

Welcome to Maximum Loan Amount, presented by USDA's Single Family Housing Guaranteed Loan Program!



Training Objectives

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

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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.



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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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.



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 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.

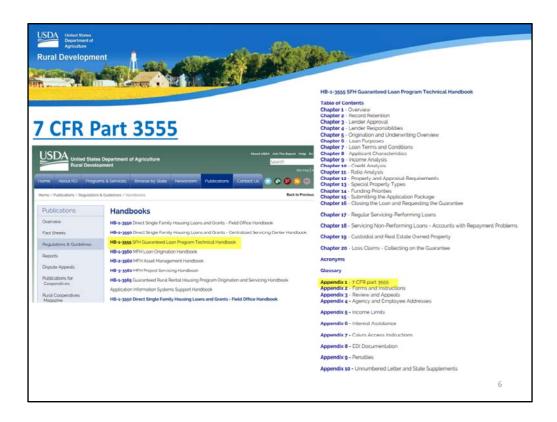
You can access the full regulation online as Appendix 1 from the Regulations and Guidelines website.



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.



7 CFR Part 3555

Subpart C: Loan Requirements

• .101: Loan Purposes

• .102: Loan restrictions

• .103: Maximum loan amount

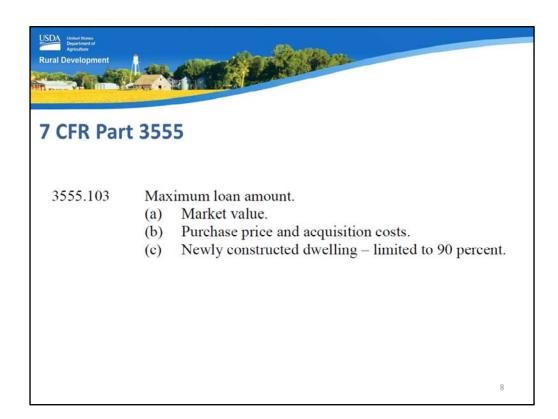
• .104: Loan terms

• .105: Combination construction and permanent loans

• .107: Application for and issuance of loan guarantee

• .108: Full faith and credit

Maximum loan amount is located in Subpart C, Section 3555.103.



The regulation Table of Contents provides a quick view of the individual topics included under this Section.



Guaranteed Loan Program Technical Handbook HB-1-3555

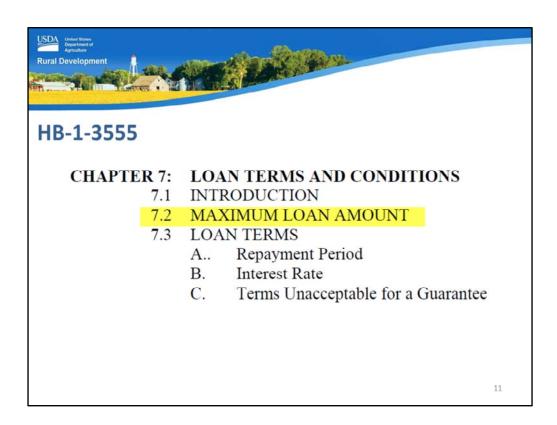
- Provides guidance to support the regulation
- HB is not the rule
- 20 Chapters

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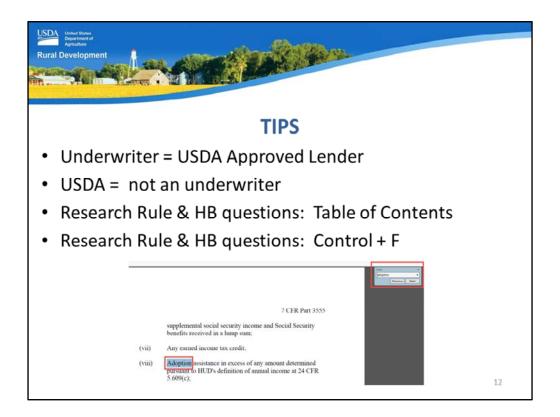
The 7 CFR Part 3555 regulation cannot cover every topic and every potential scenario, therefore a technical handbook has been published to support the regulation and provide additional clarification. HB-1-3555 has 20 chapters.



The handbook may be accessed from the Regulations and Guidelines website. Maximum loan amount guidance is located in Chapter 7.

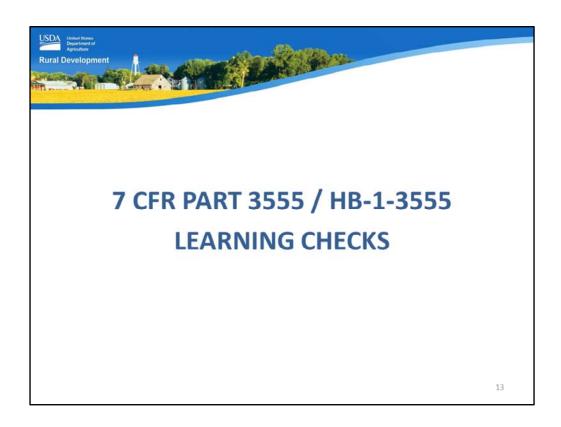


This screen shot displays the Table of Contents of Chapter 7. This helps the user to locate specific topics more quickly.



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!



"Topic"

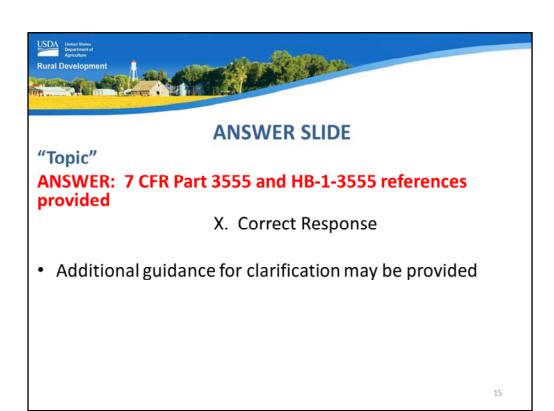
- Question will be bulleted with scenario, or
- Include a statement/question

TRUE/FALSE or other answer options will be displayed

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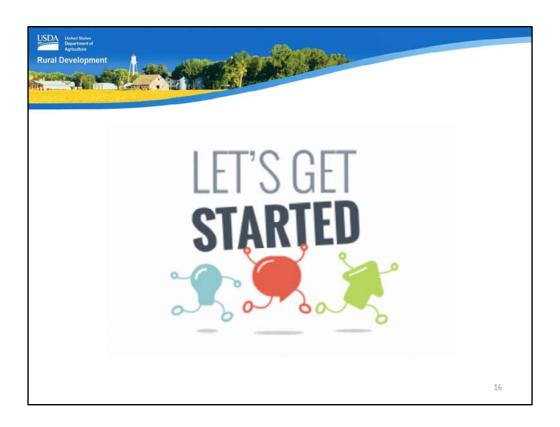
Each question slide will list:

- 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!



• Purchase price: \$162,500

• Closing costs to be financed: \$2,000

• Upfront guarantee fee will be financed

• Appraised value: \$165,000

• What is the maximum loan amount allowed?

A. 100% of Appraised Value

B. 100% of Appraised value plus upfront guarantee fee

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Read the question on the slide and select a response.



ANSWER: 3555.103(a), HB 7.2

- B. 100% of Appraised Value plus upfront guarantee fee
- This is the maximum loan amount authorized
- Applicants are not required to finance the upfront guarantee fee
- Upfront guarantee fee may be financed in whole or as a portion

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Response B: 100% of the Appraised Value plus the upfront guarantee fee

This is the maximum loan amount authorized under 7 CFR Part 3555.

Applicants are not required to finance the upfront guarantee fee.

The upfront guarantee may be entirely financed, or a portion of it may be included in the loan amount. The borrower may also pay for all or part of the upfront guarantee fee out of their own funds or use eligible gift or grant funds to pay for it in order to keep it out of the financed loan amount.

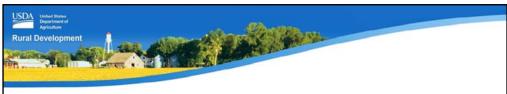


Which cost is not eligible to be financed:

- A. Upfront guarantee fee
- B. Purchase price
- C. Discount points to permanently reduce interest rate
- D. Real estate commission and/or administration fees
- E. Appraisal fee

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Read the question on the slide and select a response.



ANSWER: 3555.103(b), HB 7.2

- D. Real estate commission and/or administration fees
- Commissions, finders fees, administration fees, etc. are ineligible loan costs per 3555.101(b)
- Borrowers may pay for these fees from their own funds

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Response D

Real estate commissions and/ or administration fess are not eligible loan purposes under 3555.101(b), so therefore they cannot be included in the loan amount or paid for with seller concessions.

Borrowers may pay for these fees out of their own personal funds.



- New construction home purchase price: \$210,000
- Appraised Value: \$224,500
- There is no acceptable building permit or evidence of construction inspections
- Maximum loan amount is limited to the following:
- A. 100% of Appraised value plus upfront guarantee fee
- B. 90% of Appraised Value plus upfront guarantee fee

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Read the question on the slide and select a response.



ANSWER: 3555.103(c), HB 7.2

- B. 90% of Appraised Value plus upfront guarantee fee
- New dwelling does not have evidence to meet 3555.202(a)
- No acceptable building permit/plans and specs, no required inspections, and/or no builder warranty
- Dwelling remains eligible but at a reduced maximum loan amount

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Response B

When a new construction dwelling does not have the appropriate evidence required under 3555.202(a) to ensure it was constructed per an eligible building permit, per certified building plans and specifications, there are no acceptable inspections performed, and/or there is not an acceptable builder's warranty, then the property is only eligible for a maximum loan amount of 90 percent of the Appraised Value plus the upfront guarantee fee.



Purchase price: \$195,900Appraised Value: \$193,000

• Property is ineligible for loan guarantee

A. TRUE B. FALSE

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Read the question on the slide and select a response.



ANSWER: 3555.103(a), HB 7.2

B. FALSE

- · Borrower may bring the difference to loan closing
- Maximum loan amount would continue to be 100% of Appraised Value plus upfront guarantee fee

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False

If a property were to appraise for less than the contract purchase price, it will not render the transaction ineligible. The borrower may bring the difference to loan closing, or they may wish to renegotiate the purchase agreement based upon the appraisal report.

The maximum loan amount will continue to be 100% of the Appraised Value plus the upfront guarantee fee.



Purchase price: \$145,000Appraised Value: \$152,000

Housing grant: \$15,000, forgiven over 5 years
What is the maximum loan amount that may be

guaranteed?

A. 100% of Appraised Value plus upfront guarantee fee

B. 100% of Appraised Value plus upfront guarantee and eligible assistance programs

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Read the question on the slide and select a response.



ANSWER: 3555.103(a), HB 7.2

A. 100% of Appraised Value plus upfront guarantee fee

- No maximum CLTV: Maximum loan amount = 3555.103
- Assistance programs may be subordinated, but they are not covered under the Loan Note Guarantee
- Applicants are not required to finance the upfront guarantee fee

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Response A

There is no maximum Combined Loan To Value or CLTV for the guaranteed loan program. USDA adheres to the maximum loan amount which may be issued a Loan Note Guarantee.

Assistance and grant programs may be subordinated to the first lien, but no part of these funds will be covered under the Loan Note Guarantee.

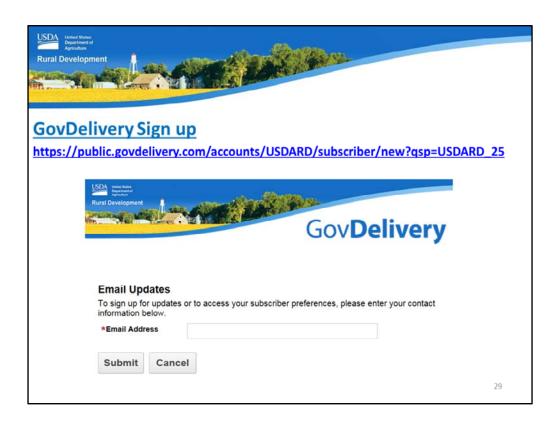
And again...applicant's are not required to finance the upfront guarantee fee, but it is an option!



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!