB 9 Revisions

#1: STREAMLINED

- Over 20 pages eliminated
- Improved guidance



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#2: SIMPLIFIED

- Confusing language removed



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#3: LIVING APART: IT'S SERIOUS

Trying to eliminate a HHM?

- Living apart for minimum 3 months
- Documentation examples provided
- Applicable to spouse, fiancé, domestic partner, adult parent



HB 9 Revisions

#4: SHARED CUSTODY

- No more IRS Publication 501
- Certify to HHM # on 3555-21
- No additional documentation



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#5: ASSETS

- \$50,000 plus = consider for annual income
- Cumulative
- Non-retirement



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#6: ELECTRONIC VERIFICATIONS

- Employment, Wages, Assets, Rent
- YES PLEASE!



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#7: NO MORE BALANCE SHEETS

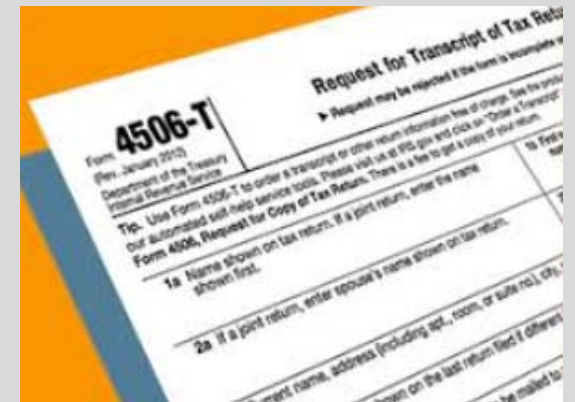
- Balance sheets eliminated for self-employed
- Lenders may still obtain at their discretion



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#8: 4506-T

- All adult HHM, EXCEPT full time students
- Request full transcripts
- Required in lender file, prior to loan closing
- Issues? Document them! Close the loan!



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#9: MATRIX: Attachment 9-A

- Income, Assets, Deductions
- Documentation options
- REVIEW IT!

ATTACHMENT 9-A

Income and Documentation Matrix		
Income guidance: 7 CFR 3555, Section 3555.162(a) and (b)		
Income Type	Annual	Repayment
Adoption Assistance or Subsidy	If the income will be received in the ensuing 12 months, include the first \$480 of adoption income or subsidy assistance for each grantee.	<p>History: 2 years</p> <p>Continuance: 3 years</p> <p>Benefits that do not include expiration dates on the documentation will be presumed to continue.</p>
<p>Documentation Source Options:</p> <ul style="list-style-type: none"> • Benefit/Award letter to document the amount and duration of payments • 2 years of Federal income tax returns or IRS tax transcripts with all schedules 		
Automobile Allowance	Include amounts documented on the pay statements as taxable gross earnings that will be received in the ensuing 12 months.	<p>History: 2 years</p> <p>Continuance: Income will be presumed to continue unless there is documented evidence the income will cease</p> <p>The amount of allowance that exceeds the expenditure may be included for repayment. If there is a monthly debt associated with the income (such as a car or equipment payment), this debt must continue to be included in the debt ratio calculation.</p>
<p>Documentation Source Options:</p> <ul style="list-style-type: none"> • Paystub(s) • Contract/agreement from employer to state terms and duration of payments • 2 years of Federal income tax returns or IRS tax transcripts with all schedules 		

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Income and Documentation Matrix		
Income guidance: 7 CFR 3555, Section 3555.152(a) and (b)		
Income Type	Annual	Repayment
Adoption Assistance or Subsidy	If the income will be received in the ensuing 12 months, include the first \$480 of adoption income or subsidy assistance for each grantee.	<p>History: 2 years</p> <p>Continuance: 3 years</p> <p>Benefits that do not include expiration dates on the documentation will be presumed to continue.</p>
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<p>Documentation Source Options:</p> <ul style="list-style-type: none"> • Paystub(s) • Contract/agreement from employer to state terms and duration of payments • 2 years of Federal income tax returns or IRS tax transcripts with all schedules 		

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Adjusted Annual Income Deductions	
3555.152(c)	
Dependent Deduction: 3555.152(c)(1)	
<ul style="list-style-type: none">• \$480 deduction per eligible dependent at the time of loan application• Applicants with shared custody may include their child(ren), no documentation required.	
Documentation Source Options:	
<ul style="list-style-type: none">• Certify to the household number on Form RD 3555-21• List all household members and ages on the Income Calculation Worksheet	
Child Care Expenses: 3555.152(c)(2)	
<ul style="list-style-type: none">• Care for children age 12 and under• Care is necessary to enable a family member to work, seek employment, or attend school• Calculate anticipated child care expenses for the ensuing 12 months• Applicants that have not placed their child into care or have no evidence to support payments, deposits, or registration fees are ineligible for this deduction	
Documentation Source Options:	
<ul style="list-style-type: none">• Utilize income tax returns, receipts, or <u>third party</u> verifications provided by a licensed childcare facility or provider on letterhead that 1. Identifies the child enrolled, 2. Date of enrollment, 3. Payment due, and 4. Payment history• Relatives or non-licensed private individuals who provide care must also provide evidence of payments made (i.e. canceled checks, money order receipts, bank statements, etc.)• Child support payments and school tuition (Pre-K – 8) are not eligible deductions• Attachment 9-G is an available option to document childcare expenses• Calculations must be included on the Income Calculation Worksheet	

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Assets
3555.152(d)
Business Accounts
Documentation Options and Guidance: <ul style="list-style-type: none">• 2 months of bank statements, Verification of Deposit (VOD), or acceptable evidence to support average <u>2 month</u> balance carried and current balance• Lenders may use the lessor of the average <u>2 month</u> balance or the current balance• Lenders must use caution and not overstate assets• USDA does not require evidence for access to joint accounts from all parties to the account
Cash on Hand
Documentation Options and Guidance: <ul style="list-style-type: none">• Applicant must supply a letter of explanation to state how the funds were retained (how much weekly/monthly/etc.)• Lender may accept applicant explanation to verify funds for closing• Cash on hand cannot be considered for reserves
Certificate of Deposit (CD)
Documentation Options and Guidance: <ul style="list-style-type: none">• 2 statements (monthly, quarterly, etc.) to evidence the account balance and early withdraw penalty if applicable• Lenders may use the lessor of the average <u>2 month</u> balance or current balance, minus applicable fees• Lenders must use caution and not overstate assets• USDA does not require evidence for access to joint accounts from all parties to the account

HB 9 Revisions

#10: GUS RESERVES

Earnest \$ and Gift funds

- Data entry on the Transaction Details GUS application page
- Retain eligible checking/savings



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Earnest Money

Documentation Options and Guidance:

- Earnest money that has cleared an applicant's depository account may be entered in the "Other Credits" section of the "Transaction Details" GUS application page. The amount of earnest money should not be reflected in the balance of any asset entered on the "Assets and Liabilities" application page.
- Earnest money that will be returned to the applicant at loan closing is eligible to be included in the reserves.

Gift Funds

Documentation Options and Guidance:

- Gift funds are considered the applicant's own funds, therefore they are eligible to be returned to the applicant at loan closing as applicable
- Gift funds may not be contributed from any source that has an interest in the sale of the property (seller, builder, real estate agent, etc.)
- Gift funds must be properly sourced: Gift letter to state the funds do not have to be repaid, evidence of funds from the party providing the gift, and evidence the funds were deposited into the applicant's account. Cash on hand is not an acceptable explanation for the source of funds.
- Gift funds that will be used for funds to close may be entered in the "Other Credits" section of the "Transaction Details" GUS application page. The amount entered should not exceed the actual amount of funds required to close. Remaining gift funds not used for closing assistance may be entered in the "Asset and Liabilities" application page as "gift funds". If cash back is received at loan closing, it cannot exceed monies advanced by the borrower minus utilized gift funds.
- Gift funds are not eligible to be considered as reserves

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#11: EVERYONE LOVES A GIFT

Gift funds

- Exclusions: Interested Parties

Gifts of Equity

- Reduce the sales price



HB 9 Revisions

Gift Funds

Documentation Options and Guidance:

- Gift funds are considered the applicant's own funds, therefore they are eligible to be returned to the applicant at loan closing as applicable
- Gift funds may not be contributed from any source that has an interest in the sale of the property (seller, builder, real estate agent, etc.)
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- Gift funds are not eligible to be considered as reserves

Gift of Equity, Sweat Equity, or Rent Credits

Documentation Options and Guidance:

- These gifts or credits should be applied as a reduction to the purchase price of the dwelling
- Ensure the appraiser is aware of the gift and/or credit. This will allow them to properly complete their appraisal report, note the reduction, and support the appraised value compared to purchase price if applicable.
- The borrower may not receive cash back at loan closing for these gifts and/or credits

HB 9 Revisions

#12: JULIAN WHO?

- Attachment 9-D

Julian Calendar removed

ATTACHMENT 9-D – Julian Calendar

Day of Mo.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Day of Mo.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1	1	32	60	91	121	152	182	213	244	274	305	335	1	366	397	425	456	485	517	547	578	609	639	670	700
2	2	33	61	92	122	153	183	214	245	275	306	336	2	367	398	426	457	487	518	548	579	610	640	671	701
3	3	34	62	93	123	154	184	215	246	276	307	337	3	368	399	427	458	488	519	549	580	611	641	672	702
4	4	35	63	94	124	155	185	216	247	277	308	338	4	369	400	428	459	489	520	550	581	612	642	673	703
5	5	36	64	95	125	156	186	217	248	278	309	339	5	370	401	429	460	490	521	551	582	613	643	674	704
6	6	37	65	96	126	157	187	218	249	279	310	340	6	371	402	430	461	491	522	552	583	614	644	675	705
7	7	38	66	97	127	158	188	219	250	280	311	341	7	372	403	431	462	492	523	553	584	615	645	676	706
8	8	39	67	98	128	159	189	220	251	281	312	342	8	373	404	432	463	493	524	554	585	616	646	677	707
9	9	40	68	99	129	160	190	221	252	282	313	343	9	374	405	433	464	494	525	555	586	617	647	678	708
10	10	41	69	100	130	161	191	222	253	283	314	344	10	375	406	434	465	495	526	556	587	618	648	679	709
11	11	42	70	101	131	162	192	223	254	284	315	345	11	376	407	435	466	496	527	557	588	619	649	680	710
12	12	43	71	102	132	163	193	224	255	285	316	346	12	377	408	436	467	497	528	558	589	620	650	681	711
13	13	44	72	103	133	164	194	225	256	286	317	347	13	378	409	437	468	498	529	559	590	621	651	682	712
14	14	45	73	104	134	165	195	226	257	287	318	348	14	379	410	438	469	499	530	560	591	622	652	683	713
15	15	46	74	105	135	166	196	227	258	288	319	349	15	380	411	439	470	500	531	561	592	623	653	684	714
16	16	47	75	106	136	167	197	228	259	289	320	350	16	381	412	440	471	501	532	562	593	624	654	685	715
17	17	48	76	107	137	168	198	229	260	290	321	351	17	382	413	441	472	502	533	563	594	625	655	686	716
18	18	49	77	108	138	169	199	230	261	291	322	352	18	383	414	442	473	503	534	564	595	626	656	687	717
19	19	50	78	109	139	170	200	231	262	292	323	353	19	384	415	443	474	504	535	565	596	627	657	688	718
20	20	51	79	110	140	171	201	232	263	293	324	354	20	385	416	444	475	505	536	566	597	628	658	689	719
21	21	52	80	111	141	172	202	233	264	294	325	355	21	386	417	445	476	506	537	567	598	629	659	690	720
22	22	53	81	112	142	173	203	234	265	295	326	356	22	387	418	446	477	507	538	568	599	630	660	691	721
23	23	54	82	113	143	174	204	235	266	296	327	357	23	388	419	447	478	508	539	569	600	631	661	692	722
24	24	55	83	114	144	175	205	236	267	297	328	358	24	389	420	448	479	509	540	570	601	632	662	693	723
25	25	56	84	115	145	176	206	237	268	298	329	359	25	390	421	449	480	510	541	571	602	633	663	694	724
26	26	57	85	116	146	177	207	238	269	299	330	360	26	391	422	450	481	511	542	572	603	634	664	695	725
27	27	58	86	117	147	178	208	239	270	300	331	361	27	392	423	451	482	512	543	573	604	635	665	696	726
28	28	59	87	118	148	179	209	240	271	301	332	362	28	393	424	452	483	513	544	574	605	636	666	697	727
29	29	88	119	149	180	210	241	272	302	333	363	363	29	394	453	484	514	545	575	606	637	667	698	728	
30	30	89	120	150	181	211	242	273	303	334	364	364	30	395	454	485	515	546	576	607	638	668	699	729	
31	31	90	151	182	212	243	274	304	335	365	365	31	396	455	486	516	547	577	608	639	669	700	730		

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INCOME CALCULATIONS

- One size does not fit all
- Analyze current earnings / history/ income types
- Prepare a LOGICAL calculation
- Document: 3555-21

Attachment 9-A can help!



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#13: Paystub Flexibility

- 4 weeks of earnings
- 4 weeks may not = 30 days
- YTD figure still required



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Effective Date

- 60 days from Procedure Notice publication
- Advance Copy available



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USDA Regulations and Guidelines: HB-1-3555

<https://www.rd.usda.gov/publications/regulations-guidelines>

The screenshot shows the USDA Rural Development website. The header includes the USDA logo, the text 'United States Department of Agriculture Rural Development', and navigation links for 'About USDA', 'Ask The Expert', 'Help', and 'En Español'. A search bar is present. The main navigation menu includes 'Home', 'About RD', 'Programs & Services', 'Browse by State', 'Newsroom', 'Publications', and 'Contact Us'. The current page is 'Regulations & Guidelines', as indicated by the breadcrumb 'Home / Publications / Regulations & Guidelines' and the 'Back to Previous Page' link. A left sidebar contains a 'Publications' menu with items like 'Overview', 'Brochures', 'Fact Sheets', 'Translated Fact Sheets', 'Regulations & Guidelines' (highlighted), 'Reports', 'Publications for Cooperatives', 'Strategic Plan', 'Environmental Studies', and 'Forms In Spanish'. The main content area is titled 'Regulations & Guidelines' and contains text about finding federal regulations, a service to post instructions and forms, and a note about accessibility issues. A 'Rural Development' section lists various documents, with 'Handbooks' highlighted in yellow.

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- Regulations & Guidelines**
- Reports
- Publications for Cooperatives
- Strategic Plan
- Environmental Studies
- Forms In Spanish

Regulations & Guidelines

All Federal regulations can be found at Regulations.gov and customers can search, review and submit comments on Federal documents that are open for comment and published in the Federal Register.

As a service to our customers, we post Rural Development's Instructions, Administrative Notices, and forms. The Instructions are available in three file formats: Adobe Acrobat (PDF) and Microsoft Word (doc). To the extent possible, all documents have been made available in either Adobe Acrobat Ver 5.0 and higher, or Text and are 508 compliant. If you should have accessibility issues and need a hard copy, please send an e-mail to comments@wdc.usda.gov.

If you are having problems with this page, need a hard copy of any of the documents due to accessibility issues or would like to be added to the Regulations Update distribution list (available for Rural Development employees only with a valid Rural Development e-mail address), please e-mail comments@wdc.usda.gov.

Rural Development

- Administrative Notices
- Instructions
- Forms
- Spanish Forms, Form Letters and Guide Letters
- Handbooks**
- Procedures Notices
- Significant Guidance Documents
- Unnumbered Letters
- Federal Register Publications

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 7** - Loan Terms and Conditions
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- Chapter 9** - Income Analysis
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- Chapter 19** - Custodial and Real Estate Owned Property
- Chapter 20** - Loss Claims - Collecting on the Guarantee

Acronyms

Glossary

- Appendix 1** - 7 CFR part 3555
- Appendix 2** - Forms and Instructions
- Appendix 3** - Review and Appeals
- Appendix 4** - Agency and Employee Addresses
- Appendix 5** - Income Limits
- Appendix 6** - Interest Assistance
- Appendix 7** - Cairns Access Instructions
- Appendix 8** - EDI Documentation
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- Appendix 10** - Unnumbered Letter and State Supplements

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USDA LINC: Training and Resource Library

<https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library>

The screenshot shows the USDA LINC Training & Resource Library website. The header includes the USDA logo and navigation links: Home, About RD, Programs & Services, Browse by State, Newsroom, Publications, and Contact Us. A search bar is located in the top right corner. The main content area is titled "USDA LINC Training & Resource Library" and features a list of training resources under the heading "7 CFR 3555".

USDA LINC Training & Resource Library

7 CFR 3555 | Electronic Status Reporting | Guaranteed Annual Fee | Guaranteed Underwriting System | Lender Loan Closing | Loss Claim Administration | Loan Origination | Loss Mitigation | Property Disposition | Security

The documents and material contained in the USDA LINC Training and Resource Library use Adobe PDF and Adobe Flash formats. To view PDF files you must have Adobe Acrobat Reader installed on your computer. To view Flash files you must have Adobe Flash Player installed on your computer.

7 CFR 3555

Training

1. Become an Approved Lender (Webcast) 16 minutes
 - Become an Approved Lender: 1 slide per page (Training Handout)
 - Become an Approved Lender: 2 slides per page (Training Handout)
 - Become an Approved Lender: Slide with notes (Training Handout)
2. 7 CFR 3555 and HB-1-3555 Overview (Webcast) 23 minutes
 - 7 CFR 3555 and HB-1-3555 Overview: 1 slide per page (Training Handout)
 - 7 CFR 3555 and HB-1-3555 Overview: 2 slides per page (Training Handout)
 - 7 CFR 3555 and HB-1-3555 Overview: Slide with notes (Training Handout)
3. Applicant Eligibility (Webcast) 17 minutes
 - Applicant Eligibility: 1 slide per page (Training Handout)
 - Applicant Eligibility: 2 slides per page (Training Handout)
 - Applicant Eligibility: Slide with notes (Training Handout)
4. Property Eligibility (Webcast) 14 minutes
 - Property Eligibility: 1 slide per page (Training Handout)
 - Property Eligibility: 2 slides per page (Training Handout)



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