Upfront Guarantee Fee & Annual Fee

Single Family Housing Guaranteed Loan Program
Training Objectives

• Where is the topic located?
  * 7 CFR Part 3555 and HB-1-3555

• Learning Checks

• Resources
Guaranteed Loan Program Regulation

7 CFR Part 3555

• The regulation is the rule!
• 8 Subparts: A – H
• Appendix 1
7 CFR Part 3555

7 CFR Part 3555

HB-1-3555 SFH Guaranteed Loan Program Technical Handbook

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Chapter 9 - Income Analysis
Chapter 10 - Credit Analysis
Chapter 11 - Ratio Analysis
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Chapter 13 - Special Property Types
Chapter 14 - Funding Priorities
Chapter 15 - Submitting the Application Package
Chapter 16 - Closing the Loan and Requesting the Guarantee

Appendix 1 - 7 CFR part 3555
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Appendix 3 - Review and Appeals
Appendix 4 - Agency and Employee Addresses
Appendix 5 - Income Limits
Appendix 6 - Interest Assistance
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Appendix 8 - EDI Documentation
Appendix 9 - Penalties
Appendix 10 - Unnumbered Letter and State Supplements
7 CFR Part 3555

3555.107 Application for and issuance of the loan guarantee.
   (a) Processing of applications.
   (b) Automated underwriting.
   (c) Manual underwriting.
   (d) Appraisals.
   (e) Environmental requirements.
   (f) Issuance of a conditional commitment.
   (g) Loan guarantee fee.
   (h) Annual fee.
   (i) Proper closing and requesting the loan note guarantee.
   (j) Issuance of the guarantee.
7 CFR Part 3555: 3555.107(g)

(g) Loan guarantee fee. The lender must pay a nonrefundable up-front guarantee fee, the cost of which may be passed on to the borrower. The up-front guarantee fee will not exceed 3.5 percent of the principal obligation. The current guarantee fee is available at any Rural Development office and may change periodically. Notice of a change in fee will be published as authorized in Exhibit K of subpart A of part 1810 of this chapter (RD Instruction 440.1, available in any Rural Development office) or online at: http://www.rurdev.usda.gov/rd_instructions.html. Once the guarantee has been issued, the fee will not be refunded.
(h) **Annual fee.** The Agency may impose an annual fee of the lender not to exceed 0.5 percent of the average annual scheduled unpaid principal balance of the loan for the life of the loan to allow the Agency to reduce the up-front guarantee in Sec. 3555.107(g). The annual fee will be applicable to purchase and refinance loan transactions. The annual fee may be passed on to the borrower by the lender. The Agency may assess a late charge to the lender if the annual fee is not paid by the due date, and the late charge may not be passed on to the borrower. Further administrative guidance is provided in the handbook.
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), Microsoft Word 6.0 (doc), and Text (txt). 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
- Forms
- Spanish Forms, Form Letters and Guide Letters
- Handbooks
- Procedures Notices
- Significant Guidance Documents
- Unnumbered Letters
- Federal Register Publications
440.1

Instructions

PART 1800: GENERAL

404.1 Case Classifications for Rural Development Borrowers
425.1 (806-A) Real Property Insurance
425.2 (805-B) National Flood Insurance
440.1 (810-A) Interest, Rates, Amortization, Guarantee Fee, Annual Charge, and Fixed Period; Exhibits (PDF only)
444.8 (1812-G) Rural Housing Site Loan Policies, Procedures, and Authorizations
450.5 Change of Borrower’s Address, Transfer of Loan Records, and Related Loan Servicing Actions
RD Instruction 440.1
Exhibit K

FEES FOR GUARANTEED LOANS

COMMUNITY AND BUSINESS PROGRAMS

Water and Waste Disposal 1%
Community Facilities 1%
Business and Industry 2%
Drought and Disaster 1%
Disaster Assistance for Rural Business Enterprises 1%
Business and Industry Disaster Loans 1%

FARMER PROGRAMS

For Farm Service Agency fees, see FSA Handbook 2-FLP.

SINGLE FAMILY HOUSING PROGRAMS

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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
HB-1-3555 SFH Guaranteed Loan Program Technical Handbook

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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
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Appendix 3 - Review and Appeals
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Appendix 5 - Income Limits
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Appendix 10 - Unnumbered Letter and State Supplements
16.4 UP-FRONT LOAN GUARANTEE
A. Purchase Loans – Up-Front Loan Guarantee Fee
B. Refinance Loans – Up-Front Loan Guarantee Fee
C. Calculation of Loan Up-Front Guarantee Fee

16.5 ANNUAL FEE
A. Amount of Annual Fee
B. Calculation of Annual Fee
C. Due Date of Annual Fee
D. Payment of Annual Fee
E. Advance Notice, Billing and Reconciliation of Annual Fee
F. Lender’s Late Charge on Unpaid Annual Fee
G. Period Covered by Annual Fee
H. Duration of Annual Fee
I. Pro rata Payment of Annual Fee
J. Method of Payment of the Annual Fee
K. Nonpayment of the Annual Fee
USDA LINC: Online Calculator
https://usdalinc.sc.egov.usda.gov/USDALincTrainingResourceLib.do

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Guaranteed Annual Fee Billing and Payment

Documentation & Resources
1. Guaranteed Annual Fee Calculation Methodology (PDF)
2. Guarantee Fee & Annual Fee Calculator(EXCEL)
3. Guaranteed Annual Fee Lender User Agreement (PDF)
4. Guaranteed Annual Fee Service Bureau User Agreement (PDF)
5. Guaranteed Annual Fee Implementation Guide (PDF)
6. Guaranteed Annual Fee Getting Started User Guide (PDF)
7. Guaranteed Annual Fee User Guide (PDF)
### Rural Development SFH Guaranteed Mortgage Loan Amortization Schedule

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**Loan summary:**
- **Scheduled Monthly Payment:** $757.79
- **Scheduled Number of Payments:** 360
- **Actual Number of Payments:** 360
- **Upfront Guarantee Fee:** $1,540.40
- **Total Annual Fee:** $9,780.33
- **Total interest:** $118,761.01
- **1st Year Monthly Annual Fee:** $44.58
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## Rural Development SFH Guaranteed Mortgage Loan Amortization Schedule

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### Borrower Name: CU Member

- **Scheduled Monthly Payment:** $757.79
- **Scheduled Number of Payments:** 360
- **Actual Number of Payments:** 360
- **Upfront Guarantee Fee:** $1,540.40
- **Total Annual Fee:** $9,780.33
- **Total Interest:** $118,761.01
- **1st Year Monthly Annual Fee:** $44.58

[Go to Annual Fee Schedule]

**Note:**
- [GRH Upfront Fee Calculator](#) [Loan Amortization Schedule](#) [Annual Fee Schedule](#) [Fee Prorating Calculator](#)
Online Calculator

**SFH Guaranteed Annual Fee Schedule**

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Fiscal Year

USDA Fiscal Year (FY):
• October 1st through September 30th
• Upfront and annual fee structures may change for each FY
• USDA publishes notification of FY fee structures
Fiscal Year and Conditional Commitments

• The date of Conditional Commitment issuance by USDA reflects the applicable fee structure

• The date of loan closing does not dictate the applicable fee structure

• All loans must close under the authorized terms of the issued Conditional Commitment
Fiscal Year and Conditional Commitments

Example:

- FY 2016 fee structure: Upfront 2.75%, Annual .50%
- FY 2017 fee structure: Upfront 1%, Annual .35%

- Conditional Commitment issued: August 15, 2016
- FY 2016 fee structure applies
- Commitments are valid for a minimum of 90 days
- Loan closes: October 15, 2016 (fee structure does not change to FY 2017)
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 / HB-1-3555
LEARNING CHECKS
“Topic”

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

TRUE/FALSE or other answer options will be displayed
“Topic”

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

X. Correct Response

• Additional guidance for clarification may be provided
LET’S GET STARTED.
Upfront guarantee fee and annual fee

The upfront guarantee fee is non-refundable once a Loan Note Guarantee (LNG) is issued by USDA.

A. TRUE  B. FALSE
Upfront guarantee fee and annual fee

ANSWER: 3555.107(g) and HB 16.4

A. TRUE

- Once the LNG is issued, the upfront fee cannot be refunded
- Refinanced guaranteed loans are not eligible for a refund of any portion of the paid upfront guarantee fee
Upfront guarantee fee and annual fee

The upfront guarantee fee and/or annual fee are subject to change each fiscal year.

A. TRUE  B. FALSE
Upfront guarantee fee and annual fee

ANSWER: 3555.107(g), (h), HB 16.4, and 16.5

A. TRUE

• Fiscal year is October 1 through September 30
• The date of Conditional Commitment issuance (Form RD 3555-18/18E) by USDA determines the applicable fees for the loan
• USDA announces fees through GovDelivery notices and published guidance
Upfront guarantee fee and annual fee

The annual fee percentage that is applicable may fluctuate year the loan is in repayment.

A. TRUE  B. FALSE
Upfront guarantee fee and annual fee

ANSWER: 3555.107(h), HB 16.5

B. FALSE

• The Conditional Commitment will state the applicable annual fee for the life of the loan
• The annual fee is fixed at the time of loan closing
• If the loan is refinanced into a new USDA guaranteed loan, the applicable fee structure will apply for that fiscal year
Upfront guarantee fee and annual fee

The entire upfront guarantee fee must be financed into the total loan amount.

A. TRUE    B. FALSE
The upfront guarantee fee may be:

- Financed into the loan amount,
- Partially financed, or
- Paid in full, no portion financed
Upfront guarantee fee and annual fee

Under 7 CFR Part 3555, the upfront guarantee fee may not exceed ____%.

A. 2  
B. 3.5
Upfront guarantee fee and annual fee

ANSWER: 3555.107(g) and HB 16.4

B. 3.5 percent

• Maximum fee is in the Housing Act of 1949, as amended
• Congress must take legislative action to amend
• The fee structure ensures a subsidy neutral program = no taxpayer dollars
Upfront guarantee fee and annual fee

Under 7 CFR Part 3555, the annual fee may not exceed ____%.

A. .50  B. .30
Upfront guarantee fee and annual fee

ANSWER: 3555.107(h) and HB 16.5

A. .50 percent

- Maximum fee is in the Housing Act of 1949, as amended
- Congress must take legislative action to amend
- The fee structure ensures a subsidy neutral program = no tax payer dollars
Upfront guarantee fee and annual fee

USDA may assess a late fee to the lender if the annual fee is not paid when due.

A. TRUE    B. FALSE
Upfront guarantee fee and annual fee

ANSWER: 3555.107(h) and HB 16.5 F

A. TRUE

• Annual fee bills are typically sent to the lender/servicer electronically
• Lenders typically pay the annual fee electronically
• Lenders must ensure an authorized account is on file with USDA
Upfront guarantee fee and annual fee

The applicable upfront guarantee fee and/or annual fee may differ for a purchase and refinance transaction.

A. TRUE       B. FALSE
Upfront guarantee fee and annual fee

ANSWER: 3555.107(g), (h), HB 16.4 and 16.5

A. TRUE

• USDA will publish fiscal year notices to announce the applicable fee structures

• Sign up for GovDelivery notices
Upfront guarantee fee and annual fee

The annual fee will cease to be collected when 80% loan to value (LTV) is achieved.

A. TRUE       B. FALSE
Upfront guarantee fee and annual fee

ANSWER: 3555.107(h) and HB 16.5 H

B. FALSE

• The annual fee applies for the life of the loan
• At no time will the annual fee cease unless the loan is refinanced into a difference loan program
Upfront guarantee fee and annual fee

• Conditional Commitment issued: August 20th
• Loan closed: October 30th
• USDA changed fiscal year fee structures on October 1st

The lender must ensure the new FY fee structure is utilized

A. TRUE    B. FALSE
Upfront guarantee fee and annual fee

ANSWER: 3555.107(g),(h) and HB 16.2

B. FALSE

- Conditional Commitment was issued August 20th
- The applicable fee structure for August 20th applies
- Receipt of Conditional Commitment in one fiscal year but closing in another fiscal year does not alter the fee structure
WAY TO GO!
Regulations

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*Email Address

Submit Cancel
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