Ownership Requirements

Single Family Housing Guaranteed Loan Program (SFHGLP)
Fee Simple VS Leasehold
Ownership Requirements

Borrower must have an acceptable ownership interest in the property.

Holds a fully marketable title with a deed that vests full interest in the property to the borrower as the mortgagor.

Has right to use and occupy real estate for a stated term and under certain conditions that have been conveyed by a lease.

7 CFR 3555.203
Secured Leasehold Interest

Borrower is unable to obtain fee simple title to the property.

Leasehold must be fully marketable in the area.

Unexpired term of at least 45 years from the date of the loan closing.

Mortgage must cover both the property improvements and the land.

Leasehold estate must constitute real property, subject to the mortgage lien, insured by a title policy.

Lease must be recorded in the appropriate local real estate records.

Except properties located on American Indian restricted land.
Loans to Native Americans on Restricted or Trust Land

HB-1-3555, Chapter 16.12(B)(2)

- Evidence of legal/effective foreclosure procedures
- Evidence of legal/effective eviction procedures
- Procedures ensuring the Guaranteed loan will always have first priority
- Copy of tribe’s lease for use on residential land
- Lender will adhere to the tribe’s mortgage, foreclosure, and eviction ordinances
- See Chapter 16.12(B)(2) for guidance on all other leasehold interest
Lender Responsibility

Compare the deed of trust or real estate mortgage with title to:

- Assess lien priority
- Assure collateral is accurately covered
- Verify date/time recorded
- Ensure all closing instructions have been followed
Lender Responsibility

**Leasehold Interest Properties**

- Rent charged for the lease may not exceed the rate paid for comparable leases.
- Appraisal must document the lease conditions.
- Lessor must own the fee-simple title.
- Attachment 16-A - The language regarding amendments to mortgages with leasehold interests and must be inserted in the mortgage.

Ownership Requirements

Secure Leasehold Interest

HB-1-3555 Chapter 16.12(B)(2)
Security Requirements

7 CFR 3555.204

- Recorded Security Document
- Adequate Security
- Prior Liens
- Collateral
Agency must review and accept any restrictions before loan closing. Agency may place conditions on resale price and rights of first refusal.

Trust must terminate upon foreclosure or acceptance by the lender of a deed in lieu of foreclosure.

Organization must meet the definition of a community land trust. Organized under State or local laws and dedicated to decent affordable housing.

Lender’s file must contain evidence of community support, local market acceptance, and two years of affordable housing experience.

Property must be appraised as leasehold interest and meet the provisions of 7 CFR 3555.203.
LEARNING CHECKS

7 CFR Part 3555 / HB-1-3555
If a borrower is selling a property that is currently in a Community Land Trust, would Rural Development consider 50% to be a reasonable share of the appreciation for the borrower?

A. YES  B. NO
C. Restrictions on Resale Price

- If the program permits the borrower to sell the property at market value but recaptures part of the equity, the Agency considers a reasonable share of appreciation to be at least 50 percent. The Agency does not object to situations whereby the borrower’s share of appreciation is on a sliding scale beginning at zero, provided that within two years the homeowner would be permitted to retain 50 percent of the appreciation.
QUESTION
Ownership Requirements

• If a borrower is selling a home that is part of a Community Land Trust, which item below is not a required cost the borrower is permitted to recover?

A. Original Purchase Price
B. Sales Commission
C. Seller Paid Closing Costs
D. Capital Improvements
C. Seller Paid Closing Costs

- The borrower must be permitted to recover at least the original purchase price, sales commission, and cost of capital improvements when the borrower sells the property.
QUESTION
Ownership Requirements

• Whose responsibility is it to compare the deed or trust or real estate mortgage with the title opinion to assess lien priority?

A. The Borrower
B. The Agency
C. The Lender
D. The Closing Agent
C. The Lender

- After closing, the lender must compare the deed of trust or real estate mortgage with the title opinion to assess lien priority, assure the collateral is accurately covered, verify the date and time record, and ensure that the loan closing instructions have been followed.
QUESTION

Ownership Requirements

• What two forms of ownership are acceptable to Rural Development?

A. Common Interest Community
B. Secure Leasehold Interest
C. Community Property
D. Fee Simple
After the loan is closed, the borrower must have an acceptable ownership interest in the property.
QUESTION
Ownership Requirements

• What is a Community Land Trust

A. A type of property that is owned by multiple people.
B. A type of property that is only owned by a married couple.
C. A community housing development organization that owns and leases land at affordable prices.
7 CFR Part 3555.10 and HB-1-3555 13.3 (A)

C. A community housing development organization that owns and leases land at affordable prices

- Community land trust. A private nonprofit community housing development organization that is established to acquire parcels of land, held in perpetuity, primarily for conveyance under long-term ground leases.
Way to Go!  
LEARNING CHECK COMPLETED!
Lender Toolkit
Navigate through these resources and tools like an expert!

Take the “Program Overview Training”

Available on the USDA LINC:

PART 3555—GUARANTEED RURAL HOUSING PROGRAM

Contents

Subpart D—Underwriting the Applicant

§3555.151 Eligibility requirements.
§3555.152 Calculation of income and assets.
§3555.153-3555.199 [Reserved]
§3555.200 OMB control number.

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 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
Chapter 10 - Credit Analysis
Chapter 11 - Ratio Analysis
Chapter 12 - Property and Appraisal Requirements
Chapter 13 - Special Property Types
Have a question on POLICY?

Contact the PAC team!

Need TRAINING?

Contact the LPA team!

Have a question on a SPECIFIC FILE?

Contact the OPD!
Monitor posted turn times daily

Don’t forget to sign up for GovDelivery updates

Lender Webpage

https://www.rd.usda.gov/page/sfh-guaranteed-lender

SFH Guaranteed Lender

COVID-19
An Important notice for servicers with loans insured or guaranteed by the Rural Housing Service CARES Act
Forbearance Fact Sheet for Mortgages and Servicers

Loan Status
We are currently reviewing new loan applications and conditions received on or before 06/19/2020

Subscribe to Notifications
Critical program information such as policy updates, funding statuses, and automation changes are sent by email through GovDelivery Sign Up to Receive Critical Updates

Overview
On February 16, 2020 we integrated the Guaranteed Loan Program into a single integrated national team! For more information, please reference our Integration Information sheet.

USDA Rural Development’s Guaranteed Loan Program assists approved lenders in providing up to 100% financing for eligible borrowers (households that do not exceed 115% of the Median Household Income) purchasing homes in eligible rural areas. Automated underwriting assistance through GUS (Guaranteed Underwriting System) allows for expanded ratios and flexible credit.

We now have Single Close Construction-to-Permanent Financial & single-close loan combines the features of a
USDA Rural Development
U.S. DEPARTMENT OF AGRICULTURE

www.rd.usda.gov
1 (800) 800-670-6553

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