



USDA United States Department of Agriculture
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Loan Terms

Single Family Housing Guaranteed Loan Program

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Training Objectives

- Where is the topic located?
 - * 7 CFR Part 3555 and HB-1-3555
- Learning Checks
- Resources

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Things change!

- Every effort has been made to ensure training references are accurate at the time of publication.
- Always reference the most recent USDA publications available online.

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Guaranteed Loan Program Regulation

7 CFR Part 3555

- The regulation is the rule!
- 8 Subparts: A – H
- Appendix 1

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7 CFR Part 3555

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

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Rural Development

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

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7 CFR Part 3555

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Handbooks

- **HB-4-3555 SFH Guaranteed Loan Program Technical Handbook**
- HB-1-3550 Direct Single Family Housing Loans and Grants - Field Office Handbook
- HB-2-3550 Direct Single Family Housing Loans and Grants - Centralized Servicing Center Handbook
- HB-1-3560 MFH Loan Origination Handbook
- HB-2-3560 MFH Asset Management Handbook
- HB-3-3560 MFH Project Servicing Handbook
- HB-1-3565 Guaranteed Rural Rental Housing Program Origination and Servicing Handbook
- Application Information Systems Support Handbook
- HB-1-3550 Direct Single Family Housing Loans and Grants - Field Office Handbook

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- Chapter 1 - Overview
- Chapter 2 - Record Retention
- Chapter 3 - Lender Approval
- Chapter 4 - Lender Responsibilities
- Chapter 5 - Origination and Underwriting Overview
- Chapter 6 - Loan Purposes
- Chapter 7 - Loan Terms and Conditions
- Chapter 8 - Applicant Characteristics
- Chapter 9 - Income Analysis
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- Chapter 11 - Ratio Analysis
- Chapter 12 - Property and Appraisal Requirements
- Chapter 13 - Special Property Types
- Chapter 14 - Funding Priorities
- Chapter 15 - Submitting the Application Package
- Chapter 16 - Closing the Loan and Requesting the Guarantee
- Chapter 17 - Regular Servicing-Performing Loans
- Chapter 18 - Servicing Non-Performing Loans - Accounts with Repayment Problems
- 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
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- Appendix 4 - Agency and Employee Addresses
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- Appendix 8 - EDI Documentation
- Appendix 9 - Penalties
- Appendix 10 - Unnumbered Letter and State Supplements

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7 CFR Part 3555

3555.104 Loan terms.

- (a) Interest rate.
- (b) Repayment period.
- (c) Repayment schedule.
- (d) Negative amortization.

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7 CFR Part 3555: 3555.104

(a) Interest rate. The loan must be written at an interest rate that:

- (1) Is fixed over the term of the loan;
- (2) Shall be negotiated between the lender and borrower to allow the borrower to obtain the best available rate available;
- (3) Does not exceed the Fannie Mae rate for 30 year fixed rate conventional loans, as authorized in Exhibit B of subpart A of part 1810 of this Chapter (RD Instruction 440.1, available in any Rural Development office) or online at: <http://www.rd.usda.gov/publications/regulations-guidelines> and;
- (4) If the interest rate increases between the time of the issuance of the conditional commitment and the loan closing, the lender will note the change in the loan closing package and submit appropriate updated documentation and underwriting analysis to confirm that the applicant is still eligible.

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7 CFR Part 3555: 3555.104

- (b) Repayment period. The term of the loan may not exceed 30 years. Adjustable rate mortgages, balloon term mortgages or mortgages requiring prepayment penalties are ineligible terms.
- (c) Repayment schedule. Amortized payments will be due and payable monthly.
- (d) Negative amortization. The loan note must not provide for interest on interest.

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Guaranteed Loan Program Technical Handbook HB-1-3555

- Provides guidance to support the regulation
- HB is not the rule
- 20 Chapters

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HB-1-3555

HB-1-3555 SFH Guaranteed Loan Program Technical Handbook

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HB-1-3555

CHAPTER 7: LOAN TERMS AND CONDITIONS

- 7.1 INTRODUCTION
- 7.2 MAXIMUM LOAN AMOUNT
- 7.3 LOAN TERMS
 - A.. Repayment Period
 - B. Interest Rate
 - C. Terms Unacceptable for a Guarantee

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TIPS

- Underwriter = USDA Approved Lender
- USDA = not an underwriter
- Research Rule & HB questions: Table of Contents
- Research Rule & HB questions: Control + F

7 CFR Part 3555

supplemental social security income and Social Security benefits received in a lump sum:

(vii) Any earned income tax credit.

(viii) Adoption assistance in excess of any amount determined pursuant to HUD's definition of annual income at 24 CFR 5.609(c);

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7 CFR PART 3555 / HB-1-3555 LEARNING CHECKS

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Question Slide

“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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ANSWER SLIDE

“Topic”

ANSWER: 7 CFR Part 3555 and HB-1-3555 references provided

X. Correct Response

- Additional guidance for clarification may be provided

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LET'S GET
STARTED

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Loan terms
A 15 year term is eligible for a USDA guaranteed loan.

A. TRUE B. FALSE

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Loan terms

ANSWER: 3555.104(a)(1) and HB 7.3 A

B. FALSE

- The loan term must be 30 years
- Loan terms less than 30 years are unauthorized
- No prepayment penalties apply

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Loan terms

USDA publishes a daily interest rate for guaranteed loans.

A. TRUE B. FALSE

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Loan terms

ANSWER: 3555.104(a)(2) and HB 7.3 B

B. FALSE

- Rate is negotiated between lender and applicant

Interest rates may not exceed:

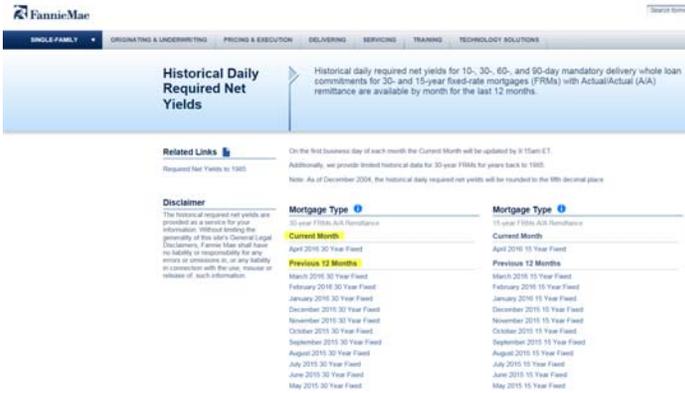
- Fannie Mae 90 day delivery for fixed rate mortgage
- Plus 100 basis points
- Rounded up to the nearest quarter of one percent

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Loan terms: Interest Rate Resource

<https://www.fanniemae.com/singlefamily/historical-daily-required-net-yields>



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Loan terms: Interest Rate Resource Example

MANDATORY DELIVERY COMMITMENT —
30-YEAR FIXED RATE A / A

DATE	TIME	10-DAY	30-DAY	60-DAY	90-DAY
04/01/2016	08:15	03.08552	03.11182	03.14873	03.18555
04/04/2016	08:15	03.07746	03.10428	03.13918	03.17911
04/05/2016	08:15	03.04999	03.07661	03.11170	03.15179
04/06/2016	08:15	03.08012	03.10699	03.14064	03.18016
04/07/2016	08:15	03.06992	03.09673	03.13160	03.17266
04/08/2016	08:15	03.02728	03.05490	03.09066	03.13533
04/11/2016	08:15	03.04556	03.06736	03.10724	03.14297
04/12/2016	08:15	03.05259	03.07444	03.11461	03.15615
04/13/2016	08:15	03.07152	03.09397	03.13954	03.18122
04/14/2016	08:15	03.07263	03.09517	03.13545	03.17640
04/15/2016	08:15	03.07968	03.10253	03.14239	03.18326
04/18/2016	08:15	03.04723	03.06997	03.10904	03.15314
04/19/2016	08:15	03.07217	03.09529	03.13400	03.17704
04/20/2016	08:15	03.09214	03.11484	03.15148	03.19329
04/21/2016	08:15	03.16413	03.18580	03.22240	03.26291
04/22/2016	08:15	03.16513	03.18698	03.22369	03.26456
04/25/2016	08:15	03.16815	03.19053	03.22758	03.26949
04/26/2016	08:15	03.19549	03.21831	03.25516	03.29557



Loan terms

Maximum Interest Rate Calculation Example

- Interest Rate Locked: April 26th
- 90 day Fannie Mae rate on April 26th: 3.29
- 3.29 + 100 basis points = 4.29
- Round up to nearest ¼ of 1% = 4.50%

An interest rate locked on April 26th can not exceed 4.50%

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- Form RD 3555-21 states interest rate is floating
- 5% is entered for the interest rate
- The maximum interest rate for the date USDA reviews the loan is 4.25%
- The loan is ineligible until the lender corrects the interest rate

A. TRUE B. FALSE

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Loan terms

ANSWER: 3555.104(a)(3) and HB 7.3 B

B. FALSE

- It is the lender's responsibility to ensure the interest rate is eligible at the time of lock/loan closing
- Loans closed at unauthorized interest rates will be ineligible for a loan note guarantee without correction

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Loan terms

- Interest rate locked on April 5th
- Fannie Mae 90 day rate: 3.15179%
- What is the maximum interest rate the lender may offer the applicant

A. 4.25% B. 4.00%

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Loan terms

ANSWER: 3555.104(a)(3) and HB 7.3 B

A. 4.25%

- $3.15 + 100 \text{ basis points} = 4.15\%$
- Round up to nearest quarter of one percent = 4.25%

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Loan terms

Lenders must charge the maximum allowable interest rate.

A. TRUE B. FALSE

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Loan terms

ANSWER: 3555.104(a)(3) and HB 7.3 B

B. FALSE

- Lenders negotiate the interest rate with applicants
- The maximum rate must not be exceeded at the time of rate lock

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Which loan term(s) is eligible:

- A. Fixed interest rate
- B. Adjustable interest rate
- C. Negative amortization
- D. Balloon mortgage
- E. Prepayment penalties

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Loan terms

ANSWER: 3555.104(b),(c),(d) and HB 7.3 C

- A. Fixed interest rate

- Adjustable interest rate, negative amortization, balloon mortgages and prepayment penalties are ineligible loan terms

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WAY TO GO!

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