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

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.
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.
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.
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!
Each question slide will list:
• the topic
• A question or scenario, and
• potential responses.

“Topic”

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

TRUE/FALSE or other answer options will be displayed
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!
**Maximum loan amount**

- 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

Read the question on the slide and select a response.
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.
Maximum 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

Read the question on the slide and select a response.
Response D

Real estate commissions and/or administration fees 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.
Maximum loan amount

- 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

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

Maximum loan amount

- Purchase price: $195,900
- Appraised Value: $193,000
- Property is ineligible for loan guarantee

A. TRUE    B. FALSE
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.
Maximum loan amount

- Purchase price: $145,000
- Appraised 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

Read the question on the slide and select a response.
Maximum loan amount

**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

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!