

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



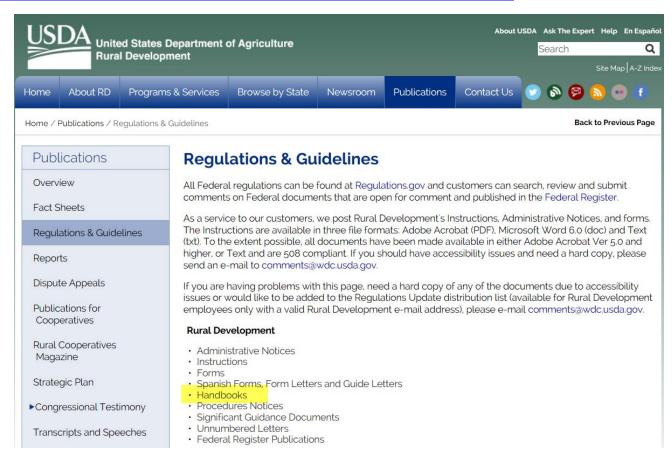
Guaranteed Loan Program Regulation 7 CFR Part 3555

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



7 CFR Part 3555

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





7 CFR Part 3555



HB-1-3555 SFH Guaranteed Loan Program Technical Handbook

Table of Contents

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- Chapter 2 Record Retention
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- 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
- Appendix 3 Review and Appeals
- Appendix 4 Agency and Employee Addresses
- Appendix 5 Income Limits
- Appendix 6 Interest Assistance
- Appendix 7 Caivrs Access Instructions
- 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.

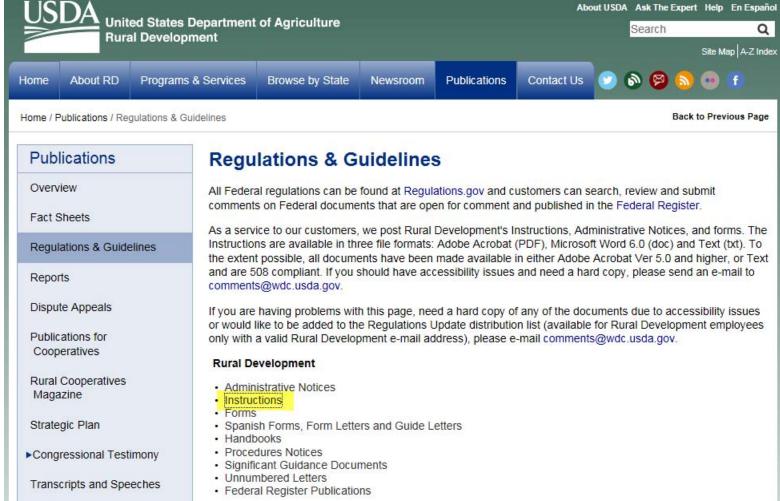


7 CFR Part 3555: 3555.107(h)

(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.



440.1





440.1





440.1 Exhibit K

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

New section 502 Guaranteed loan	1.00%
Refinance of existing section 502 Guaranteed loan or Direct loan	1.00%
Annual Fee	0.35%
Annual Fee Late Charge	4.00%



Guaranteed Loan Program Technical Handbook HB-1-3555

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



HB-1-3555



HB-1-3555 SFH Guaranteed Loan Program Technical Handbook

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HB-1-3555: Chapter 16

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

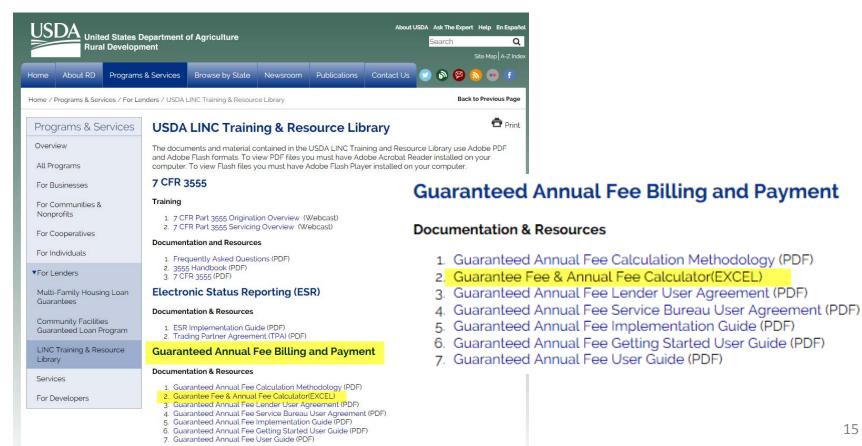
16.5 ANNUAL FEE

- 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





Annual Fee Rate:

Lender Name: NCUA Member

Rural Development SFH Guaranteed Mortgage Loan Amortization Schedule

Enter values Loan amount: 154,040.40 (Including upfront Guarantee fee if financed) Annual interest rate: 4.25 % Loan Period in Years: 30 Number of Payments Per Year: 12 (Must be 12 for RD Loans)

Loan Closing Date: 11/12/2016 (See comment for instructions on this field by mousing over the cell) Start Date of Loan: 1/1/2017 (See comment for instructions on this field by mousing over the cell) Upfront Guarantee Fee: 1.00 %

0.35 %

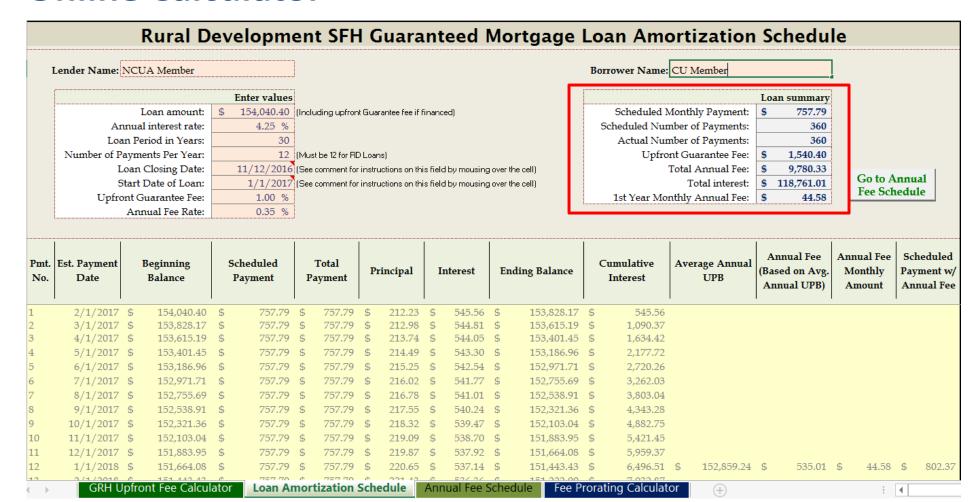
Loan summary Scheduled Monthly Payment: 757.79 Scheduled Number of Payments: 360 Actual Number of Payments: 360 Upfront Guarantee Fee: 1,540.40 Total Annual Fee: 9,780.33 Total interest: \$ 118,761.01 1st Year Monthly Annual Fee: 44.58

Borrower Name: CU Member

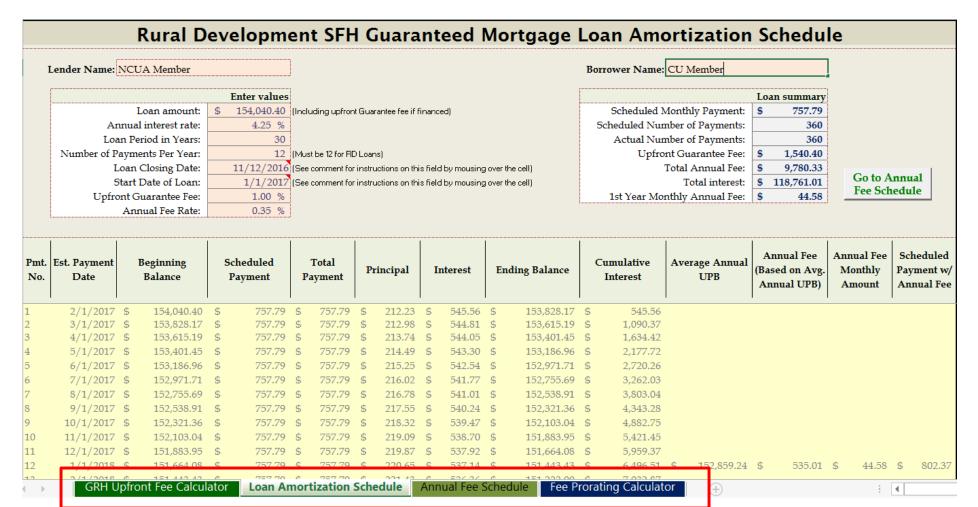
Go to Annual Fee Schedule

Pmi	Est. Payment Date	Begin Bala			icheduled Payment	P	Total ayment	Pı	rincipal	Iı	nterest	I	Ending Balance		Cumulative Interest	Average Annual UPB	Annual Fee (Based on Avg. Annual UPB)	Annual Fee Monthly Amount	Schedule Payment Annual F	w/
1	2/1/2017	\$ 15	4,040.40	\$	757.79	\$	757.79	\$	212.23	\$	545.56	\$	153,828.17	\$	545.56					
2	3/1/2017	\$ 150	3,828.17	\$	757.79	\$	757.79	\$	212.98	\$	544.81	\$	153,615.19	\$	1,090.37					
3	4/1/2017	\$ 150	3,615.19	\$	757.79	\$	757.79	\$	213.74	\$	544.05	\$	153,401.45	\$	1,634.42					
4	5/1/2017	\$ 150	3,401.45	\$	757.79	\$	757.79	\$	214.49	\$	543.30	\$	153,186.96	\$	2,177.72					
5	6/1/2017	\$ 150	3,186.96	\$	757.79	\$	757.79	\$	215.25	\$	542.54	\$	152,971.71	\$	2,720.26					
6	7/1/2017	\$ 15	2,971.71	\$	757.79	\$	757.79	\$	216.02	\$	541.77	\$	152,755.69	\$	3,262.03					
7	8/1/2017	\$ 15	2,755.69	\$	757.79	\$	757.79	\$	216.78	\$	541.01	\$	152,538.91	\$	3,803.04					
8	9/1/2017	\$ 15	2,538.91	\$	757.79	\$	757.79	\$	217.55	\$	540.24	\$	152,321.36	\$	4,343.28					
9	10/1/2017	\$ 15	2,321.36	\$	757.79	\$	757.79	\$	218.32	\$	539.47	\$	152,103.04	\$	4,882.75					
10	11/1/2017	\$ 15	2,103.04	\$	757.79	\$	757.79	\$	219.09	\$	538.70	\$	151,883.95	\$	5,421.45					
11	12/1/2017	\$ 15	1,883.95	\$	757.79	\$	757.79	\$	219.87	\$	537.92	\$	151,664.08	\$	5,959.37					
12	1/1/2018	\$ 15	1,664.08	\$	757.79	\$	757.79	\$	220.65	\$	537.14	\$	151,443.43	\$	6,496.51	\$ 152,859.24	\$ 535.01	\$ 44.58	\$ 802.	.37
12	2/4/2040	ф <u>1</u> Е	1 442 42	Φ.	757.70	Φ	757.70	œ.	221 42	0	E26.26	Φ	151 222 00		7 022 07					
4	GRH U	Ipfront Fe	e Calcul	ator	Loan An	nor	tization !	Sch	edule	Ann	ual Fee S	ich	nedule Fee P	ror	ating Calculato	or (+)			4	











	SFF	l Guarant	te	ed Ann	ual	Fee	So	chedul	e			
ler	nder Name:	NCUA Member										
Lei	idei ivaille.	NCUA Member										
Borro	wer Name:	CU Member										
		I										
		Loan Amount:	\$	154,040.40						1		
		Interest Rate:		4.25%		Back to	Back to Loan Amortization					
	L	oan Term (Years):		30			Schedule					
Loan Term (Months):				360								
Upfront Guarantee Fee:			\$	1,540.40								
		Total Annual Fee:	\$	9,780.33								
	Borrower				An	mual Fee		Annual Fee	S	cheduled		
Year of	of Monthly Annual Fee		A	verage Annual		(Based on Avg.		Monthly	Payment w/			
Loan	Pmt. No.	Payment Date	UPB		•	nual UPB)	Amount		Annual Fee			
1	12	1/1/2018	\$	152,859.24	\$	535.01	\$	44.58	\$	802.37		
2	24	1/1/2019		150,211.08	\$	525.74	\$	43.81	\$	801.60		
3	36	1/1/2020	\$	147,448.16	\$	516.07	\$	43.01	\$	800.80		
4	48	1/1/2021	\$	144,565.50	\$	505.98	\$	42.17	\$	799.96		
5	60	1/1/2022	\$	141,557.93	\$	495.45	\$	41.29	\$	799.08		
6	72	1/1/2023	\$	138,420.01	\$	484.47	\$	40.37	\$	798.16		
7	84	1/1/2024	\$	135,146.10	\$	473.01	\$	39.42	\$	797.21		
8	96	1/1/2025		131,730.31	\$	461.06	\$	38.42	\$	796.21		
9	108	1/1/2026		128,166.48	\$	448.58	\$	37.38	\$	795.17		
10	120	1/1/2027		124,448.20	\$	435.57	\$	36.30	\$	794.09		
11	132	1/1/2028		120,568.77	\$	421.99	\$	35.17	\$	792.96		
12	144	1/1/2029		116,521.20	\$	407.82	\$	33.99	\$	791.78		
13	156	1/1/2030		112,298.24	\$	393.04	\$	32.75	\$	790.54		
14	168	1/1/2031	\$	107,892.28	\$	377.62	\$	31.47	\$	789.26		
	100	- 1- 1	de				- de		-			
15 16	180 192	1/1/2032		103,295.35	\$	361.53 344.75	\$	30.13	\$ ¢	787.92 786.52		



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 <u>date of Conditional Commitment issuance</u> 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

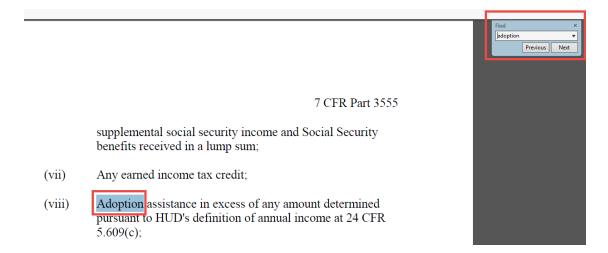
Example:

- 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



Question Slide

"Topic"

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

TRUE/FALSE or other answer options will be displayed



ANSWER SLIDE

"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.



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

A. TRUE B. FALSE



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



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

A. TRUE B. FALSE



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



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

A. TRUE B. FALSE



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



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

A. TRUE B. FALSE



Upfront guarantee fee and annual fee ANSWER: 3555.107(g) and HB 16.4 C 1, 2, and 3 B. FALSE

The upfront guarantee fee may be:

- Financed into the loan amount,
- Partially financed, or
- Paid in full, no portion financed



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

A. 2 B. 3.5



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 tax payer dollars



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

J allu nd 10.5

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



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



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



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



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



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



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



- 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



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

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





GovDelivery Sign up

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Email Updates

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